

1. The first step is to identify the problem.
2. The second step is to analyze the problem.
3. The third step is to develop a solution.
4. The fourth step is to implement the solution.
5. The fifth step is to evaluate the results.

6. The sixth step is to monitor the results.

7. The seventh step is to report the results.

8. The eighth step is to review the results.

9. The ninth step is to conclude the results.
10. The tenth step is to summarize the results.

11. The eleventh step is to discuss the results.

12. The twelfth step is to present the results.

BYLAWS**OF****Lafayette Woods Homeowners Association
A MINNESOTA NON-PROFIT CORPORATION****ARTICLE I
INCORPORATION**

Section 1. Name. The name of the corporation is Lafayette Woods Homeowners Association, ("Association"). The Association is formed pursuant to Chapter 317A, Minnesota Statutes, known respectively as the Minnesota Non-Profit Corporation Act.

Section 2. Date of Incorporation. The Articles of Incorporation of the Association were filed in the office of the Secretary of State of the State of Minnesota on October 21, 1996.

Section 3. Membership and Voting. The membership of the Association shall consist of the Lot Owners of lots within Lafayette Woods, Sherburne County, Minnesota (hereinafter referred to as the "Lafayette"), which was created by the filing of the Declaration of the Lafayette in the office of the County Recorder, Sherburne County, Minnesota, (the "Declaration"). Membership in the Association shall be appurtenant to, and shall not be separated from, Lot ownership in the Lafayette. A person shall cease to be a member of the Association at such time as that person ceases to be a Lot Owner of a Lot. Each Lot shall have one vote. Where there is more than one Lot Owner of a Lot, all of such Lot Owners shall be members of the Association and the vote allocated to that Lot in accordance with the Declaration and these Bylaws shall be cast as the Lot Owners among themselves may determine and signify in writing to the Association, but in no event shall more than one vote be cast with respect to any Lot nor shall the vote allocated to a Lot be split or otherwise cast separately by the Lot Owners. Where there is more than one Lot Owner of a Lot, the Lot Owners thereof shall notify the Secretary of the Association in writing of the name of the Lot Owner who has been designated to cast the vote attributable to that Lot, on behalf of all the Lot Owners of that Lot. If the Owners of a Lot cannot agree on the Lot Owner who is to be designated to cast the vote attributable to the Lot owned by such Owners, or on the manner in which such vote is to be cast, the Lot Owners shall submit such dispute to the Board of Directors of the Association. The Board of Directors shall resolve such dispute in the manner determined by the Board of Directors to be fair and equitable and such determination shall be binding on said Lot Owners. Membership in the Association shall automatically pass when the ownership of a Lot is transferred in any manner.

**ARTICLE II
MEMBERS**

Section 1. Place of Meeting. Meetings of members and directors of the Association may be held at such places within the State of Minnesota, County of Sherburne, as may be designated by the Board of Directors.

Section 2. Annual Meetings. The first annual meeting of the members shall be held within sixty (60) days following the expiration of the period of Declarant Control as set forth in the Declaration or within sixty (60) days if called by the Board of Directors or within sixty (60) days following the resignation or expiration of a term of a Director. Each subsequent regular annual meeting of the members shall be held at least once each year on the same day of the same month of each year thereafter (unless the Board of Directors designates a different date for annual meetings), at such hour as may be designated by the Secretary in the notice of said meeting, as hereinafter provided. At each annual meeting, the members shall, subject to the provisions of Section 2 of Article III hereof, appoint members to the Board of Directors from among themselves and shall transact such other business as may properly come before the meeting.

Section 3. Special Meetings. Special meetings of the members may be called for any purpose at any time by the President or by the Board of Directors, on their own initiative or upon the delivery of a written request signed by Lot Owners of Lots to which are assigned twenty-five percent (25%) or more of the votes in the Association to either the President or the Secretary, stating the purpose or purposes of the special meeting. No business shall be transacted in a special meeting of the members except as stated in the notice of the meeting, as hereinafter provided.

