

**COMMON INTEREST COMMUNITY NO. 46
Planned Community**

WALKER LAKE PRESERVE

DECLARATION

This Declaration is made in the County of Otter Tail, State of Minnesota, on this 26th day of February, 2010, by WLP Development LLC, a Minnesota Limited Liability Company (the "Declarant"), pursuant to the provisions of Minnesota Statutes Chapter 515B, known as the Minnesota Common Interest Ownership Act (the "Act"), for the purpose of creating Walker Lake Preserve as a planned community.

WHEREAS, Declarant is the owner of certain real property located in Otter Tail County, Minnesota, legally described as follows:

That part of Government Lot 1, that part of Government Lot 2, that part of the easterly 8.00 acres of the North Half of the Northwest Quarter, that part of the easterly 4.00 acres of the North Half of the South Half of the Northwest Quarter, that part of the South Half of the South Half of the Northwest Quarter, that part of the Northwest Quarter of the Southwest Quarter, and that part of the Northeast Quarter of the Southwest Quarter, all in Section 11, Township 134 North, Range 40 West of the Fifth Principal Meridian in said County described as follows: Commencing at a found iron monument which designates the west quarter corner of said Section 11; thence North 00 degrees 59 minutes 43 seconds East on an assumed bearing along the west line of said Section 11 for a distance of 557.22 feet; thence South 88 degrees 36 minutes 31 seconds East for a distance of 112.23 feet; thence South 42 degrees 39 minutes 37 seconds East for a distance of 335.63 feet; thence South 50 degrees 12 minutes 00 seconds East for a distance of 239.65 feet; thence South 50 degrees 50 minutes 41 seconds East for a distance of 199.32 feet; thence South 87

degrees 02 minutes 26 seconds East for a distance of 347.14 feet; thence South 88 degrees 48 minutes 15 seconds East for a distance of 1010.31 feet; thence North 35 degrees 42 minutes 25 seconds East for a distance of 785.93 feet; thence North 15 degrees 41 minutes 41 seconds East for a distance of 476.67 feet; thence North 01 degree 26 minutes 53 seconds West for a distance of 578.04 feet, thence North 74 degrees 29 minutes 02 seconds East for a distance of 500.97 feet to the point of beginning; thence South 74 degrees 29 minutes 02 seconds West for a distance of 500.97 feet; thence South 01 degree 26 minutes 53 seconds East for a distance of 578.04 feet; thence South 15 degrees 41 minutes 41 seconds West for a distance of 476.67 feet; thence South 35 degrees 42 minutes 25 seconds West for a distance of 615.73 feet; thence South 11 degrees 37 minutes 55 seconds East for a distance of 1027.53 feet; thence South 62 degrees 55 minutes 35 seconds West for a distance of 166.57 feet; thence westerly on a curve concave to the north, having a central angle of 38 degrees 42 minutes 32 seconds and a radius of 100.00 feet, for a distance of 67.56 feet (chord bearing South 82 degrees 16 minutes 51 seconds West); thence North 78 degrees 21 minutes 53 seconds West for a distance of 51.13 feet; thence westerly on a curve concave to the south, having a central angle of 27 degrees 51 minutes 55 seconds and a radius of 158.00 feet, for a distance of 76.84 feet (chord bearing South 87 degrees 42 minutes 09 seconds West); thence South 73 degrees 46 minutes 11 seconds West for a distance of 532.95 feet; thence westerly on a curve concave to the north, having a central angle of 06 degrees 33 minutes 55 seconds and a radius of 2467.00 feet, for a distance of 282.68 feet (chord bearing South 77 degrees 03 minutes 09 seconds West); thence South 80 degrees 20 minutes 06 seconds West for a distance of 231.80 feet; thence westerly on a curve concave to the north, having a central angle of 41 degrees 23 minutes 39 seconds and a radius of 233.00 feet, for a distance of 168.33 feet (chord bearing North 78 degrees 58 minutes 05 seconds West); thence North 58 degrees 16 minutes 15 seconds West for a distance of 162.14 feet; thence northwesterly on a curve concave to the northeast, having a central angle of 30 degrees 12 minutes 16 seconds and a radius of 233.00 feet, for a distance of 122.83 feet (chord bearing North 43 degrees 10 minutes 07 seconds West); thence North 28 degrees 03 minutes 59 seconds West for a distance of 56.96 feet; thence northwesterly on a curve concave to the southwest, having a central angle of 61 degrees 37 minutes 45 seconds and a radius of 233.00 feet, for a distance of 250.62 feet (chord bearing North 58 degrees 52 minutes 52 seconds West); thence North 89 degrees 41 minutes 44 seconds West for a distance of 241.17 feet; thence North 00 degrees 18 minutes 16 seconds East for a distance of 44.30 feet; thence North 89 degrees 41 minutes 44 seconds West for a distance of 151.17 feet to the west line of said Section 11; thence South 00 degrees 45 minutes 10 seconds West along the west line of said Section 11 for a distance of 200.34 feet to the northwesterly corner of the southerly 20 rods

of the westerly 28 rods of the Northwest Quarter of the Southwest Quarter, said southerly 20 rods is measured at a right angle to, and is parallel with, the south line of said Northwest Quarter of the Southwest Quarter and said westerly 28 rods is measured at a right angle to, and is parallel with, the west line of said Northwest Quarter of the Southwest Quarter; thence South 88 degrees 50 minutes 23 seconds East along the northerly line of said southerly 20 rods of the westerly 28 rods for a distance of 462.01 feet to the northeasterly corner of said southerly 20 rods of the westerly 28 rods; thence South 00 degrees 45 minutes 10 seconds West along the easterly line of said southerly 20 rods of the westerly 28 rods for a distance of 330.01 feet to the south line of said Northwest Quarter of the Southwest Quarter; thence South 88 degrees 50 minutes 23 seconds East along the south line of said Northwest Quarter of the Southwest Quarter, along the south line of said Northeast Quarter of the Southwest Quarter and along the south line of said Government Lot 2 for a distance of 2364.22 feet to a point hereinafter referred to as Point A; thence continuing South 88 degrees 50 minutes 23 seconds East along the south line of said Government Lot 2 for a distance of 195.77 feet, more or less, to the water's edge of Walker Lake; thence northerly, northeasterly and northwesterly along the water's edge of said Walker Lake to the intersection with a line which bears North 88 degrees 17 minutes 50 seconds East from the point of beginning; thence South 88 degrees 17 minutes 50 seconds West for a distance of 400.27 feet, more or less to the point of beginning.

SUBJECT TO an easement for conservation purposes as per Document Number 1033989 on file and of record in the office of the Recorder in said County.

AND FURTHER SUBJECT TO An easement for public road purposes over, under, and across that part of Government Lot 1, that part of Government Lot 2, that part of the south half of the south half of the Northwest Quarter, that part of the Northeast Quarter of the Southwest Quarter, and that part of the Northwest Quarter of the Southwest Quarter all in Section 11, Township 134 North, Range 40 West of the Fifth Principal Meridian in Otter Tail County, Minnesota, described as follows: Commencing at a found iron monument which designates the west quarter corner of said Section 11; thence North 00 degrees 59 minutes 43 seconds East on an assumed bearing along the west line of said Section 11 for a distance of 557.22 feet; thence South 88 degrees 36 minutes 31 seconds East 112.23 feet; thence South 42 degrees 39 minutes 37 seconds East for a distance of 335.63 feet; thence South 50 degrees 12 minutes 00 seconds East for a distance of 239.65 feet; thence South 50 degrees 50 minutes 41 seconds East for a distance of 199.32 feet; thence South 87 degrees 02 minutes 26 seconds East for a distance of 347.14 feet; thence South 88 degrees 48 minutes 15 seconds East for a distance

