

ARTICLE XIII.
EMINENT DOMAIN

Section 1. TOTAL TAKING OF UNIT AND DWELLING.

If a Unit and Dwelling is acquired by eminent domain, or if so much of a Unit and Dwelling is acquired by eminent domain as to effectively leave the Owner with a remnant which may not practically or lawfully be used for any purpose permitted by this Declaration, the award, including severance damages, shall compensate the Owner of the Unit and Dwelling and holder of a first mortgage or other security interest of record as their interests may appear. Any such remnant of a Unit and Dwelling remaining after part of a Unit and Dwelling is taken shall be conveyed to the Association and shall thereafter be Common Area. The voting rights and liability for expenses attributable to the Unit and Dwelling acquired by eminent domain shall be reapportioned among the remaining Units.

Section 2. PARTIAL TAKING OF UNIT AND DWELLING.

Unless treated as a total taking under Section 1, if part of a Unit and Dwelling is acquired by eminent domain, the award shall compensate the Owner and first mortgagee of the Unit and Dwelling as their interests may appear for the reduction in value of the Unit and Dwelling. A partial taking of a Unit or Dwelling shall not affect the voting rights or liability of that Unit or Dwelling for common expenses.

ARTICLE XIV.
GENERAL PROVISIONS

Section 1. ENFORCEMENT.

The Association or any Owner shall have the right to enforce, by a proceeding at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Association or by any Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 2. RULES AND REGULATIONS.

The Association may make reasonable rules and regulations governing the use of the Units which rules shall be consistent with the rights and duties established in this Declaration. The Declaration shall supersede any conflicting rules by the Association. *

Section 3. SEVERABILITY.

Invalidation of any one of these covenants or restrictions by judgment or court order shall in no way effect any other provisions which shall remain in full force and effect.

Section 4. ENFORCEMENT AND AMENDMENT.

The covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of, and be enforceable by, the Association or the Owner of any Unit subject to this Declaration, their respective legal representatives, heirs, successors and assigns.

Except as provided in the Act or as hereinafter provided, the covenants and restrictions of this Declaration may be amended only by the assent of Members holding at least seventy-five percent (75%) of the voting power of each class of Members. Any amendment must be properly recorded and a recorded certificate of the Secretary of the Association certifying that the amendment was approved by Members holding at least 75% of the voting power of each class of Members shall be sufficient evidence of such fact. The prior written approval of all the first mortgagees of Dwellings or Owners other the Declarant shall be required for any amendment of this Declaration which would affect the right of the Association to do any of the acts specified in Article XIII, Section 5(a), (b), (c), (d) and (e).

Section 5. NOTICES.

Any notice required to be sent to any Member or Owner under the provisions of this Declaration shall be deemed to have been properly sent when mailed postage-paid to the last known address of the person who appears as Member or Owner on the records of the Association at the time of mailing.

Section 6. MERGERS.

Upon a merger or consolidation of the Association with another corporation as provided in its Articles and By-Laws, its properties, rights and obligations may, by operation of law, be transferred to another surviving or consolidated association or corporation, or, alternatively, the properties, rights and obligations of another corporation may, by operation of law, be added to the properties, rights, and obligations of the Association as a surviving corporation pursuant to a merger. The surviving or consolidated corporation may administer the covenants and restrictions established upon any other properties as one scheme. No such merger or consolidation, however, shall effect any revocation, change or additions to the covenants established by this Declaration within the Subject Property except as hereinabove provided.

Section 7. FHA APPROVAL.

For as long as there is a Class B Member and if required by Federal Housing Administration rules or regulations, the following actions will require the approval of the Federal Housing Administration: Annexation of additional properties, dedication of Common Area, and amendment of this Declaration.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, have hereunto caused these presents to be executed this ____ day of _____, 20__.

St. Croix Development Group,
a limited liability company

By _____
Bart J. Montanari
Its: Chief Manager

DECLARATION OF COVENANTS,
CONDITIONS AND RESTRICTIONS
PARKWOOD VILLAS TOWNHOMES

EXHIBIT A

Subject Property

Lots 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 and 14, All in Block 1, Parkwood Villas

**COMMON INTEREST COMMUNITY NO. 212
A PLANNED COMMUNITY**

PARKWOOD VILLAS

ORGANIZATIONAL DOCUMENTS

**ARTICLES OF INCORPORATION
OF
PARKWOOD VILLAS TOWNHOMES ASSOCIATION, INC.**

The undersigned, being of full age, for the purpose of organizing a nonprofit corporation under the Minnesota Nonprofit Corporation Act, and acts amendatory thereto, does hereby adopt, sign and acknowledge the following Articles of Incorporation.