Section 4. Notice of Meetings. At least twenty-one (21) days in advance of any annual or regularly scheduled meeting, and at least seven (7) days in advance of any other meeting, the Secretary of the Association shall send to each Lot Owner a written notice of the time, place and complete agenda of the meeting which is the subject of such notice. Such notice shall be hand delivered or sent by United States mail to all Lot Owners of record at the address of their respective Lots and to such other addresses as any Lot Owner may have designated in writing to the Secretary. Lot Owners of record shall be those Lot Owners who are registered with the Secretary as provided in Article I Section 4 on a date specified by the Board of Directors (the "Record Date"). Such Lot Owners of record shall be entitled to notice of any duly called meeting of the Members; provided that the Board of Directors may not specify a Record Date which is more than thirty-five (35) days prior to the date of an annual meeting or more than twenty (20) days prior to the date of a special meeting. A Lot Owner may at any time waive notice of any meeting by a signed writing or by attendance at the meeting.

Section 5. Quorum and Adjournment. The presence of members in person or represented by proxy who have the authority to cast ten percent (10%) of the total of the votes of all members of the Association shall be requisite for and shall constitute a quorum at all meetings of the Association for the transaction of business except that of adjourning the meeting to reconvene at a subsequent time and except as otherwise provided by law. If, however, such percentage

shall not be present or represented at any such meeting, the members entitled to vote thereat, present in person or by proxy, shall have power to adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum shall be present, at which time any business may be transacted which might have been transacted at the meeting as initially called had a quorum then been present. The quorum, having once been established at a meeting, shall continue to exist for that meeting, notwithstanding the departure of any member previously in attendance in person or by proxy.

Section 6. Voting Register. At the beginning of each meeting of the members, the Secretary shall deliver to the chairman for the meeting a written list of the Lot numbers, the respective name or names of the Lot Owners entitled to notice of such meeting, and the respective name of the person (in the case of multiple Lot Owners) authorized to vote.

Section 7. Order of Business. The order of business at annual meetings of the members, and at such other membership meetings of the members as may be practical, shall be as follows:

- a. Presenting of Voting Register, proxy certification and establishment of a quorum.
- b. Reading or distribution of minutes of the preceding meeting of the Members.
- c. Reports of officers.
- d. Reports of committees.
- e. Appointment by the Chairman of inspectors of election as determined by the Chairman or when requested by a member of the Board of Directors.
- f. Election of members of the Board of Directors.
- g. Unfinished business.
- h. New business.
- i. Adjournment.

Section 8. Manner of Voting. Proxies shall be in writing, signed by the member giving the Proxy, and filed with the Secretary of the Association prior to the meeting. All elections and all questions shall be decided by the concurring vote of the members who are entitled to cast a majority of the votes represented by all members present in person or by proxy at a meeting, except as otherwise specifically provided in the Declaration, these Bylaws or the Act. Cumulative voting shall not be permitted. Every proxy shall be revocable and shall automatically cease upon the expiration of eleven (11) months from the date of its execution, upon the

conveyance by the member of his Lot or upon the member's personal attendance at the meeting.

No vote in the Association shall be deemed to inure to any Lot during the time when the Lot Owner thereof is the Association.

Section 9. Action Taken Without A Meeting. Any action which might be taken at a meeting of the Lot Owners may be taken without a meeting if authorized in a writing or writings signed by all of the Lot Owners.

ARTICLE III BOARD OF DIRECTORS

Section 1. Number and Qualification. The first Board of Directors shall consist of the persons designated as directors in the Articles of Incorporation of the Association, who need not be Lot Owners. Upon the ending of the terms of the first Board of Directors, the Board of Directors shall be composed of five (5) Directors, all of whom shall be Members; or, in the case of ownership of a Lot by a fiduciary, partnership or corporation, shall be officers, partners or employees of such fiduciary, partnership or corporation.