of 1010.31 feet; thence North 35 degrees 42 minutes 25 seconds East for a distance of 785.93 feet; thence North 15 degrees 41 minutes 41 seconds East for a distance of 476.67 feet; thence North 01 degree 26 minutes 53 seconds West for a distance of 578.04 feet; thence North 74 degrees 29 minutes 02 seconds East for a distance of 500.97 feet to the point of beginning of the easement to be described; thence South 74 degrees 29 minutes 02 seconds West for a distance of 39.50 feet; thence South 00 degrees 20 minutes 29 seconds West for a distance of 30.56 feet; thence southerly on a non-tangential curve concave to the east, having a central angle of 100 degrees 55 minutes 30 seconds and a radius of 60.00 feet, for a distance of 105.69 feet (chord bearing South 06 degrees 30 minutes 43 seconds West) to a point of reverse curvature; thence southerly on a curve concave to the west, having a central angle of 44 degrees 17 minutes 31 seconds and a radius of 35.00 feet, for a distance of 27.06 feet (chord bearing South 21 degrees 48 minutes 16 seconds East); thence South 00 degrees 20 minutes 29 seconds West for a distance of 485.22 feet; thence southerly on a curve concave to the west, having a central angle of 40 degrees 07 minutes 20 seconds and a radius of 229.00 feet, for a distance of 160.36 feet (chord bearing South 20 degrees 24 minutes 09 seconds West); thence South 40 degrees 27 minutes 49 seconds West for a distance of 351.16 feet; thence southwesterly on a curve concave to the southeast, having a central angle of 23 degrees 34 minutes 13 seconds and a radius of 195.00 feet, for a distance of 80.22 feet (chord bearing South 28 degrees 40 minutes 42 seconds West); thence South 16 degrees 53 minutes 36 seconds West for a distance of 451.80 feet; thence southwesterly on a curve concave to the northwest, having a central angle of 56 degrees 18 minutes 23 seconds and a radius of 117.00 feet for a distance of 114.98 feet (chord bearing South 45 degrees 02 minutes 47 seconds West); thence South 73 degrees 11 minutes 59 seconds West for a distance of 200.11 feet; thence southerly on a curve concave to the east, having a central angle of 140 degrees 28 minutes 38 seconds and a radius of 183.00 feet, for a distance of 448.68 feet (chord bearing South 02 degrees 57 minutes 40 seconds West); thence South 67 degrees 16 minutes 39 seconds East for a distance of 138.29 feet; thence southeasterly on a curve concave to the southwest, having a central angle of 64 degrees 08 minutes 26 seconds and a radius of 117.00 feet, for a distance of 130.98 feet (chord bearing South 35 degrees 12 minutes 26 seconds East); thence South 03 degrees 08 minutes 13 seconds East for a distance of 327.62 feet; thence southwesterly on a curve concave to the northwest, having a central angle of 66 degrees 03 minutes 48 seconds and a radius of 92.00 feet, for a distance of 106.08 feet (chord bearing South 29 degrees 53 minutes 41 seconds West); thence South 62 degrees 55 minutes 35 seconds West for a distance of 318.03 feet; thence westerly on a curve concave to the north, having a central angle of 38 degrees 42 minutes 32 seconds and a radius of 100.00 feet, for a distance of 67.56 feet (chord bearing South 82

degrees 16 minutes 51 seconds West); thence North 78 degrees 21 minutes 53 seconds West for a distance of 51.13 feet; thence westerly on a curve concave to the south, having a central angle of 27 degrees 51 minutes 55 seconds and a radius of 158.00 feet, for a distance of 76.84 feet (chord bearing South 87 degrees 42 minutes 09 seconds West); thence South 73 degrees 46 minutes 11 seconds West for a distance of 532.95 feet; thence westerly on a curve concave to the north, having a central angle of 06 degrees 33 minutes 55 seconds and a radius of 2467.00 feet, for a distance of 282.68 feet (chord bearing South 77 degrees 03 minutes 09 seconds West); thence South 80 degrees 20 minutes 06 seconds West for a distance of 231.80 feet; thence westerly on a curve concave to the north, having a central angle of 41 degrees 23 minutes 39 seconds and a radius of 233.00 feet, for a distance of 168.33 feet (chord bearing North 78 degrees 58 minutes 05 seconds West); thence North 58 degrees 16 minutes 15 seconds West for a distance of 162.14 feet; thence northwesterly on a curve concave to the northeast, having a central angle of 30 degrees 12 minutes 16 seconds and a radius of 233.00 feet, for a distance of 122.83 feet (chord bearing North 43 degrees 10 minutes 07 seconds West); thence North 28 degrees 03 minutes 59 seconds West for a distance of 56.96 feet; thence northwesterly on a curve concave to the southwest, having a central angle of 61 degrees 37 minutes 45 seconds and a radius of 233.00 feet, for a distance of 250.62 feet (chord bearing North 58 degrees 52 minutes 52 seconds West); thence North 89 degrees 41 minutes 44 seconds West for a distance of 241.17 feet; thence North 00 degrees 18 minutes 16 seconds East for a distance of 44.30 feet; thence North 89 degrees 41 minutes 44 seconds West for a distance of 101.17 feet to the easterly right of way line of County State Aid Highway No. 14; thence South 00 degrees 45 minutes 10 seconds West along said easterly right of way line for a distance of 110.30 feet; thence South 89 degrees 41 minutes 44 seconds East for a distance of 343.20 feet; thence southeasterly on a curve concave to the southwest, having a central angle of 61 degrees 37 minutes 45 seconds and a radius of 167.00 feet, for a distance of 179.63 feet (chord bearing South 58 degrees 52 minutes 52 seconds East); thence South 28 degrees 03 minutes 59 seconds East for a distance of 56.96 feet; thence southeasterly on a curve concave to the northeast, having a central angle of 30 degrees 12 minutes 16 seconds and a radius of 299.00 feet, for a distance of 157.62 feet (chord bearing South 43 degrees 10 minutes 07 seconds East); thence South 58 degrees 16 minutes 15 seconds East for a distance of 162.14 feet; thence easterly on a curve concave to the north, having a central angle of 41 degrees 23 minutes 39 seconds and a radius of 299.00 feet, for a distance of 216.02 feet (chord bearing South 78 degrees 58 minutes 05 seconds East); thence North 80 degrees 20 minutes 06 seconds East for a distance of 231.80 feet; thence easterly on a curve concave to the north, having a central angle of 06 degrees 33 minutes 55 seconds and a radius of

2533.00 feet, for a distance of 290.24 feet (chord bearing North 77 degrees 03 minutes 09 seconds East); thence North 73 degrees 46 minutes 11 seconds East for a distance of 532.95 feet, thence easterly on a curve concave to the south, having a central angle of 27 degrees 51 minutes 55 seconds and a radius of 92.00 feet, for a distance of 44.74 feet (chord bearing North 87 degrees 42 minutes 09 seconds East); thence South 78 degrees 21 minutes 53 seconds East for a distance of 51.13 feet; thence easterly on a curve concave to the north, having a central angle of 38 degrees 42 minutes 32 seconds and a radius of 166.00 feet, for a distance of 112.15 feet (chord bearing North 82 degrees 16 minutes 51 seconds East); thence North 62 degrees 55 minutes 35 seconds East for a distance of 318.03 feet; thence northeasterly on a curve concave to the northwest, having a central angle of 66 degrees 03 minutes 48 seconds and a radius of 158.00 feet for a distance of 182.18 feet (chord bearing North 29 degrees 53 minutes 41 seconds East); thence North 03 degrees 08 minutes 13 seconds West for a distance of 327.62 feet; thence northwesterly on a curve concave to the southwest, having a central angle of 64 degrees 08 minutes 26 seconds and a radius of 183.00 feet, for a distance of 204.86 feet (chord bearing North 35 degrees 12 minutes 26 seconds West); thence North 67 degrees 16 minutes 39 seconds West for a distance of 138.29 feet; thence northerly on a curve concave to the east, having a central angle of 140 degrees 28 minutes 38 seconds and a radius of 117.00 feet, for a distance of 286.86 feet (chord bearing North 02 degrees 57 minutes 40 seconds East); thence North 73 degrees 11 minutes 59 seconds East for a distance of 200.11 feet; thence northeasterly on a curve concave to the northwest, having a central angle of 56 degrees 18 minutes 23 seconds and a radius of 183.00 feet, for a distance of 179.84 feet (chord bearing North 45 degrees 02 minutes 47 seconds East); thence North 16 degrees 53 minutes 36 seconds East for a distance of 451.80 feet; thence northeasterly on a curve concave to the southeast, having a central angle of 23 degrees 34 minutes 13 seconds and a radius of 129.00 feet, for a distance of 53.07 feet (chord bearing North 28 degrees 40 minutes 42 seconds East); thence North 40 degrees 27 minutes 49 seconds East for a distance of 351.16 feet; thence northerly on a curve concave to the west, having a central angle of 40 degrees 07 minutes 20 seconds and a radius of 295.00 feet, for a distance of 206.58 feet (chord bearing North 20 degrees 24 minutes 09 seconds East); thence North 00 degrees 20 minutes 29 seconds East for a distance of 485.22 feet; thence northerly on a curve concave to the east, having a central angle of 44 degrees 17 minutes 31 seconds and a radius of 35.00 feet, for a distance of 27.06 feet (chord bearing North 22 degrees 29 minutes 14 seconds East) to a point of reverse curvature; thence northerly on a curve concave to the west, having a central angle of 100 degrees 55 minutes 30 seconds and a radius of 60.00 feet, for a distance of 105.69 feet (chord bearing North 05 degrees 49 minutes 45 seconds West); thence North 00 degrees 20 minutes 29 seconds East for a distance of

42.35 feet; thence South 88 degrees 17 minutes 50 seconds West for a distance of 28.02 feet to the point of beginning of said public road easement.