**ARTICLE I.
NAME**

The name of the corporation is Parkwood Villas Townhomes Association, Inc. hereafter called the "Association."

**ARTICLE II.
REGISTERED OFFICE**

The registered office of the Association is located at 13481 North 60th Street, Stillwater, Minnesota 55082.

**ARTICLE III.
PURPOSE AND POWER**

The specific purpose for which this Association is formed is to provide for maintenance, preservation and architectural control of the Common Area within those certain tracts of property which either are conveyed to the Association as Common Area or are subjected to the authority of the Association for specified purposes by the Declaration hereinafter defined (hereinafter called the "Property"); and to promote the health, safety and welfare of the residents within such Property and any additions thereto as hereafter may be brought within the authority of this Association and for this purpose to:

- a. Exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in that certain Declaration of Common Interest Community No. 212, a Planned Community, Parkwood Villas Townhomes, hereinafter called the "Declaration", applicable to the Property and recorded or to be recorded in the office of the County Recorder in and for Washington County, Minnesota, and as the same may be amended from time to time as therein provided;
- b. Fix, levy, collect and enforce payment by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the property of the Association;
- c. Acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use, or otherwise dispose

of real or personal property in connection with the affairs of the Association;

- d. Borrow money, and subject to limitations and conditions set forth in the Declaration, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
- e. Dedicate, sell or transfer all or any part of the Common Area to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the members, subject however, in any event to the limitations and conditions set forth in the Declaration;
- f. Participate in mergers and consolidations with other nonprofit corporations organized for the same purposes or annex additional residential property and Common Area, provided that any such merger, consolidation or annexation shall have the assent required by the Declaration;
- g. Have and exercise any and all powers, rights and privileges which a corporation organized under the Nonprofit Corporation Law of the State of Minnesota by law may now or hereafter have or exercise;
- h. Act as a "residential real estate management association" within the meaning of Section 528 of the Internal Revenue Code of 1954, as amended.

ARTICLE IV. MEMBERSHIP

Every Owner of a Parcel subject to assessment, except as herein provided to the contrary, shall be entitled and required to be a member of the Association. If title to a Parcel is held by more than one person, each of such persons shall be a member. An Owner of more than one Parcel shall be entitled to one membership for each such Parcel. Each such membership shall be appurtenant to the Parcel upon which it is based and shall transfer automatically by voluntary or involuntary conveyance of the title of that Parcel. No person or entity other than an Owner or Declarant may be a member of the Association, and a membership in the Association may not be transferred except in connection with the transfer of title to that Parcel.

ARTICLE V. NO PECUNIARY GAIN; PROHIBITED ACTIVITIES

The Association does not and shall not afford pecuniary gain, incidentally or otherwise, to its members, directors, or officers, nor shall any part of the net earnings of the Association in any way inure to the private benefit of any such member, director or officer of the Association, or to any private shareholder or individual except as permitted by Section 528(c)(1)(D) of the Internal Revenue Code, and except that the Association shall be authorized to make reasonable allowance and payment for actual expenditures incurred or services rendered for or on behalf of the Association.

ARTICLE VI.
VOTING RIGHTS

Members shall be all Owners of Parcels and shall be entitled to one vote for each Parcel owned. When more than one person holds title to any Parcel, all such persons shall be members. The vote for such Parcel shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any one Parcel. There can be no split vote. Prior to or at the time of any meeting at which a vote is to be taken, each co-owner or other person entitled to a vote at such meeting shall file with the Secretary of the Association the name of the voting co-owner or other person entitled to vote at such meeting, unless such co-owner or other person has filed a general voting authority with the Secretary applicable to all votes until rescinded.

ARTICLE VII.
BOARD OF DIRECTORS

- a. The number of Directors constituting the first Board of Directors is three, their names and addresses being as follows:

| <u>Name</u> | <u>Address</u> |
|----------------|---|
| Bart Montanari | 13481 North 60 th Street Stillwater, MN 55082 |
| Mark Gossman | 13481 North 60 th Street Stillwater, MN 55082 |
| John Twohig | 13481 North 60 th Street Stillwater, MN 55082 |

- b. Said Directors shall serve until the first annual meeting of the members and until their successors have been duly elected and qualified, unless said Directors sooner resign.
- c. After the expiration of the term of the First Board of Directors, the affairs of this Association shall be managed by a Board of three (3) Directors, a majority of whom shall be members of the Association. The number of Directors may be changed by amendment of the Bylaws of the Association. At the first annual meeting, the members shall elect one (1) Director for a term of one year, one (1) Director for a term of two years and one (1) Director for a term of three years; and at each annual meeting thereafter the members shall elect Director(s) for a term of three years to fill the vacancies created by expiring terms. There shall be no limit on the number of times a Director may serve.
- d. Officers shall be elected as provided for in the Bylaws.