Section 2. Term of Office. Notwithstanding the right to remove a director under Section 9 of this Article III, and notwithstanding anything else herein contained, Declarant may elect the members of the Board of Directors of the Association during the period from the date of the first conveyance of a Lot to a Lot Owner other than Declarant until that date which is five (5) years after the date of recording of the Declaration; or until that date which is sixty (60) days after the conveyance of seventy-five percent (75%) of the Lots (including any Lots which have then or may thereafter be added to the Lafayette pursuant to Section 8 of the Declaration establishing the Lafayette) to Lot Owners other than Declarant; or a recording of a written surrender of control of the Association by the Declarant, whichever first occurs. Upon the happening of the earliest of said events, all Directors elected by the Declarant shall resign from the Board of Directors. Notwithstanding the foregoing, however, not later than sixty (60) days after conveyance of fifty percent (50%) of the Lots (including Lots which have then or may thereafter be added to the Lafayette pursuant to Section 8 of the Declaration) to Lot Owners other than Declarant, one-third (1/3) of all of the members of the Board of Directors shall be elected by Lot Owners other than the Declarant. Upon the resignation from the Board of Directors of all Directors elected by the Declarant, five (5) directors shall be elected, three (3) for a two-year term, and two (2) for a one-year term. At each annual meeting thereafter, three (3) or two (2) (as the case may be) directors shall be elected, to a two-year term, as successors to the three (3) or two (2) (as the case may be) directors whose terms are then ending. The term of a member of the Board of Directors shall expire upon the election of a successor at an annual meeting of the Members. A director shall hold office until he shall resign and his resignation shall have become effective, or until a qualified successor has been elected and shall have accepted the office, or until the director has been removed in accordance with the provisions of these Bylaws. The Board of Directors elected by the

Declarant shall have the power to adopt these Bylaws of the Association, to elect officers, to establish a schedule of assessments and shall have generally the powers and duties of the Board of Directors as set forth herein and in the Declaration.

Section 3. Election. The five (5) directors being elected upon the resignation from the Board of Directors of all Directors elected by the Declarant shall be elected in one voting. Each Lot shall be entitled to cast up to five (5) votes. Such votes may not be used cumulatively and, if cast, must be cast for separate candidates. At the initial election of directors, the candidates receiving the first, second and third highest number of votes shall be elected to two-year terms and the candidates receiving the fourth and fifth highest number of votes shall be elected to a one-year term. Thereafter, the three (3) or two (2) (as the case may be) directors being elected at any annual meeting shall be elected in one voting. Each Lot shall be entitled to cast three (3) or two (2) (as the case may be) votes. Such votes may not be used cumulatively and such three (3) or two (2) (as the case may be) votes, if cast, must be cast for three (3) or two (2) (as the case may be) separate candidates. After the initial election of directors, all directors elected at any annual meeting shall be elected to two-year terms.

Section 4. General Powers. The Board of Directors shall manage the property, affairs and business of the Association. Specifically, and without limiting the generality of the foregoing, the Board of Directors shall have the power to:

- a. Adopt and publish administrative rules and regulations governing the operation and the use of the Common Elements, the use and occupancy of the Lots and the personal conduct of the members and their tenants and guests thereon and therein, parking, matters of aesthetics affecting the Lafayette or any part thereof and such other matters as are necessary or desirable to the harmonious use and enjoyment of the Lafayette by the Lot Owners, copies of all of which rules and regulations shall be made available to all Lot Owners;
- b. Supervise the operation, maintenance, repair and replacement of the Common Elements and the making of any additions or improvements thereto;
- c. Exercise for the Association all powers, duties and authority vested in or delegated to the Association and not reserved to the membership by law or by other provisions of these Bylaws, the Articles of Incorporation or the Declaration;
- d. Authorize the making of any contracts, leases, management contracts, employment contracts or leases of recreational areas or facilities on behalf of the Association, engage the services of and discharge a manager, managing agent, independent contractor or other employees as they deem necessary, and determine the duties and compensation of such persons. No such lease or contract shall be entered into on behalf of the Association whose term exceeds two (2) years; and any contract for professional management of the Property, or any other contract providing for services by the Declarant, shall be terminable by the Association or the other party thereto on 90 days' written notice without cause and without the imposition of any penalty or termination fee and shall be terminable for cause by the