AND FURTHER SUBJECT TO an easement for County State Aid Highway No. 14 right of way purposes over, under and across that part of the above described property which lies within 50.00 feet of the west line of said Section 11, as recorded in Book 37 of Miscellaneous, Page 175, in the office of the Recorder in said County.

AND FURTHER SUBJECT to easements, restrictions and reservations of record, if any;

WHEREAS, Declarant desires to submit said real property and all improvements thereon (collectively the "Property") to the Act as a planned community, and

WHEREAS, Declarant desires to establish on the Property a permanent residential community to be owned, occupied and operated for the use, health, safety and welfare of its resident Owners and Occupants and for the purpose of preserving the value, the structural quality and the original architectural character of the Property, and

WHEREAS, the Property is not subject to an ordinance referred to in Section 515B.1-106 of the Act, governing conversions to common interest ownership and is not subject to a master association as defined in the Act.

THEREFORE, Declarant makes the Declaration and submits the Property to the Act as a planned community under the name "Walker Lake Preserve, Common Interest Community No. 46" ("CIC"), initially consisting of the Units referred to in Section 2, declaring that this Declaration shall constitute covenants to run with the Property, and that the Property shall be owned, used, occupied and conveyed subject to the covenants, restrictions, easements, charges and liens set forth herein, all of which shall be binding upon all Persons owning or acquiring any right, title or interest therein, and their heirs, personal representatives, successors and assigns.

SECTION I

DEFINITIONS

The following words when used in the Governing Documents shall have the following meanings (unless the context indicates otherwise):

- 1.1 "Act" shall mean the Minnesota Common Interest Ownership Act, Minnesota Statutes Chapter 515B, as amended.

- 1.2 “Assessments” shall mean all assessments levied by the Association pursuant to Section 6 of this Declaration, including annual assessments, special assessments and limited allocation assessments.
- 1.3 “Association” shall mean the Walker Lake Preserve Community Services Association, a non-profit corporation which has been created pursuant to Chapter 317A of the laws of the State of Minnesota and Minnesota Statutes Section 515B.3-101 of the Act, whose members consist of all Owners.
- 1.4 “Boat Slip” shall mean the right to seasonally store a watercraft on a boat lift in the water recreation area. Owners have the right to have one or more boats slips up to the maximum allowed by the County, not to exceed 28 slips, based on a seniority system as described in the Rules and Regulations.
- 1.5 “Board” shall mean the Board of Directors of the Association as provided for in the Bylaws.
- 1.6 “Bylaws” shall mean the Bylaws governing the operation of the Association, as amended from time to time.
- 1.7 “CIC Plat” shall mean the plat being recorded simultaneously with, and as a part of, this Declaration, depicting the Property pursuant to the requirements of Section 515B of the Act, and satisfying the requirements of Minnesota Statutes Chapter 505, 508 or 508A, as applicable, including any amended or supplemental Plat recorded from time to time in accordance with the Act.
- 1.8 “Common Elements” shall mean all parts of the Property except the Units, including all improvements thereon, owned by the Association for the common benefit of the Owners and Occupants.
- 1.9 “Common Expenses” shall mean all expenditures made or liabilities incurred by or on behalf of the Association and incident to its operation, including Assessments and items otherwise identified as Common Expenses in the Declaration or Bylaws.
- 1.10 “County” shall mean the County of Otter Tail, State of Minnesota.
- 1.11 “Dwelling” shall mean all or part of a building consisting of one or more floors, designed and intended for occupancy as a single family residence, and located within the boundaries of a Unit. The Dwelling includes any garage attached thereto or otherwise included within the boundaries of the Unit on which the Dwelling is located.

- 1.12 “Eligible Mortgagee” shall mean any Person owning a mortgage on any Unit, which mortgage is first in priority upon foreclosure to all other mortgages that encumber such Unit, and which has requested the Association, in writing, to notify it regarding any proposed action which requires approval by a specified percentage of Eligible Mortgagees.
- 1.13 “Governing Documents” shall mean this Declaration, and the Articles of Incorporation and Bylaws of the Association, as amended from time to time, all of which shall govern the use and operation of the Property.
- 1.14 “Impervious Surface” shall mean a constructed hard surface that either prevents or retards the entry of water into the soil and causes water to run off the surface in greater quantities and at an increased rate of flow than prior to development. Examples include, but are not limited to decks, rooftops, sidewalks, patios, permeable pavers, storage areas and concrete, asphalt, or gravel driveways.
- 1.15 “Limited Common Elements” shall mean a portion of the Common Elements allocated by the Declaration or by operation of Section 515B.2-102(d) or (f) of the Act for the exclusive use of one or more but fewer than all of the Units.
- 1.16 “Member” shall mean all persons who are members of the Association by virtue of being Owners as defined in this Declaration. The words “Owner” and “Member” may be used interchangeably in the Governing Documents.
- 1.17 “Occupant” shall mean any person or persons, other than an Owner, in possession of or residing in a Unit.
- 1.18 “Owner” shall mean a Person who owns a Unit, but excluding contract for deed vendors, mortgagees and other secured parties within the meaning of Section 515B.1-103(30) of the Act. The term “Owner” includes, without limitation, contract for deed vendees and holders of a life estate.
- 1.19 “Party Wall” shall mean the shared wall between two Dwellings.
- 1.20 “Person” shall mean a natural individual, corporation, limited liability company, partnership, trustee or other legal entity capable of holding title to real property.
- 1.21 “Property” shall mean all of the real property submitted to this Declaration, including the Units and all structures and improvements located thereon now or in the future.
- 1.22 “Protected Area” shall mean that part of the common elements identified as such on the CIC Plat and legally described on Exhibit A.

- 1.23 “Rules and Regulations” shall mean the Rules and Regulations of the Association as approved from time to time pursuant to Section 5.6.
- 1.24 “Single Dwelling Unit” means those Units on which Dwellings are to be located that are not “Twin Dwelling Units”. The Single Dwelling Units are described as Units 1 through 13, inclusive, and Units 19 through 23, inclusive, as shown on the CIC Plat.
- 1.25 “Twin Dwelling Unit” means those Units on which two dwellings may be built, with a party wall along the common boundary line. The Twin Dwelling Units are described as Units 14, 15, 16, 17 and 18.
- 1.26 “Unit” shall mean a portion of the Property the boundaries of which are as described in this Declaration and upon which a Dwelling is located or intended to be located, including all improvements thereon, but excluding the Common Elements.

Any terms used in the Governing Documents, and defined in the Act and not in this Section, shall have the meaning set forth in the Act.

SECTION 2

DESCRIPTION OF UNITS, BOUNDARIES AND RELATED EASEMENTS

2.1 Units. This CIC initially consists of 24 Units, of which eighteen (18) shall always remain Single Dwelling Units, five (5) may be subdivided into Twin Dwelling Units, and one may be divided into not more than six units. The schedule of Dwelling Units is set forth on attached Exhibit B. Except for any rights reserved to the Declarant under this Declaration and the rights hereby provided to convert Units 14 through 18 inclusive into Twin Dwelling Units and Unit 24 into no more than six separate Units, no person may create any additional Units by the subdivision or conversion of Units pursuant to Section 515B.2-112 of the Act. All Units are restricted exclusively to residential use. Each Unit constitutes a separate parcel of real estate. Unless stated otherwise in this Declaration, an Owner shall be responsible for maintenance of the Unit and the Dwelling thereon. The Unit identifiers and locations of the Units are as shown on the CIC Plat, which is incorporated herein by reference.