ARTICLE VIII.
INCORPORATOR

The names and address of the incorporator of the Association is:

| <u>Name</u> | <u>Address</u> |
|--------------|---|
| Mark Gossman | 13481 North 60 th Street Stillwater, MN 55082 |

ARTICLE IX.
NO STOCK

The Association is organized upon a non-stock basis.

ARTICLE X.
PERSONAL LIABILITY OF MEMBERS

The members of this Association shall have no personal liability for obligations of the Association.

ARTICLE XI.
DISSOLUTION

The Association may be dissolved with the assent given in writing and signed by not less than 75% of each class of members.

ARTICLE XII.
DURATION

The duration of the corporate existence shall be perpetual.

ARTICLE XIII.
AMENDMENTS

Amendment of these Articles shall require the assent of 75% of members. Note however that amendments affecting the Declaration or the right and obligations thereunder may not be effective as to such rights and obligations unless the requirements for amendment set forth in the Declaration are followed.

ARTICLE XIV.
DEFINITIONS

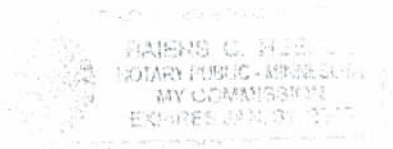
All words used herein which are defined in the Declaration shall have the meanings there ascribed to them.


IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 9th day of December, 2003.


Mark Gossman

STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

The foregoing instrument was acknowledged before me this 9TH day of DECEMBER, 2003, by Mark Gossman, the incorporator of PARKWOOD VILLAS TOWNHOME ASSOCIATION, INC. to me known to be the person described in, and who executed, the foregoing instrument, and acknowledged that he executed the same as his free act and deed.




Notary Public

(Notarial Seal)

Drafted by:
Baiers C. Heeren
Eckberg, Lammers, Briggs,
Wolff & Vierling, P.L.L.P.
1835 Northwestern Avenue
Stillwater, MN 55082

PARKWOOD VILLAS TOWNHOMES ASSOCIATION, INC.

BY LAWS

SECTION 1

GENERAL

The following are the By-Laws of Parkwood Villas Townhomes Association, Inc. a Minnesota nonprofit corporation (the "Association"). The Association is organized pursuant to Section 515B.3-101 of the Minnesota Common Interest Ownership Act (the "Act") for the purpose of operating and managing Parkwood Villas Townhomes Association, Inc., a planned community created pursuant to the Act. The terms used in these By-Laws shall have the same meaning as they have in the Declaration of Parkwood Villas Townhomes Association (the "Declaration") and the Act.

SECTION 2

MEMBERSHIP

2.1 Owners Defined. All Persons described as Owners in Section 4 of the Declaration shall be members of the Association. No Person shall be a member solely by virtue of holding a security interest in a Unit. A Person shall cease to be a member at such time as that Person is no longer an Owner.

2.2 Registration of Owners and Occupants. Each Owner shall register with the Secretary of the Association, in writing, within 30 days after taking title to a Unit, (i) the name and address of the Owners and any Occupants of the Unit, (ii) the nature of such Owner's interest or estate in each Unit owned; (iii) the address at which the Owner desires to receive notice of any meeting of the Owners, if other than the Unit address; (iv) the name and address of the secured party holding the first mortgage on the Unit, if any; and (v) the name of the Owner, if there are multiple Owners of the Unit, who shall be authorized to cast the vote with respect to the Unit. The Owner shall have a continuing obligation to advise the Association in writing of any changes in the foregoing information.

2.3 Transfers. The interests, rights and obligations of an Owner in the Association may be assigned, pledged, encumbered or transferred, but only along with and as a part of the title to the Owner's Unit or as otherwise specifically authorized by the Governing Documents or by law.

SECTION 3

VOTING

3.1 Entitlement. Votes shall be allocated to each Unit as provided in the Declaration. However, no vote shall be exercised as to a Unit while the Unit is owned by the Association.