Association on 30 days' written notice;

e. Lease or purchase and mortgage a Lot, Lots or other residential quarters for management and maintenance personnel. All rental or debt service paid by the Association pursuant to such lease agreement or mortgage shall be a general Common Expense;

f. Determine what shall constitute Common Expenses required for the affairs of the Association, which shall include all ordinary or extraordinary and necessary expenses for the operation and the repair, replacement and maintenance of the Real Estate, and the establishment of a reserve for future repair, replacement and maintenance of those portions of the Common Elements which must be repaired, replaced or maintained on a periodic basis;

g. Levy and collect the Common Expenses from the Lot Owners;

h. Open bank accounts on behalf of the Association and designate signatories required therefor;

i. Obtain insurance for the Lafayette pursuant to the provisions of the Declaration; and

j. Dedicate or transfer easements for public utilities or other public purposes consistent with the intended use of the Common Elements over any part of the Common Elements to any governmental subdivision or public agency or public utility.

Section 5. General Duties. In addition to and without limitation of the powers and duties assigned to the Board of Directors elsewhere herein, by the Declaration or by the Act, it shall be the duty of the Board of Directors to:

a. Contract for labor and materials needed to maintain, repair and replace the Common Elements, pay for insurance, utilities and other expenses of operating the Common Elements and of performing the other duties of the Association as provided by law, the Declaration or herein, and assess the costs thereof against the members of the Association in the manner provided for by the Act, herein and in the Declaration. The Board shall include in the Annual assessments such amount as is necessary to accumulate an adequate reserve for the maintenance, repair and replacement of those Common Elements that must be replaced, repaired or maintained on a periodic basis, and may accumulate an additional reserve from time to time in anticipation of extraordinary Common Expenses.

b. Cause to be kept detailed, accurate records in chronological order, of the receipts and expenditures affecting the Common Elements, specifying and itemizing the maintenance repair and replacement expenses of the Common Elements and any other expenses incurred. Such records and the vouchers authorizing the payments shall be available for examination by the Lot Owners during normal business hours.

c. Prepare or cause to be prepared an annual report, a copy of which shall be provided to each Lot Owner with the notice of each annual meeting and shall be available to each Lot Owner at the annual meeting, showing the financial affairs of the Association, and containing at a minimum the following:

- (i) A statement of any capital expenditures in excess of 2% of the current budget or \$5,000.00, whichever is greater, approved by the Association for the current fiscal year or succeeding two (2) fiscal years;
- (ii) A statement of the balance of any reserve or replacement fund and any portion of the fund designated by the Board for any specified project;
- (iii) A copy of the statement of revenues and expenses for the Association's last fiscal year and a balance sheet as of the end of said fiscal year;
- (iv) A statement of the status of any pending litigation or judgments in which the Association is a party;
- (v) A detailed description of the insurance coverage provided by the Association, including a statement as to which, if any, of the items referred to in Section 515.3-113, subsection (b) if the Act are insured by the Association; and
- (vi) A statement of the total past due assessments on all individual Lots, current as of not more than 60 days prior to the date of the meeting.

Any member of the Association shall have the right, upon reasonable notice to the Treasurer, to review the accounts and financial records of the Association. If the Association does not elect to include an audit as a part of the Common Expenses, one or more members may call for an audit of the affairs of the Association by written notice to the President. If the audit shall disclose errors of three percent (3%) or greater in any figures contained in the most recent statements issued by the Board, the Association shall bear the expense of the audit. If no such error of three percent (3%) or greater shall be established by the audit, the member or members requesting the audit shall bear the entire expense thereof, which shall be a lien upon their individual Lots until paid.