2.2 Unit Boundaries. The front, rear and side boundaries of each Unit shall be the boundary lines as shown on the CIC Plat. The Units shall have no upper or lower boundaries, provided, however, that the maximum height of any structure placed on a Unit shall be governed by applicable rules and regulations, including but not limited to the Otter Tail County Shoreland Management Ordinance. Subject to this Section 2 and Section 3.2, all spaces, walls and other improvements within the boundaries of a Unit are a part of the Unit.

2.3 Access Easements. Each Unit shall be the beneficiary of a perpetual appurtenant easement for access to a public street or highway on or across those portions of the Common Elements laid out for use as streets, public roads or private drives, as shown on the CIC Plat and/or as established herein, subject to any restrictions set forth in the Governing Documents or the Rules and Regulations.

2.4 Use and Enjoyment Easements. Each Unit shall be the beneficiary of perpetual appurtenant easements for use and enjoyment on and across the Common Elements, and for use and enjoyment of any Limited Common Elements allocated to the Unit, subject to any restrictions authorized by the Governing Documents.

2.5 Utility and Maintenance Easements. Each Unit shall be subject to and shall be the beneficiary of perpetual appurtenant easements for all services and utilities servicing the Units and the Common Elements, and for maintenance, repair and replacement as described in Section 13.

2.6 Encroachment Easements. Each Unit shall be subject to and shall be the beneficiary of the appurtenant easements for encroachments as described in Section 13.

2.7 Declarant's Easements. Declarant shall have and be the beneficiary of easements for construction and sales activities as described in Section 17.

2.8 Recorded Easements. The Property shall be subject to such other easements as may be recorded against it or otherwise shown on the CIC Plat.

2.9 Protected Area. The Protected Area is subject to the terms and conditions set forth in that certain Conservation Easement granted by Declarant to the State of Minnesota dated August 2, 2007, and recorded in the office of the Otter Tail County Recorder, State of Minnesota, on February 8, 2008, as Document No. 1033989, a Natural Resource Management Plan dated February 26, 2010 by and between the same parties, and the following terms and conditions:

- a. Residential, Commercial and Industrial Uses. Except as otherwise permitted below, neither the Declarant nor the Association shall subdivide the Protected Area itself, but Declarant may include the Protected Area as a single outlot, open space, or common element in a larger subdivision of the Protected Area and adjoining land. Notwithstanding the preceding, the Protected Area may be subdivided (into several distinct lots or integrated into adjoining lots) if that is required by the local zoning authority for the Declarant to meet the minimum lot area or maximum subdivision density requirements of the zoning or other regulatory authority at the time of initial plat approval and recording.

There shall be no residential, industrial, or commercial activity undertaken or allowed.

The Protected Area may be used to satisfy land area requirements for purposes of calculating building density, lot coverage, or open space under otherwise applicable laws, regulations, or ordinances controlling land use.

- b. Construction. There shall be no construction or placing of any house, garage, barn, mobile home, or other buildings on the Protected Area.
- c. Recreational Use. There may be ten (10) foot wide trails established and maintained on the Protected Area, but only by the Association, and then only in accordance with the Natural Resource Management Plan dated February 26, 2010 between Declarant and the State of Minnesota, as may be hereafter amended.

The Protected Area may be used for hiking, cross country skiing, nature observation and other similar, low-impact, educational and recreational programs or activities.

- d. Surface Alteration. There shall be no change of the topography of the Protected Area in any manner except as necessary for the construction and maintenance of any trails.
- e. Waste Removal. Use of the Protected Area for dumping, storage, processing or landfill of solid or hazardous wastes generated is prohibited, including, without limitation, household waste, yard waste, demolition materials, municipal sewage sludge and/or bio-solids application.
- f. Signs. Commercial signs, billboards, and outdoor advertising structures may not be displayed on the Protected Area. However, information signage is permitted, subject to the following conditions: The combined area of the signs at any particular location may not exceed twenty-four (24) square feet, and the signage is limited to the following purposes:

- (1) Displaying the name of the Protected Area;
- (2) Providing interpretive and directional information;
- (3) Providing the name and address of the Declarant;
- (4) Delineating the boundaries of the Protected Area in order to prohibit trespass or non-permitted activities;
- (5) Providing information with regard to on-site uses and activities permitted by the Conservation Easement above referenced, which approval will not be unreasonably withheld, conditioned or delayed.
- (6) Signs less than one square foot are permitted to nearby dwelling owners names or Unit numbers.

For all signs permitted by this paragraph, the location, number, size and design must not significantly diminish the natural and scenic qualities of the Protected Area.

- g. Trees, Shrubs and Vegetation. Except as provided in Sections 7.27 and 7.28 hereof, there shall be no removal, destroying, burning, cutting, mowing or altering of trees, shrubs, and other vegetation except to prevent or control insects, noxious weeds, invasive species, diseases, personal injury, or property damage and except as necessary in the construction and maintenance of any trail or to establish limited sight lines to the lake from dwellings, with any such work to be done by the Association.
- h. Agricultural Use. There shall be no tilling or plowing or use of the Protected Area for commercial cultivation of crops.

If there is any conflict between the foregoing terms or any other terms of this Declaration and the terms of the Conservation Easement granted the State of Minnesota and/or the Natural Resource Management Plan above referenced, the terms of the recorded Conservation Easement and/or the Natural Resource Management Plan shall control unless the terms above stated are more restrictive than those agreed to with the State.

2.11 Easements are Appurtenant. All easements and similar rights burdening or benefiting a Unit or any other part of the Property shall run with the land and shall be permanent, subject only to termination in accordance with the Act or the terms of the easement. Any recorded easement benefiting or burdening the Property shall be construed in a manner consistent with, and not in conflict with, the easements created by this Declaration.

2.12 Impairment Prohibited. No person shall materially restrict or impair any easement benefiting or burdening the Property, subject, however, to the Declaration and the right of the Association to establish and enforce reasonable Rules and Regulations governing the use of the Property.

2.13 Benefit of Easements. All easements benefiting a Unit shall benefit the Owners and Occupants of the Unit and their families and guests. However, an Owner who has delegated the right to occupy the Unit to an Occupant or Occupants, whether by a lease or otherwise, does not have the use and other easements rights in the Property during such delegated occupancy, except as a guest of an Owner or Occupant or in connection with the inspection of the Unit or recovery of possession of the Unit from the Occupant pursuant to law.

SECTION 3

COMMON ELEMENTS, LIMITED COMMON ELEMENTS AND OTHER PROPERTY

3.1 Common Elements. The Common Elements and their characteristics are as follows:

- a. All of the Property not included within the Units constitutes Common Elements. The Common Elements include, but are not limited to, all areas and items listed in this Section 3 or designated as Common Elements on the CIC Plat or in the Act. The Common Elements are owned by the Association for the benefit of the Owners and Occupants. Included within the Common Elements would be the dock(s) constructed within the water recreation area as identified in the CIC plat for the 28 boat slips permitted for Walker Lake Preserve.
- b. The Common Elements shall be subject to (i) the easements referred to in the Declaration; (ii) the rights of Owners and Occupants in Limited Common Elements appurtenant to their respective Units and (iii) the right of the Association to establish reasonable Rules and Regulations governing the use of the Property.
- c. Except as otherwise expressly provided in the Governing Documents, all maintenance, repair, replacement, management and operation of the Common Elements shall be the responsibility of the Association.
- d. Common Expenses for the maintenance, repair, replacement, management and operation of the Common Elements shall be assessed and collected from the Owners in accordance with Section 6.

3.2 Limited Common Elements. The Limited Common Elements are those parts of the Common Elements reserved for the exclusive use of the Owners and Occupants of the Units to which they are allocated, and the rights to the use and enjoyment of the Limited Common Elements are automatically conveyed with the conveyance of such Units. The Limited Common Elements are described and allocated to the Units as follows:

- a. Those items or areas designated as Limited Common Elements on the CIC Plat or by the Act.
- b. Chutes, flues, ducts, pipes, wires, conduit or other utility installations, bearing walls, bearing columns or any other components or fixtures serving fewer than all Units lying partially within and partially outside the boundaries of the Unit or Units served is a limited common element allocated solely to the Unit or Units served, and any portion thereof

serving any portion of the Common Elements is a part of the Common Elements.