3.2 Authority to Cast Vote. At any meeting of the Owners, an Owner included on the voting register presented by the Secretary in accordance with Section 4.6, or the holder of such Owner's proxy, shall be entitled to cast the vote which is allocated to the Unit owned by the Owner. If there is more than one Owner of a Unit, only one of the Owners may cast the vote. If the Owners of a Unit fail to agree as to who shall cast the vote, or fail to register pursuant to Section 2.2, the vote shall not be cast.

3.3 Voting by Proxy. An Owner may cast the vote which is allocated to the Owner's Unit and be counted as present at any meeting of the Owners by executing a written proxy naming another Person entitled to act on that Owner's behalf, and delivering the same to the Secretary before the commencement of any such meeting. All proxies granted by an Owner shall remain in effect until the earliest of the following events: (i) revocation by the granting Owner by written notice or by personally attending and voting at the meeting for which the proxy is effective, (ii) eleven months after the date of the proxy, unless otherwise provided in the proxy, or (iii) the time at which the granting Owner is no longer an Owner.

3.4 Voting by Mail Ballot. The entire vote on any issue, except the removal of directors, may be determined by mailed ballots, subject to the following requirements:

- a. The notice of the vote shall: (i) clearly state the proposed action, (ii) indicate the number of responses needed to meet the quorum requirements, (iii) state the percentage of approvals necessary to approve each matter other than election of directors, and (iv) specify the time by which a ballot must be received by the Association in order to be counted.
- b. The ballot shall: (i) set forth each proposed action and (ii) provide an opportunity to vote for or against each proposed action.
- c. The Board of Directors shall set the time for the return of ballots, which shall not be less than 15 nor more than 30 days after the date of mailing of the ballots to the Owners. The Board of Directors shall provide notice of the results of the vote to the Owners within 10 days after the expiration of the voting period.
- d. Approval by written ballot under this Section is valid only if the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

3.5 Vote Required. A majority of the votes cast at any properly constituted meeting of the

Owners, or cast by mail in accordance with Section 3.4, shall decide all matters properly brought before the Owners, except where a different vote is specifically required by the Governing Documents or the Act. The term "majority" as used herein shall mean in excess of 50% of the votes cast at a meeting, in person or by proxy, or voting by mail, in accordance with the allocation of voting power set forth in the Declaration. Cumulative voting shall not be permitted.

SECTION 4

MEETINGS OF OWNERS

4.1 Place. All meetings of the Owners shall be held at the office of the Association or at such other place in the State of Minnesota reasonably accessible to the Owners as may be designated by the Board of Directors in any notice of a meeting of the Owners.

4.2 Annual Meetings. An annual meeting of the Owners shall be held in each fiscal year on a date, and at a reasonable time and place, designated by the Board of Directors. At each annual meeting of the Owners, (i) the Persons who are to constitute the Board of Directors shall be elected pursuant to Section 5, (ii) a report shall be made to the Owners on the activities and financial condition of the Association, and (iii) any other matter which is included in the notice of the annual meeting, and is a proper subject for discussion or decision by the Owners, shall be considered and acted upon at the meeting.

4.3 Special Meetings. Special meetings of the Owners may be called by the President as a matter of discretion. Special meetings of the Owners shall be called by the President or Secretary within 30 days following receipt of the written request of a majority of the members of the Board of Directors or of Owners entitled to cast at least 25% of all the votes in the Association. The meeting shall be held within 90 days following receipt of the request. The request shall state the purpose of the meeting, and the business transacted at the special meeting shall be confined to the purposes stated in the notice. The purpose for which the meeting is requested and held must be lawful and consistent with the Association's purposes and authority under the Governing Documents.

4.4 Notice of Meetings. At least 21, but not more than 30 days in advance of any annual meeting of the Owners, and (subject to Section 6.3 of the Declaration) at least 7, but no more than 30 days in advance of any special meeting of the Owners, the Secretary shall send, to all persons who are Owners as of the date of sending the notice, notice of the time, place and agenda of the meeting, by United State mail, or by hand delivery, at the Owner's Unit address or to such other address as the Owner may have designated in writing to the Secretary. The notice shall also be sent to the Eligible Mortgagee, upon request, at the address provided by the Eligible Mortgagee. Any Eligible Mortgagee shall, upon request, be entitled to designate a representative to be present at any meeting. Notice of meetings to vote upon amendments to the Articles of Incorporation shall also be given separately to each officer and director of the Association.