Section 6. Limitation of Authority. Anything herein or in the Declaration to the contrary notwithstanding, unless specifically authorized herein or in the Declaration, the Board of Directors shall have no authority, except as may specifically be granted by the majority (or such higher number as may otherwise be required hereunder, by the Declaration) of the members present in person or by proxy at a meeting thereof, to do any of the following:

a. Purchase any Lot except that the Board of Directors may accept any Lot surrendered to it for unpaid assessments and may purchase a Lot at any sale held pursuant to foreclosure for unpaid assessments provided that the Board of Directors shall not, unless authorized by the members, bid, at any such foreclosure sale, any amount in excess of the total of the delinquent assessment on account of which the foreclosure sale is being held, any interest thereon and other costs related thereto which are, pursuant to the Declaration, and hereunder, collectible from the Lot Owner of such Lot.

b. Levy or assess as a Common Expense the cost of any capital improvement or acquisition, other than the repair or replacement of an existing portion of the Real Estate unless specifically authorized by not less than 2/3 of the total voting power of the Association.

Section 7. Resignation. A Director of the Association may resign at any time by giving thirty (30) days written notice to the Board of Directors, such resignation to take effect at the time of receipt of such notice or at any later date or time specified therein. Unless otherwise specified therein, acceptance of a resignation shall not be necessary to make it effective.

Section 8. Vacancy. A vacancy on the Board of Directors caused by resignation, death, disqualification, removal or any inability to act shall be filled by the Board of Directors and such action shall be valid notwithstanding the fact that the number of Directors then in office is less than the number specified herein.

Section 9. Removal. Any Director or all Directors, except the members of the first Board of Directors, may be removed at any time with or without cause by a majority vote of a quorum of the Owners at any annual or special meeting of the Association. A Director shall be automatically removed without a meeting or other action of the Owners on the date of closing of any sale or transfer of his Lot or on the date of transfer of possession thereof in connection with any such sale or transfer, whichever occurs earlier.

Section 10. Regular Meeting. The regular annual meeting of the Board of Directors shall be held without notice at the place, and immediately following the adjournment of the annual meeting of the members of the Association, to transact such business as may properly come before the Board.

Section 11. Special Meetings of the Board of Directors. Special meetings of the Board of Directors shall be held upon written request of the President or of any Director, stating the purpose or purposes thereof. Notice of such meeting shall be given by personal delivery or by mail or facsimile transmission to each Director, addressed to him at his residence or usual place of business at least three (3) days before the day on which such meeting is to be held. Every such notice shall state the time, place and purpose of the meeting. No business other than that stated in the notice shall be transacted at said meeting without the unanimous consent of the Directors.

Section 12. Quorum and Manner of Acting. Except as otherwise provided by statute, the Declaration or these Bylaws, a majority of the Directors in office at the time of any meeting of the Board of Directors shall constitute a quorum for transaction of business at such meeting and the act of a majority of the Directors present at any such meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the Directors present may adjourn the meeting from time to time without notice other than announcement at the meeting until a quorum be had.

Section 13. Waiver of Notice. Notice of a special meeting may be waived by any member of the Board of Directors in writing and shall be waived by attendance at such meeting in person.

Section 14. Action Taken Without A Meeting. Any action which might be taken at a meeting of the Board of Directors may be taken without a meeting if authorized in a writing or writings signed by all of the Directors.

Section 15. Fidelity Bonds. The Board of Directors shall require that all officers, directors, employees and representatives of the Association, and all officers, employees and agents of any management agent employed by the Association, handling or responsible for the Association funds shall furnish adequate fidelity bonds. Such fidelity bonds shall be in such amount as the Board of Directors deems appropriate but not less than the amount required by the Act or less than three times the estimated monthly assessments plus the amount of any reserves. Such bonds shall name the Association as an obligee, shall contain waivers of defenses based on exclusion of persons serving without compensation and shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least 10 days' prior written notice to the Association and each holder of a first mortgage on any Lot. The premiums on such bonds shall be a Common Expense.

Section 16. Compensation. No Director shall receive compensation for any service he may render in his capacity as a member of the Board of Directors unless such compensation is approved at a meeting of the members. However, any Director may be reimbursed, by resolution of the Board of Directors, for his actual expenses incurred in the performance of his duties as a Director.