- c. Water, sewer heating, ventilating or air conditioning equipment serving only a certain Unit or Units, and located wholly or partially outside the Unit or Unit's boundaries, are allocated to the Unit or Units served by such equipment.
- d. Improvements, if any, such as decks, patios, porches, balconies, shutters, awnings, window boxes, doorsteps, stoops, perimeter doors and windows, constructed to serve a single Unit, and replacements and modifications thereof authorized pursuant to Section 8, may only be located outside a Unit's boundaries if done in accordance with all Governing Documents and applicable local, state and federal statutes, rules and regulations; such improvements shall constitute Limited Common Elements allocated exclusively to that Unit.

3.3 Annexation of Other Property. Other real property may be annexed to the common interest community and subjected to this Declaration as provided in the Act, with the approval of (i) Owners of Units to which are allocated at least sixty-seven percent (67%) of the votes in the Association and (ii) Declarant until the earlier of five years after the recording of the declaration or the time at which Declarant no longer owns an unsold Unit.

3.4 Statement Pursuant to Section 515B.2-105 of the Act. The common interest community includes shoreland, as defined in Minn. Stat. §103F.205, and may be subject to county, township, or municipal ordinances or rules affecting the development and use of the shoreland area.

SECTION 4

ASSOCIATION MEMBERSHIP: RIGHTS AND OBLIGATIONS

Membership in the Association and the allocation to each Unit a portion of the votes in the Association and a portion of the Common Expenses of the Association shall be governed by the following provisions:

4.1 Membership. Each Owner shall be a member of the Association by virtue of Unit ownership, and the membership shall be transferred with the conveyance of the Owner's interest in the Unit. An Owner's membership shall terminate when the Owner's ownership terminates. When more than one Person is an Owner of a Unit, all such Persons shall be members of the Association, but multiple ownership of a Unit shall not increase the voting rights allocated to such Unit nor authorize the division of the voting rights.

4.2 Voting and Common Expenses. Voting rights and Common Expense obligations are allocated equally among the Units, subject to Sections 6.4 and 6.7.

4.3 Appurtenant Rights and Obligations. The ownership of a Unit shall include the voting rights and Common Expense obligations described in Section 4.2. Said rights, obligations and interests, and the title to the Units, shall not be separated or conveyed separately, and any conveyance, encumbrance, judicial sale or other transfer of any allocated interest in a Unit, separate from the title to the Unit, shall be void. The allocation of the rights, obligations and interests described in this Section may not be changed, except in accordance with the Governing Documents and the Act.

4.4 Authority to Vote. The Owner, or some natural person designated to act as proxy on behalf of the Owner, and who need not be an Owner, may cast the vote allocated to such Unit at meetings of the Association. However, if there are multiple Owners of a Unit, only the Owner or other Person designated pursuant to the provisions of the Bylaws may cast such vote. The voting rights of Owners are more fully described in Section 3 of the Bylaws.

SECTION 5

ADMINISTRATION

The administration and operation of the Association and the Property, including but not limited to the acts required of the Association, shall be governed by the following provisions:

5.1 General. The operation and administration of the Association and the Property shall be governed by the Governing Documents, the Rules and Regulations and the Act. The Association shall, subject to the rights of the Owners set forth in the Governing Documents and the Act, be responsible for the operation, management and control of the Property. The Association shall have all powers described in the Governing Documents, the Act and the statute under which it is incorporated. All power and authority of the Association shall be vested in the Board, unless action or approval by the Owners is specifically required by the Governing Documents or the Act. All references to the Association shall mean the Association acting through the Board unless specifically stated to the contrary.

5.2 Operational Purposes. The Association shall operate and manage the Property for the purposes of (i) administering and enforcing the covenants, restrictions, easements, charges and liens set forth in the Governing Documents and the Rules and Regulations, (ii) maintaining, repairing and replacing those portions of the Property for which it is responsible and (iii) preserving the value, and the architectural uniformity and character, of the Property.

5.3 Binding Effect of Actions. All agreements and determinations made by the Association in accordance with the powers and voting rights established by the

Governing Documents or the Act shall be binding upon all Owners and Occupants, and their lessees, guests, heirs, personal representatives, successors and assigns, and all secured parties as defined in the Act.

5.4 Bylaws. The Association shall have Bylaws. The Bylaws shall govern the operation and administration of the Association and shall be binding on all Owners and Occupants.

5.5 Management. The Board may delegate to a manager or managing agent the management duties imposed upon the Association's officers and directors by the Governing Documents and the Act. However, such delegation shall not relieve the officers and directors of the ultimate responsibility for the performance of their duties as prescribed by the Governing Documents and by law.

5.6 Rules and Regulations. The Board shall have exclusive authority to approve and implement such reasonable Rules and Regulations as it deems necessary from time to time for the purpose of operating and administering the affairs of the Association and regulating the use of the Property; provided that the Rules and Regulations shall not be inconsistent with the Governing Documents or the Act. The inclusion in other parts of the Governing Documents of authority to approve Rules and Regulations shall be deemed to be in furtherance, and not in limitation, of the authority granted by this Section. New or amended Rules and Regulations shall be effective only after reasonable notice thereof has been given to the Owners.

5.7 Association Assets; Surplus Funds. All funds and real or personal property acquired by the Association shall be held and used for the benefit of the Owners for the purposes stated in the Governing Documents. Surplus funds remaining after payment of or provision for Common Expenses and reserves shall be credited against future assessments or added to reserves, as determined by the Board.

SECTION 6

ASSESSMENTS

6.1 General. Assessments shall be determined and assessed against the Units by the Board, in its discretion; subject to the requirements and procedures set forth in this Section 6 and the requirements of the Bylaws. Assessments shall include annual assessments under Section 6.2, and may include special assessments under Section 6.3 and limited allocation assessments under Section 6.4. Annual and special assessments shall be allocated among the Units equally, in accordance with the allocation formula set forth in Section 4.2. Limited allocation assessments under Section 6.4 shall be allocated to Units as set forth in that Section.

6.2 Annual Assessments. Annual assessments shall be established and levied by the Board, subject to the limitations set forth hereafter. Each annual assessment shall cover all of the anticipated Common Expenses of the Association for

that year which are to be shared equally by all Units in accordance with the allocation set forth in Section 4.2. Annual assessments shall be payable in equal installments, billed no less frequently than on a quarterly basis. Annual assessments shall provide, among other things, for an adequate reserve fund for the maintenance, repair and replacement of the Common Elements and those parts of the Units for which the Association is responsible. Except for the variations authorized by Section 6.4, and except for premiums on insurance carried by the Association, the increase in the annual assessment for any fiscal year shall not exceed the greater of (i) five percent (5%) of the previous year's annual assessment or (ii) the percentage increase in the National Bureau of Labor Statistics Consumer Price Index for the Minnesota Twin City Metropolitan Area (or comparable index if not available) for the most recent available year, multiplied times the total annual assessment for the Association's previous year; unless the increase is approved by the vote of sixty-seven percent (67)% of those Owners (other than Declarant) voting, in person or by proxy, at a meeting called for that purpose, or voting by mail. Notice of the meeting shall be sent to all Owners not less than twenty-one (21) days nor more than thirty (30) days in advance of the meeting. The foregoing restriction shall apply only during the period of Declarant control of the Association, as described in Section 17.

6.3 Special Assessments. In addition to annual assessments, and subject to the limitations set forth hereafter, the Board may levy in any assessment year a special assessment against all Units equally in accordance with the allocation formula set forth in Section 4.2. Special assessments shall be used for the purpose of defraying in whole or in part of the cost of any unforeseen and unbudgeted Common Expense. Notwithstanding the foregoing, and only during the period of Declarant control of the Association, as described in Section 17, any special assessment shall be subject to approval by the vote of a sixty-seven percent (67%) of the Owners voting, in person or by proxy, at a meeting called for that purpose, or voting by mail. Notice of the meeting shall be sent to all Owners not less than twenty-one (21) days nor more than thirty (30) days in advance of the meeting.

6.4 Limited Allocation Assessments. In addition to annual assessments and special assessments, the Board may, at its discretion, levy and allocate limited allocation assessments among only certain Units in accordance with the following requirements and procedures:

- a. Any assessment associated with the maintenance, repair or replacement of a Limited Common Element shall be assessed exclusively against the Unit or Units to which that Limited Common Element is assigned.
- b. Any assessment or portion thereof benefiting fewer than all of the Units may be assessed exclusively against the Unit or Units benefited.
- c. The costs of insurance may be assessed in proportion to the square footage or actual cost per Unit, and the costs of utilities may be assessed in proportion to usage.