4.5 Quorum/Adjournment. The presence of Owners in person or by proxy, who have the

authority to cast in excess of fifty percent (50%) of all the votes in the Association shall be necessary to constitute a quorum at all meetings of the Owners for the transaction of any business, except that of adjourning the meeting to reconvene at a subsequent time. Any meeting may be adjourned from time to time, but until no longer than 15 days later, without notice other than announcement at the meeting as initially called. If a quorum is present at the reconvened meeting, any business may be transacted which might have been transacted at the meetings as initially called had a quorum then been present. The quorum, having once been established at a meeting or a reconvened meeting, shall continue to exist for that meeting notwithstanding the departure of any Owner previously in attendance in person or by proxy. The Association may not be counted in determining a quorum as to any Unit owned by the Association.

4.6 Voting Register. The Secretary shall have available at the meeting a list of the Unit numbers, the names of the Owners, the vote attributable to each Unit and the name of the Person (in the case of multiple Owners) authorized to cast the vote.

4.7 Agenda. The agenda for meetings of the Owners shall be established by the Board of Directors, consistent with the Governing Documents, and shall be sent to all Owners along with the notice of the meeting.

SECTION 5

ANNUAL REPORT

The Board of Directors shall prepare an annual report on behalf of the Association to be mailed or delivered to each Owner together with the notice of the annual meeting. The report shall contain at a minimum:

- a. A statement of any capital expenditures in excess of two percent of the current budget or \$5,000, whichever is greater, approved by the Association for the current year or succeeding two fiscal years.
- b. A statement of the balance in any reserve or replacement fund and any portion of the fund designated for any specified project by the Board of Directors.
- c. 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.
- d. A statement of the status of any pending litigation or judgments to which the Association is a party.
- e. A statement of the insurance coverage provided by the Association.
- f. A statement of the total past due assessments on all Units, current as of not more

than 60 days prior to the date of the meeting.

SECTION 6

BOARD OF DIRECTORS

6.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. The first Board of Directors shall consist of the persons designated as directors in the Articles of Incorporation of the Association or appointed to replace them by one Declarant, subject to the rights of Owners to elect directors as set forth in Section 6.2. Upon the expiration of the terms of the members of the first Board of Directors, the Board of Directors shall be composed of three (3) directors, a majority of whom shall be Owners, or a duly authorized representative of the Owner if the Owner is a corporation, partnership, limited liability company, trust or other entity which has the capacity to hold title to real estate.

6.2 Term of Office. The terms of office of the members of the Board of Directors shall be as follows:

- a. Subject to Subsection b, the terms of all directors appointed by Declarant as authorized by the Declaration shall terminate upon the earliest of (i) voluntary surrender of control by Declarant, (ii) an Association meeting which shall be held within 60 days after conveyance to Owners other than a declarant of 75% of the total number of Units authorized to be included in the common interest community or (iii) the date five (5) years following the date of the first conveyance of a Unit to an Owner other than a declarant. The term of office of any director elected to the first Board of Directors pursuant to Subsection b shall expire at the same time as those appointed by Declarant.
- b. Notwithstanding the provisions of Subsection a, the Owners other than Declarant shall have the right to nominate and elect not less than 33 1/3% of the directors at a meeting of the Owners held within 60 days following the conveyance by Declarant of 50% of the total number of Units authorized to be included in the common interest community.
- c. The first terms of office of the directors elected by the Owners immediately following the expiration of the terms provided for in Subsection a. shall be one year for one of the directors, two years for one of the directors and three years for one of the directors. The nominee or nominees receiving the greatest numbers of votes shall fill the longer terms. Each term of office thereafter shall be three years and shall expire at the appropriate annual meeting of the Owners; provided, that a director shall continue in office until a successor is elected. A number of nominees equal to the number of vacancies, and receiving the greatest numbers of votes, shall be elected, notwithstanding that one or more of them does not receive a majority of

the votes cast. A director appointed or elected to fill an uncompleted term shall serve until the natural termination of that term, unless removed in accordance with these By-Laws. There shall be no cumulative voting for directors.

6.3 Nominations. Nominations for election to the Board of Directors shall be made by a nominating committee appointed by the Board of Directors, or from the floor at the annual meeting or by "write-in" if authorized by the Board.