ARTICLE IV OFFICERS AND THEIR DUTIES

Section 1. Officers. The officers of the Association shall be a President, Vice President, a Secretary and a Treasurer and such assistant or other officers as the Board of Directors may designate. Each officer shall be selected by a majority vote of the Board of Directors. One person may hold the office and perform the duties of any two of said officers; provided, however, that the same person shall not at the same time hold the offices of President and Secretary. The President shall be selected from among the Board of Directors. Each officer shall continue in office until:

- a. The next annual meeting of the Board and thereafter until a successor is elected; or
- b. He shall resign and his resignation shall have become effective; or
- c. He shall no longer be a member of the Association (provided that officers selected by the first Board of Directors need not be members of the Association); or
- d. He shall be removed as hereinafter provided.

Vacant offices shall be filled by the Board.

Section 2. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for that purpose.

Section 3. Duties of Officers. The officers shall have the duties and responsibilities normally pertaining to their respective offices together with such specific duties as may be specified by the Articles of Incorporation, these Bylaws or the Board of Directors. The President shall preside over the meetings of the Board of Directors and of the Association of Lot Owners, shall have all of the general powers and duties which are normally vested in the office of President of a corporation and shall have the power to execute contracts and similar documents on behalf of the Association. In the absence of the President, the Vice President shall assume and perform the duties of the President. The Secretary shall keep the minute book of the Association wherein minutes of all meetings and all resolutions, proceedings and votes of the members and of the Board of Directors shall be recorded, and shall keep a record of the name and mailing address of each Lot Owner, and the Lot or Lots in which he has an interest and shall give all notices required by the Articles of Incorporation of the Association, these Bylaws, or the Declaration. The Treasurer shall keep the financial records and books of account of the Association. The Treasurer shall have custody of all intangible property of the Association, including funds, securities and evidences of indebtedness. The Treasurer shall deposit all moneys and other valuable effects in the name of or to the credit of the Association in such depositories as may be designated by the Board of Directors and shall disburse the funds of the Association as ordered by the Board of Directors and shall perform all other duties incident to the office of Treasurer, including the annual review of the financial statements of the Association. He shall furnish upon request of any Lot Owner a statement as to the current account of the Lot Owner upon the assessment rolls of the Association. Officers shall serve without compensation except for reimbursement for out-of-pocket expenses incurred in the performance of their duties. If desired by the Board, administrative tasks of the officers may be performed by a managing agent selected by the Board.

ARTICLE V
OPERATION OF THE PROPERTY

Section 1. Budget; Levy. The Board of Directors shall from time to time, and at least annually in advance of the beginning of the Association's fiscal year, prepare a budget of Common Expenses for the Association and shall allocate, assess and levy such Common Expenses among the Lot Owners in accordance with the fractional interests specified in Exhibit A to the Declaration. Upon the vote of the Board of Directors adopting a resolution which sets forth the budget of Common Expenses and the allocation thereof to the Lot Owners, the amount so allocated to the Lot Owners of each Lot shall, without further resolution by the Board of Directors, be levied as the annual assessment against such Lot, payable in one (1) annual payment due 30 days after Dues Statement is mailed. The Common Expenses shall include those Common Expenses set forth in the Declaration and these Bylaws and may include such other amounts as the Board of Directors may deem proper for the operation and maintenance of the Property, provided, however, that the assessment for Common Expenses shall include an adequate reserve fund for maintenance, repair and replacement of those Common Elements that must be replaced on a periodic basis, and shall, when practicable, be payable in regular installments. Contributions to any reserve funds established by the Association may not be withdrawn by any Lot Owner. The Board of Directors shall advise all Lot Owners in writing prior to the beginning of the period covered by the budget as to the amount of the Annual assessment payable by each of them, and shall, upon request by the Lot Owner, furnish copies of each budget on which such Common Expenses and the assessment are based to such Lot Owner and to his First Mortgagee. The total of any budget shall be in the amount of the estimated Common Expenses for the period covered thereby, including a reasonable allowance for contingencies and reserves, less the amounts of any unneeded Common Expense account balances existing from the previous period's budget, and less any estimated payments to be received by the Association from rental, licensing or other payments for the purpose of defraying the costs of the use of the Common Elements. If a budget is not made by the Board of Directors as required, an Annual assessment in the amount required by the last prior budget shall be due upon each Annual assessment payment date until changed by a new budget. In the event an annual or other budget proves to be insufficient, or in the event of extraordinary or unforeseen Common Expenses, the budget and monthly assessments based thereon may be amended, or a special assessment levied, at any time by the Board of Directors. Any special assessment shall be assessed against the Lot Owners, shall be a lien on the Lots and shall be enforceable in the same manner as the monthly assessments. Special assessments shall be payable in installments or lump sum, all as designated by the Board of Directors.