- d. Reasonable attorneys' fees and other costs incurred by the Association in connection with (i) the collection of assessments and (ii) the enforcement of the Governing Documents, the Act or the Rules and Regulations, against an Owner or Occupant or their guests, may be assessed against the Owner's Units.
- e. Late charges, fines and interest may be assessed as provided in Section 14.
- f. Assessments levied under Section 515B.3-116(a) of the Act to pay a judgment against the Association may be levied only against the Units existing at the time the judgment was entered, in proportion to their Common Expense liabilities.
- g. If any damage to the Common Elements or another Unit is caused by the act or omission of any Owner or Occupant, or their guests, the Association may assess the costs of repairing the damage exclusively against the Owner's Unit to the extent not covered by insurance.
- h. If any assessment or installment of an assessment becomes more than thirty (30) days past due, then the Association may, upon ten (10) days written notice to the Owner, declare the entire amount of the assessment immediately due and payable in full.
- i. If Common Expense liabilities are reallocated for any purpose authorized by the Act, Assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Common Expense liabilities.

Assessments levied under Sections 6.4.a through g may, at the Board's discretion, be assessed as a part of, or in addition to, the Assessments levied under Section 6.

6.5 Working Capital Fund. There shall be established a working capital fund to meet unforeseen expenditures or to purchase additional equipment or services during the Association's beginning years of operation. The Board shall include in each subsequent annual budget a reasonable amount of working capital, based upon the anticipated needs of the Association for the year in question. The first purchaser of each Unit sold shall contribute on a one-time basis an amount equal to two (2) months installments of the estimated Common Expense Assessment for the Unit. The contribution shall be paid at the earlier of the time of closing of sale of the Unit or the time of termination of the period of Declarant control under Section 17.8. The contributions to this fund are in addition to the regular monthly installments of the Assessments. The funds shall be deposited into a segregated Association account no later than the termination of the period of Declarant control. Declarant may not use the funds to defray any of its expenses, reserve contributions or construction costs or to

make up any budget deficit while Declarant is in control of the Association. However, after termination of Declarant control and upon the closing of the sale of an unsold Unit, Declarant may reimburse itself from funds collected from the purchaser at the closing for any contributions made by Declarant to the working capital fund with respect to that Unit.

6.6 Liability of Owners for Assessments. The obligation of an Owner to pay assessments shall commence at the later of (i) the time at which the Owner acquires title to the Unit or (ii) the due date of the first assessment levied by the Board, subject to the alternative assessment program described in Section 6.7. The Owner at the time an assessment is payable with respect to the Unit shall be personally liable for the share of the Common Expenses assessed against such Unit. Such liability shall be joint and several where there are multiple Owners of the Unit. The liability is absolute and unconditional. No Owner is exempt from liability for payment of Assessments by right of set-off, by waiver of use or enjoyment of any part of the Property, by absence from or abandonment of the Unit, by the waiver of any other rights or by reason of any claim against the Association or its officers, directors or agents or for their failure to fulfill any duties under the Governing Documents or the Act. The Association may invoke the charges, sanctions and remedies set forth in Section 14, in addition to any remedies provided elsewhere in the Governing Documents, the Rules and Regulations, or by law, for the purpose of enforcing its rights hereunder.

6.7 Declarant's Alternative Assessment Program. The following alternative assessment program is established pursuant to Section 515B.3-115(a) of the Act. Notwithstanding anything to the contrary in this Section 6, if a Common Expense assessment has been levied, any unsold Unit owned by Declarant shall be assessed at the rate of twenty-five percent (25%) of the Assessments levied on other Units of the same type until the first day of the sixth month following issuance of a building permit for the Unit or the date of occupancy of a Unit, whichever first occurs. This reduced Assessment shall apply to each Unit owned by Declarant at the time that the Unit is created and shall terminate with respect to each such Unit upon the first day of the sixth month following issuance of a building permit or the date of occupancy, whichever first occurs. This alternative assessment program will not affect the allocated share of replacement reserves required for Units owned by Declarant; however, there are no assurances that the program will not affect the level of services for items set forth in the Association's budget.

6.8 Assessment Lien. The Association has a lien on a Unit for any assessment levied against that Unit from the time the Assessment becomes due. If an Assessment is payable in installments, the full amount of the Assessment is a lien from the time the first installment thereof becomes due. Fees, charges, late charges, fines and interest charges imposed by the Association pursuant to Section 515B.3-102(a)(10), (11) and (12) of the Act are liens and are enforceable as assessments, under this Section 6. Recording of the Declaration constitutes record notice and perfection of any lien under this Section 6, and no further recordation of any notice of or

claim for the lien is required. The release of the lien shall not release the Owner from personal liability unless agreed to in writing by the Association.

6.9 Foreclosure of Lien; Remedies. A lien for Assessments may be foreclosed against a Unit under the laws of the State of Minnesota (i) by action or (ii) by advertisement in a like manner as a mortgage containing a power of sale. The Association, or its authorized representative, shall have the power to bid in at the foreclosure sale and to acquire, hold, lease, mortgage and convey any Unit so acquired. The Owner and any other Person claiming an interest in the Unit, by the acceptance or assertion of any interest in the Unit, grants to the Association a power of sale and full authority to accomplish the foreclosure. The Association shall, in addition to its other remedies, have the right to pursue any other remedy at law or in equity against the Owner who fails to pay any assessment or charge against the Unit.

6.10 Lien Priority; Foreclosure. A lien for Assessments is prior to all other liens and encumbrances on a Unit except (i) liens and encumbrances recorded before the Declaration, (ii) any first mortgage on the Unit and (iii) liens for real estate taxes and other governmental assessments or charges against the Unit. Notwithstanding the foregoing, if (1) a first mortgage on a Unit is foreclosed, (2) the first mortgage was recorded on or after the date of recording of this Declaration and (3) no Owner redeems during the Owner's period of redemption provided by Minnesota Statutes Chapters 580, 581 or 582, then the holder of the sheriff's certificate of sale from the foreclosure of the first mortgage shall take title to the Unit subject to unpaid assessments for Common Expenses levied pursuant to Sections 515B.3-115(a), (e)(1) to (5), (f) and (i) of the Act which became due, without acceleration, during the six (6) months immediately preceding the first day following the end of the Owner's period of redemption.

6.11 Voluntary Conveyances; Statement of Assessments. In a voluntary conveyance of a Unit, the buyer shall not be personally liable for any unpaid assessments and other charges made by the Association against the seller or the seller's Unit prior to the time of conveyance to the buyer, unless expressly assumed by the buyer. However, the lien of such Assessments shall remain against the Unit until released. Any seller or buyer shall be entitled to a statement, in recordable form, from the Association setting forth the amount of the unpaid Assessments against the Unit, including all assessments payable in the Association's current fiscal year, which statement shall be binding on the Association, seller and buyer.

SECTION 7

RESTRICTIONS ON USE OF PROPERTY

All Owners and Occupants, and all secured parties, by their acceptance or assertion of an interest in the Property, or by their occupancy of a Unit, covenant and agree that, in addition to any other restrictions which may be imposed by the Act or the Governing Documents, the occupancy, use, operation, alienation and conveyance of the Property shall be subject to the following restrictions:

7.1 General. The Property shall be owned, conveyed, encumbered, leased, used and occupied subject to the Governing Documents and the Act, as amended from time to time. All covenants, restrictions and obligations set forth in the Governing Documents are in furtherance of a plan for the Property and shall run with the Property and be a burden and benefit to all Owners and Occupants and to any other Person acquiring or owning an interest in the Property, their heirs, personal representatives, successors and assigns.

7.2 Subdivision Prohibited. Except for any rights reserved to the Declarant under this Declaration and/or as permitted by the Act, no Unit nor any part of the Common Elements may be subdivided or partitioned without any necessary County review and approval and then only with the prior written approval of all Owners and all secured parties holding first mortgages on the Units.