6.4 Powers. The Board of Directors shall have all powers necessary for the administration of the affairs of the Association, and may exercise for the Association all powers and authority vested in or delegated to the Association (and not expressly prohibited or reserved to the owners) by law or by the Governing

Documents. The powers of the Board of Directors shall include, without limitation, the power to:

- a. adopt, amend and revoke Rules and Regulations not inconsistent with the Governing Documents, as follows: (i) regulating the use of the Common Elements; (ii) regulating the use of the Units and the conduct of Owners and Occupants, which may jeopardize the health, safety, or welfare of other Owners and Occupants, which involves noise and other disturbing activity, or which may damage the Common Elements or other Units; (iii) regulating or prohibiting animals; (iv) regulating changes in the appearance of the Common Elements and conduct which may damage the Property, (v) regulating the exterior appearance of the Property, including, for example, balconies and patios, window treatments, and signs and other displays, regardless of whether inside a Unit; (vi) implementing the Governing Documents, and exercising the powers granted by this Section; and (vii) otherwise facilitating the operation of the Property.
- b. adopt and amend budgets for revenues, expenditures and reserves, and levy and collect assessments for Common Expenses from Owners;
- c. hire and discharge managing agents and other employees, agents, and independent contractors;
- d. institute, defend, or intervene in litigation or administrative proceedings (i) in its own name on behalf of itself or two or more Owners on matters affecting the Common Elements or other matters affecting the Property or the Association, or, (ii) with the consent of the Owners of the affected Units on matters affecting only those Units;
- e. make contracts and incur liabilities;
- f. regulate the use, maintenance, repair, replacement and modification of the Common

Elements and the Units;

- g. cause improvements to be made as a part of the Common Elements;
- h. acquire, hold, encumber, and convey in its own name any right, title, or interest to real estate or personal property, subject to the requirements of the Act for the conveyance or encumbrance of the Common Elements;
- i. grant public utility easements through, over or under the Common Elements, and, subject to approval by resolution of the Owners other than a declarant or its affiliates at a meeting duly called, grant other public or private easements, leases and licenses through, over or under the Common Elements;
- j. impose and receive any payments, fees, or charges for the use, rental, or operation of the Common Elements, other than Limited Common Elements, and for services provided to Owners;
- k. impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Governing Documents and the Rules and Regulations;
- l. impose reasonable charges for the review, preparation and recordation of amendments to the Declaration or By-Laws, resale certificates required by Section 515B.4-107 of the Act, statements of unpaid assessments, or furnishing copies of Association records;
- m. Provide for the indemnification of its officers and directors, and maintain directors' and officers' liability insurance.
- n. provide for reasonable procedures governing the conduct of meetings and the election of directors;
- o. appoint, regulate and dissolve committees;
- p. exercise any other powers conferred by law or the Governing Documents, or which are necessary and proper for the governance of the Association.

6.5 Meetings and Notices. An annual meeting of the Board of Directors shall be held promptly following each annual meeting of the Owners. At each annual meeting the officers of the Association shall be elected.

- a. Regular meetings of the Board of Directors shall be held at least on a quarterly basis, at such times as may be fixed from time to time by a majority of the members

of the Board of Directors. A schedule, or any amended schedule, of the regular meetings shall be provided to the directors.

- b. Special meetings of the Board of Directors shall be held when called (i) by the President of the Association, or (ii) by the Secretary within ten (10) days following the written request of any two (2) directors. Notice of any special meeting shall be given to each director not less than three (3) days in advance thereof. Notice to a director shall be deemed to be given when deposited in the United States mail postage prepaid to the Unit address of such director or when personally delivered, orally or in writing, by a representative of the Board of Directors.
- c. Any director may at any time waive notice of any meeting of the Board of Directors orally, in writing, or by attendance at the meeting. If all the directors are present at a meeting of the Board of Directors, no notice shall be required, and any business may be transacted at such meeting.

6.6 Quorum and Voting. A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting thereof. A quorum, once established, shall continue to exist, regardless of the subsequent departure of any directors. Each director shall have one vote. The vote of a majority of the directors present at any meeting at which a quorum is present shall be sufficient to adopt any action. Proxies shall not be permitted.

6.7 Action Taken Without a Meeting. The Board of Directors shall have the right to take any action in the absence of a meeting which it could take at a meeting when authorized in a writing signed by all the directors.

6.8 Vacancies. A vacancy in the Board of Directors shall be filled by a person elected within 30 days following the occurrence of the vacancy by a majority vote of the remaining directors, regardless of their number; except for vacancies created pursuant to Sections 6.2 and 6.9 of this Section. Each person so elected shall serve out the term vacated.