Section 2. Payment of Common Expenses. All Owners shall be obligated to pay the Common Expenses assessed and levied by the Board of Directors pursuant to Section 1 of this Article V. An Owner may not avoid assessment for Common Expenses by failing or waiving the right to use or enjoyment of the Common Elements. Monthly assessments shall be due as provided in Section 1 of this Article V and special assessments shall be due when designated by the Board of Directors. Any mortgagee acquiring a first mortgage interest from any Owner of a Lot and

its appurtenant undivided interest in Common Elements may, as a condition of the loan, include in the mortgage note or deed a requirement that the mortgagor, upon execution of the mortgage deed, make a monthly deposit with the mortgagee of an amount each month sufficient to pay when due and payable all Common Expenses attributable to that Lot. The mortgage note or deed may further provide that a default in making such deposit shall be a default under the terms of the mortgage deed. In the event that mortgagee collects the monthly installments, such mortgagee shall remit the installments monthly on a current basis to the Association.

Section 3. Assessment Roll. The assessments against all Owners shall be set forth upon a roll of the Lots which shall be available in the office of the Association or of any managing agent retained by the Association for inspection at all reasonable times by Owners or their duly authorized representatives. Such roll shall indicate for each Lot the name and address of the Owner or Owners, the assessments for all purposes, and the amounts of all assessments paid and unpaid.

Section 4. Default in Payment of Common Expenses. In the event any Owner does not make payment of a Common Expense assessment on or before the date when due, such Owner shall be obligated to pay interest on such assessment from the date due at the rate specified from time to time by the Board of Directors which shall not exceed the highest rate of interest which may be charged thereon pursuant to either the Act or the laws of the State of Minnesota relative to usury. In addition, such Owner shall be obligated to pay all expenses, including reasonable attorneys' fees incurred by the Board in any proceeding brought to collect any such unpaid assessment, whether or not an action has been commenced with respect thereto. The right of a Lot Owner to pay the annual assessment in monthly installments is hereby made conditional on the prompt payment when due of such monthly installments. In the event of a default in the prompt payment of the monthly installments, the Board of Directors may, by written notice given to the defaulting Owner, accelerate the entire unpaid portion of the annual assessment, whereupon the same shall become immediately due and payable. Additionally, the Board of Directors shall have the right to withhold services from any defaulting Owner. The Board of Directors shall have the right and duty to attempt to recover all assessments for Common Expenses, together with interest thereon and the expenses of the proceeding, including reasonable attorneys' fees, in an action to recover the same brought against an Owner, by foreclosure of the lien on a Lot pursuant to the Declaration, or by another remedy available.

Section 5. Records. The Board of Directors shall cause to be kept at the registered office of the Association or at such other place as the Board of Directors may determine, records of the actions of the Board of Directors, minutes of the meetings of the Board of Directors, minutes of the meetings of the Members of the Association, names of the Lot Owners and names of any First Mortgagees who have requested the notice of default described in the Declaration and the Lot on which such First Mortgagee holds a mortgage, and detailed and accurate records, in chronological order, of the receipts and expenditures affecting the Common Elements. Such records shall be available for examination by the Owners or Mortgagees at convenient hours of

weekdays. Separate accounts shall be maintained for each Lot setting forth the amount of the assessments against the Lot, the date when due, the amount paid thereon and the balance remaining unpaid.