7.3 Use. The Units shall be used by Owners and Occupants and their guests exclusively as private, single family residential dwellings and not for transient, hotel, commercial, business or other non-residential purposes, except as provided in Section 7.5. Any lease of a Unit (except for occupancy by guests with the consent of the Owner) for a period of less than two (2) out of seven (7) days, or any occupancy which includes services customarily furnished to hotel guests, shall be presumed to be for transient purposes. The number of occupants per Dwelling shall be restricted in accordance with the Building Officials and Code Administration (BOCA) occupancy restrictions.

7.4 Time Shares. The time share form of ownership, or any comparable form of lease, occupancy rights or ownership which has the effect of dividing ownership or occupancy of a Unit into separate time periods is prohibited unless such time periods are no less than one-twelfth of each calendar year.

7.5 Business Use Restricted. No business, trade, occupation or profession of any kind, whether carried on for profit or otherwise, shall be conducted, maintained or permitted in any Unit or the Common Elements; except:

- a. An Owner or Occupant residing in a Unit may maintain a home occupation in such Unit and handle matters relating to such home occupation by telecommunications or correspondence there from; provided, that such uses are incidental to the residential use; do not involve physical alteration of the Unit visible from the exterior; are in compliance with all governmental laws, ordinances and regulations. The Board of the Association may set such restrictions, rules and regulations as it deems necessary to address business deliveries or pedestrian or vehicular traffic to and from Units by customers or employees of an Owner or Occupant.
- b. The Association may maintain offices on the Property for management and related purposes.

- c. Declarant may maintain offices, sales facilities and other business facilities on the Property in connection with the exercise of its special declarant rights.

7.6 Leasing. Leasing of Units shall be allowed, subject to reasonable regulation by the Association and subject to the following conditions: (i) that no Unit shall be leased for transient or hotel purposes, (ii) that no Unit may be subleased, (iii) that all leases shall be in writing, (iv) that all leases shall provide that they are subject to the provisions of the Governing Documents, the Rules and Regulations and the Act, and (v) that any failure of the lessee to comply with the terms of such documents shall be a default under the lease. The Association may impose such reasonable Rules and Regulations as may be necessary to implement procedures for the leasing of Units, consistent with this Section. This Section shall not prevent Declarant from providing access to Units to potential Owners or Occupants on an interim basis.

7.7 Delegation of Use. An Owner may delegate, in accordance with the Governing Documents, the Owner's right of use and enjoyment of the Unit to persons living in the Unit pursuant to a legal right of possession; provided, that such persons shall be subject to the Governing Documents and the Rules and Regulations. If lessees, or other persons other than the Owner or the Owner's family, have been given the legal right to possess the Owner's Unit, then those persons shall have the right to use any common recreational facilities, parking, storage and other amenities on the Property in lieu of the Owner and the Owner's family.

7.8 Building Materials. All structures must use natural exterior colors designed to blend in with environment. Each dwelling shall have a garage suitable for the storage of at least two vehicles. No prefab, modular, or used homes may be erected without being approved in accordance with Section 8. Exterior walls shall be covered, except for windows and doors, with metal, vinyl, aluminum or wood siding (pressed board or plywood is not considered siding), wood shingles, brick, stucco, stone, cement board or other appropriate materials. Exterior materials must be approved in accordance with Section 8. All foundations and exposed chimneys must be covered with brick or finished masonry which will match the construction of the structure of which they are part, save and except that foundations may be allowed to have up to one foot of exposed unfinished masonry. Plans regarding such covering shall be submitted for approval in accordance with Section 8. No exposed concrete or concrete block will otherwise be allowed except as and for driveways or walkways.

7.9 Building Size. No dwelling shall be erected with less than eight hundred (800) square feet of above-ground living space, exclusive of porches, carports, and garages. The roof of every dwelling shall have a slope of at least 5 in 12 unless approved by the Board or an architectural committee appointed by it pursuant to Section 8. Subject to any necessary County approval, no more than one large outbuilding or detached garage not to exceed two thousand four hundred (2,400) square feet and one small outbuilding not to exceed two hundred sixty (260) square feet shall be constructed on a single dwelling unit or on twin dwelling unit. All outbuildings (including detached

garages) shall be designed to be architecturally compatible to the unit dwelling and must be approved in accordance with Section 8.

7.10 Limitation on Impervious Surface. The impervious surface area on each single dwelling unit may not exceed 10,000 square feet while the impervious surface area on each twin dwelling unit may not exceed 15,000 square feet. If a driveway is shared, then that portion that is shared will be allocated equally between the units sharing same.

7.11 Set-backs. Dwellings must be located at least 70 feet from the center line of a public road. There shall be no setback requirement along unit boundary lines that adjoin any common elements. A dwelling constructed on a unit sharing a boundary line with another unit must be at least twenty (20) feet from the common boundary line. Should the owner of two adjacent Units desire to build and maintain one Dwelling on both Units, said owner must obtain approval in accordance with Section 8, in writing, including approval of any relocation or extension of any easement. The actual location of a dwelling or any outbuilding on a Unit must be approved in accordance with Section 8.

7.12 Parking. Garages and parking areas on the Property shall be used only for parking of vehicles owned or leased by Owners and Occupants and their guests, and such other incidental uses as may be authorized in writing by the Association. Garages shall not be converted to other uses or used for storage or other purposes which would prevent the parking of at least two vehicles in the garage. The use of garages, driveways and other parking areas on the Property, and the types of vehicles and personal property permitted thereon, shall be subject to regulation by the Association, including without limitation the right of the Association to tow illegally parked vehicles or to remove unauthorized personal property.

7.13 Utility Lines. All electric service from the main power source to each dwelling shall be underground. Prior written approval in accordance with Section 8 shall be required before any above-ground wiring may be installed.

7.14 Lighting. Exterior lighting shall be designed to minimize the disruption to viewing the night sky and shall be subject to the review in accordance with Section 8.

7.15 Satellite Dishes. The use of satellite dishes will be restricted to the use of such satellite dish not to exceed 36" in diameter.

7.16 Restriction on Building within Easement. No permanent structure shall be erected within any easement.

7.17 Nuisances. No noxious or offensive activity shall be carried on upon or within any Unit; nor shall anything be done on any Unit that may become an annoyance or nuisance to the neighborhood.

7.18 Storage and Parking of Boats, Trailers, Vehicles, Etc. There shall be no more than any combination of two (2) vehicles, trailers, boats, etc. parked outside a garage or dwelling on a regular or permanent basis unless any additional vehicles, trailers, boats, etc. are screened from view from surrounding properties and the road(s) servicing same.

7.19 Signage. No signs of any kind may be displayed to the public view on any Unit except one professional sign of not more than six (6) square feet advertising the property for sale or signs used by builders to advertise the property during the construction and sales period. Political signs are allowed from August 1 in a state general election year until ten days following the state general election or for a period not to exceed 30 days prior to and five days after any other election. Event signs for parties or garages sales are permitted for up to 3 days. None of the foregoing restrictions shall apply to signs that the Declarant may place to market Units in Walker Lake Preserve.

7.20 Temporary Structures. No structure of a temporary character, trailer, mobile home, modular home, basement, tent, shack, garage, barn or other building shall be used on any Unit at any time as a residence for more than two weeks, save and except that such a structure may be used during the construction period referenced in Paragraph 7.31 hereof. Recreational Vehicles and Trailers of recent manufacture and in good condition approved by the architectural committee and meeting government requirements may be used as a seasonal residence.

7.21 Oil and Mining Operations. No oil drilling or refining, quarrying, or mining operations of any kind shall be permitted on or in any Unit.

7.22 Animals. No animals, livestock, or poultry of any kind shall be kept, bred or maintained for business or commercial purposes. Dogs, cats, or other common household pets may be kept, provided that they are not kept, bred or maintained for any commercial purpose. Except as just provided, the Board shall have the exclusive authority to allow and regulate, by Rules and Regulations, the keeping of animals on the Property. The word "animal" shall be construed in its broadest sense and shall include all living creatures except humans.

7.23 Garbage and Refuse Disposal. No Unit shall be used as a dumping ground for rubbish. Units must be kept clean of trash, rubbish, or garbage. Trash, garbage or other waste shall be kept in sanitary containers. No garbage incinerators shall be permitted. All equipment for the storage or disposal of such material shall be kept in a clean, sanitary condition.

7.24 Sewage Disposal. All Units shall be connected to a septic system in accordance with the requirements, standards, and recommendations of the appropriate state and local authorities, including but not limited to the Otter Tail Water Management District.