6.9 Removal. A director may be removed from the Board of Directors, with or without cause, by a majority vote at any annual or special meeting of the Owners; provided, (i) that the notice of the meeting at which removal is to be considered states such purpose, (ii) that the director to be removed has a right to be heard at the meeting and (iii) that a new director is elected at the meeting by the owners to fill the vacant position caused by the removal. A director may also be removed by the Board of Directors if such director (i) has more than two unexcused absences from Board meetings and/or Owners meetings during any twelve month period or (ii) is more than 60 days past due with respect to assessments on the director's Unit. Such vacancies shall be filled by the vote of the Owners as previously provided in this Section.

6.10 Compensation. Except as authorized by a vote of the Owners at a meeting thereof, the directors of the Association shall receive no compensation for their services in such capacity. A

director may, or other Owner or Occupant may, upon approval by the Board of Directors, be retained by the Association and reasonably compensated for goods and services furnished to the Association in an individual capacity. Directors may be reimbursed for out-of-pocket expenses incurred in the performance of their duties.

6.11 Fidelity Bond. Fidelity bonds or insurance coverage for unlawful taking of Association funds shall be obtained and maintained as provided in the Declaration on all directors and officers authorized to handle the Association's funds and other monetary assets.

SECTION 7

OFFICERS

7.1 Principal Officers. The principal officers of the Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may from time to time elect such other officers and designate their duties as in their judgment may be necessary to manage the affairs of the Association. A person may hold more than one office simultaneously, except those of President and Vice President. Only the President and Vice President must be members of the Board of Directors.

7.2 Election. The officers of the Association shall be elected annually by the Board of Directors at its annual meeting and shall hold office at the pleasure of the Board.

7.3 Removal. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, with or without cause, and a 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.

7.4 President. The President shall be the chief executive officer of the Association, and shall preside at all meetings of the Board of Directors and the Association. The President shall have all of the powers and duties which are customarily vested in the office of president of a corporation, including without limitation the duty to supervise all other officers and to execute all contracts and similar obligations on behalf of the Association. The President shall have such other duties as may from time to time be prescribed by the Board of Directors.

7.5 Vice President. The Vice President shall take the place of the President and perform the duties of the office whenever the President shall be absent or unable to act. The Vice President

shall also perform such other duties as shall from time to time be prescribed by the Board of Directors.

7.6 Secretary. The Secretary shall be responsible for recording the minutes of all meetings of the Board of Directors and the Association. The Secretary shall be responsible for keeping the books and records of the Association, and shall give all notices required by the Governing

Documents or the Act unless directed otherwise by the Board of Directors. The Board of Directors may delegate the Secretary's administrative functions to a managing agent; provided that such delegation shall not relieve the Secretary of the ultimate responsibility for the Secretary's duties.

7.7 Treasurer. The Treasurer shall have responsibility for all financial assets of the Association, and shall be covered by a bond or insurance in such sum and with such companies as the Board of Directors may require. The Treasurer shall be responsible for keeping the Association's financial books, assessment rolls and accounts. The Treasurer shall cause the books of the Association to be kept in accordance with customary and accepted accounting practices and shall submit them to the Board of Directors for its examination upon request. The Treasurer shall cause all moneys and other monetary assets of the Association to be deposited in the name of or to the credit of the Association in depositories designated by the Board of Directors, shall cause the funds of the Association to be disbursed as ordered by the Board of Directors and shall perform all other duties incident to the office of Treasurer. The Board of Directors may delegate the Treasurer's administrative functions to a managing agent; provided that such delegation shall not relieve the Treasurer of the ultimate responsibility for the Treasurer's duties.

7.8 Compensation. Except as authorized by a vote of the Owners at a meeting thereof, officers of the Association shall receive no compensation for their services in such capacity. An officer may, upon approval by the Board of Directors, be reasonably compensated for goods and services furnished to the Association in an individual capacity. Officers may be reimbursed for out-of-pocket expenses incurred in the performance of their duties.

SECTION 8

OPERATION OF THE PROPERTY

8.1 Assessment Procedures. The first Board of Directors shall annually prepare a budget of Common Expenses for the Association, but may elect not to levy a Common Expense assessment for up to 60 days after the conveyance of the first Unit, in which case Declarant shall pay all expenses of the Townhomes until the first assessment is levied. Following the expiration of the terms of the members of the first Board of Directors, the Board of Directors shall annually prepare a budget of Common Expenses for the Association and assess such Common Expenses against the Units according to their respective Common Expense liability as set forth in the Declaration.