ARTICLE VI AMENDMENT TO BYLAWS

Section 1. These Bylaws may be amended only in the same manner and to the same extent as the Declaration.

ARTICLE VII INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. The Association shall indemnify and hold harmless every Director and officer, his heirs, executors and administrators, against all loss, cost, judgment and expense, including attorneys' fees, which may be imposed upon or reasonably incurred by him in connection with or arising out of the defense or settlement of any claim, action, suit or proceeding to which he may be made a party by reason of his being or having been a director or officer of the Association whether or not he is an officer or director at the time of incurring such loss, cost, judgment or expense, except as to matters as to which he shall be finally adjudged in such action, suit or proceeding to have been guilty of willful or fraudulent conduct detrimental to the best interests of the Association. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Board of Directors has agreed on behalf of the Association that the person to be indemnified has not been guilty of willful or fraudulent conduct detrimental to the best interests of the Association in the performance of his duty as such director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such director or officer may be entitled. All liability, loss, damage, costs and expenses incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as a Common Expense. Nothing in this Section shall be deemed to obligate the Association to indemnify any Owner who is or has been a director or officer of the Association, with respect to any duties or obligations assumed or damage or liabilities incurred by him solely in his capacity as an Owner.

ARTICLE VIII MISCELLANEOUS

Section 1. Notices. All notices required hereunder to be given to the Association or the Board of Directors shall be sent by U.S. mail to the Board of Directors at the office of the Association or to such other address as the Board of Directors may hereafter designate from time to time by written notice given in the manner hereinafter prescribed. All notices to any Lot Owner Member, or Occupant entitled to any notice, shall be sent by U.S. mail to his Lot

address or to such other address as may be designated by him in writing from time to time to the Association. All notices to First Mortgagees of Lots shall be sent by U.S. mail to their respective addresses as designated by them from time to time in writing to the Association. All notices shall be deemed to have been given when deposited in the U.S. mail postage prepaid, except notices of change of address, which shall be deemed to have been given when received.

Section 2. Invalidity. The invalidity of any part of these Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Bylaws.

Section 3. Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these Bylaws or the intent of any provision hereof.

Section 4. Waiver. No restriction, condition, obligation or provision contained in these Bylaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

Section 5. No Corporate Seal. The Association shall have no corporate seal.

Section 6. Election Under Internal Revenue Code. The Board shall make and file all elections and documents required pursuant to the Internal Revenue Code, and any other applicable statute or regulation, in order to exempt from taxation, insofar as possible, the income of the Association consisting of assessments paid by Lot Owners.

Section 7. Fiscal Year. The fiscal year of the Association shall be as determined by the Board of Directors.

Section 8. Supplemental to Law. The provisions of these Bylaws shall be in addition to and supplemental to the Act and to all other provisions of law.

Section 9. Definition of Terms. As used in these Bylaws, any words or terms defined in the Act shall have the meaning there ascribed to them. The singular shall be deemed to include the plural wherever appropriate and each reference to a male pronoun shall include the female and neutral; and unless the context clearly indicates to the contrary, any obligation imposed shall be joint and several.

Section 10. Administration. The administration of the Lafayette shall be in accordance with the provisions of the Act, the Declaration, and these Bylaws of the Association. In the event of any conflict among the provisions of the Declaration, these Bylaws of the Association or any Rules and Regulations adopted by the Association, the documents shall control in the following order of priority:

- a. the Declaration;

- b. these Bylaws; and
- c. the Rules and Regulations.

The undersigned hereby certify that the foregoing Bylaws were adopted as the Bylaws of Lafayette Woods Homeowner's Association, a non-profit corporation under the laws of the State of Minnesota, by action of the Board of Directors at the first meeting thereof, effective this ____ day of _____, 200__

Secretary

THIS INSTRUMENT WAS DRAFTED BY:

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