- a. The Board of Directors shall fix the amount of the annual assessment against each Unit, levy the assessment and advise the Owners in writing of the assessment at least thirty (30 days) prior to the beginning of the Association's fiscal year when the first assessment installment shall be due. The failure of the Board of Directors to timely levy an annual assessment shall not relieve the Owners of their obligation to continue paying assessment installments in the amount currently levied, as well as any increases subsequently levied.

- b. If an annual assessment proves to be insufficient, the Board of Directors may amend the budget and levy an additional assessment, at any time. The levy shall occur upon the date specified in the resolution which fixes the assessment.
- c. The annual budget shall include a general operating reserve, and an adequate reserve fund for maintenance, repair and replacement of those Common Elements and parts of the Units that must be maintained, repaired or replaced by the Association on a periodic basis.
- d. The Association shall furnish copies of each budget on which the assessment is based to an Owner or to any Eligible Mortgagee, upon request of such persons.

8.2 Payment of Assessments. Annual assessments shall be due and payable in monthly installments in advance on the first day of each month of the year or other period for which the assessments are made, and special assessments shall be due when designated by the Board of Directors. All Owners shall be absolutely and unconditionally obligated to pay the assessments. No Owner or Occupant shall have any right of withholding, offset or deduction against the Association with respect to any assessments, or related late charges or costs of collection, regardless of any claims alleged against the Association or its officers or directors. Any rights or claims alleged by an Owner may be pursued only by separate action.

8.3 Default in Payment of Assessments. If any Owner does not make payment on or before the date when any assessment or installment thereof is due, subject to such grace periods as may be established, the Board of Directors may assess, and such Owner shall be obligated to pay, a late charge as provided in the Declaration for each such unpaid assessment or installment thereof, together with all expenses, including reasonable attorneys' fees incurred by the Board in collecting any such unpaid assessment.

- a. If there is a default of more than thirty (30) days in payment of any assessment, the Board of Directors may accelerate any remaining installments of the assessment upon prior written notice thereof to the Owner, and the entire unpaid balance of the assessment and late charges shall become due and payable upon the date stated in the notice unless all past due amounts, including late charges, costs of collection and fines, are paid prior to said date.
- b. The Board of Directors shall have the right and duty to attempt to recover all assessments for Common Expenses, together with any charges, attorneys' fees or expenses relating to the collection thereof.
- c. Upon written request of an Owner or an Eligible Mortgagee of such Unit, notice of a default of more than thirty (30) days in payment of any assessment or installment of an assessment for Common Expenses or any other default in the performance of obligations by the Owner shall be given in writing to such Eligible Mortgagee.

- d. The rights and remedies referred to herein shall in no way limit the remedies available to the Association under the Declaration or by law.

8.4 Foreclosure of Liens for Unpaid Assessments. The Association has the right to foreclose its assessment lien against a Unit for assessments imposed by the Association, as more fully described in the Declaration and the Act.

8.5 Records. The Board of Directors shall cause to be kept at the registered office of the Association, and 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 Owners of the Association, names of the Owners and Eligible Mortgagees, and detailed and accurate records of the receipts and expenditures of the Association. All Association records, including receipts and expenditures and any vouchers authorizing payments, shall be available for examination by the Owners and the Eligible Mortgagees upon reasonable notice and during normal business hours. Separate accounts shall be maintained for each Unit setting forth the amount of the assessments against the Unit, the date when due, the amount paid thereon and the balance remaining unpaid.

8.6 Enforcement of Obligations. All Owners and Occupants and their guests are obligated and bound to observe the provisions of the Governing Documents, the Rules and Regulations and the Act. The association may impose any or all of the charges, sanctions and remedies authorized by the Governing Documents, the Rules and

Regulations or by law to enforce and implement its rights and to otherwise enable it to manage and operate the Association.

SECTION 9

AMENDMENTS

These By-Laws may be amended, and the amendment shall be effective, upon the satisfaction of the following conditions:

9.1 Approval. The amendment must be approved by Owners who have authority to cast in excess of fifty (50%) of the total votes in the Association, in writing or at a duly held meeting of the Owners, subject to approval by the VA until termination of the period of Declarant control, and to any approval rights of Eligible Mortgagees and Declarant as provided in the Declaration; and

9.2 Notice. A copy of the proposed amendment and, if a meeting is held, notice of such meeting, shall be mailed by U.S. Mail, or hand delivered, to all Owners authorized to cast votes; and