7.25 Fences. All plans for fences must be submitted to and approved in accordance with Section 8, in writing, before construction of the fence. No fences other than wooden fences, privacy screens and/or chain link fences shall be allowed. No fences or screens are allowed within the common areas unless approved in accordance with Section 8.

7.26 Docks and Lifts. It is not permissible for any Unit owner to construct a dock, maintain a boat lift or beach a boat overnight other than at boat slips built and maintained by the Association within the common element designated as "Water Recreation Area" on the CIC Plat. No beach mooring shall be allowed and all boat lifts must be approved in accordance with Section 8 and only located within the "Water Recreation Area" designated on the CIC Plat. The Board shall establish such rules and regulations as it deems necessary to govern the use and maintenance of all docking facilities.

7.27 Ponds, Wetlands and Trees. Except as otherwise provided herein, ponds, marshes, wetland areas, vegetation and trees, whether located on the Units or the Common Elements, and whether natural or otherwise, shall be maintained in substantially the same condition as originally found, subject to (i) the requirements of Section 2.10 hereof with respect to the Protected Area; (ii) changes authorized by the Association consistent with all statutes, requirements, rules and regulations imposed on such areas and items by governmental authorities having jurisdiction and (iii) the prior approval of any such governmental authorities, if required. Diseased, dying, dead, and noxious vegetation may be removed and brush less than an inch in diameter may be periodically cleared. Diseased or dying trees shall be replaced whenever possible. A living healthy tree larger than four inches in diameter may only be cut or removed if the tree is on an intended structure, driveway, septic, water, utility or walkway easement, or the trunk is within twenty feet of a structure or otherwise if written permission is received in accordance with Section 8. Unit owners or occupants may establish and maintain a lawn and appropriate landscaping surrounding structures and driveways, consistent with the provisions of Section 7.29 hereof. Otherwise, no cutting, mowing, trimming, draining, dredging or other alteration of such areas and items shall be permitted unless written permission is received in accordance with Section 8, it being the intention that such areas and items remain and be maintained in a natural state and subject to natural changes.

7.28 Maintenance of Common Elements. Subject to the additional limitations and requirements imposed on the Protected Area, the common elements will be left in largely their natural state when possible and no more than 20% of trees will be pruned in any one year to preserve and maintain sight lines from constructed dwellings to the lake, except to clear for roads, septic systems, structures or common utilities.. Pruning will be kept to a minimum and may only be undertaken by the Association. Noxious weeds, prickly ash and brush located on the Common Elements will be managed by the Association as required by applicable rules and regulations. Walking trails and the highly used common grounds around any common recreation area such as a beach, playing field, picnic area, and/or pool will be mowed.

7.29 Unit Maintenance. Property owners will be encouraged to maintain a natural setting. Mowed areas shall be kept small and must be properly maintained. While screening of units from lake view is encouraged, an Owner or Occupant of a Unit shall not be deprived of the ability to see Walker Lake from a dwelling. Noxious weeds (i.e., thistles) and thorny shrubs and trees (i.e., buckthorn, prickly ash) must be controlled and eliminated to the greatest extent possible. In the event an Owner fails to properly maintain their property and take corrective action within fifteen (15) days after receipt of written notice from the Association, the Association may mow, cut, or clean the property. The actual cost incurred shall be deemed to be an additional assessment against the property, and the Owner thereof may be assessed, together with interest, fees and costs, the same as a regular assessment.

7.30 Erosion Control and Landscape Waste. During clearing and construction, until all exposed dirt from excavating has been removed from the building site or brought to an approved final grade surrounding the dwelling unit, and until the building site is permanently landscaped with vegetation or landscaping material, the building site owner shall prevent the erosion and washing of soil from the building site by employing the following measures:

- a. Disposing of all landscape waste, such as brush, weeds, removed trees, and excess dirt, in a lawful fashion by removal, without causing damage to any adjacent building site or nearby property. No debris shall be allowed to blow into streets, neighboring yards, common areas or the lake.
- b. In the case of making improvements to a building site, the owner shall place, or require a general or sub-contractor to place, all excavated soils deposited within the building site at least five (5) feet from any Unit boundary line, and the owner or general or sub-contractor shall not place any soil piles on an easement or right-of-way of record.
- c. Prior to and during all construction the owner must prevent erosion and maintain a working silt fence at appropriate areas. Within 15 days, weather permitting, after the final grade has been established and approved on the building site, the building site owner shall provide and establish vegetation to cover exposed soils by planting approved ground cover, sodding, seeding and strawing, or covering the exposed areas with approved landscape material to prevent erosion.
- d. Soils, mud and landscape waste carried from a building site onto other properties and common areas such as easements, lake or waterways, rights of way and roadways, by erosive forces or by vehicles leaving a construction site, shall be cleaned up daily or as necessary, at the expense of the building site owner. The Association and/or Declarant, their successors and assigns, shall have the right to enter a building site at any time for the purpose of preventing and arresting undue erosion at the

expense of the building site owner if the building site owner or his designated contractor is unwilling or unable to prevent such erosion. Owner shall be responsible for such expenses.

7.31 Construction Period. The exterior of any structure placed or constructed on a Unit must be completed within 12 months of the commencement of said structure. Construction can start any time after purchase and does not have to begin within any stated time period.

7.32 Quiet Enjoyment; Interference Prohibited. All Owners and Occupants and their guests shall have a right of quiet enjoyment in their respective Units. The Property shall be occupied and used in such a manner as will not cause a nuisance, nor unduly restrict, interfere with or impede the use of the Property by other Owners and Occupants and their guests.

7.33 Compliance with Law. No use shall be made of the Property which would violate any then existing governing codes or ordinances, or state or federal laws, nor shall any act or use be permitted which could cause waste to the Property, cause a material increase in insurance rates on the Property or otherwise cause any unusual liability, health or safety risk, or expense, for the Association or any Owner or Occupant.

7.34 Alterations. Except for those made by Declarant in consideration of its initial sale of a Unit, no alterations (as defined in Section 8) shall be made, or caused or allowed to be made in any part of the Common Elements, or in any part of the Unit which affects the Common Elements or another Unit or which is visible from the exterior of the Unit, without the prior written authorization of the Board, or a committee appointed by it, as provided in Section 8.

7.35 Access to Units. In case of emergency, all Units and Limited Common Elements are subject to entry, without notice and at any time, by an officer or member of the Board of the Association, by the Association's management agents or by any public safety personnel. Entry is also authorized for maintenance purposes under Sections 9 and 13 and for enforcement purposes under Section 14.

SECTION 8

ARCHITECTURAL STANDARDS

8.1 Restrictions on Alterations. One of the purposes of this Declaration is to ensure that those parts of the Units which are visible from the exterior be kept architecturally attractive and substantially uniform in appearance. Therefore, the following restrictions and requirements shall apply to alterations on the Property:

- a. Except as expressly provided in this Section 8, no structure, building, addition, deck, patio, fence, wall, enclosure, window, exterior door, antenna or other type of sending or receiving apparatus, sign, display,

decoration, color change, shrubbery, material topographical or landscaping change, nor any other exterior improvements to or alteration of any Dwelling or any other part of a Unit or Limited Common Element which affects the Common Elements or another Unit, or which is visible from the exterior of the Unit, nor any work within a Common Element shared by all the Units, except as permitted pursuant to Sections 7.27 and 7.28 (collectively referred to as "alterations"), shall be commenced, erected or maintained, unless and until sufficient plans and specifications showing or describing the nature, kind, shape, height, color, materials and locations of the alterations, as applicable, shall have been approved in writing by the Board or a committee appointed by it. Declarant's written consent shall also be required for alterations until the Declarant no longer owns a Unit for sale.

- b. The Board may appoint, supervise and disestablish an architectural committee, and specifically delegate to it part or all of the functions which the Board exercises under this Section 8, in which case the references to the Board shall refer to the architectural committee where appropriate. The architectural committee shall be subject to the supervision of the Board.
- c. The Board shall establish criteria for approval of improvements or alterations, which shall include and require, at a minimum:
 - (1) substantial consistency in color, size, location, type and design in relation to surrounding structures and topography,
 - (2) comparable or better quality of materials as used in existing Dwellings,
 - (3) ease of maintenance and repair,
 - (4) adequate protection of the Property, the Association, Owners and Occupants from liability and liens arising out of the proposed alterations,
 - (5) substantial preservation of other Owners' sight lines, if material, and
 - (6) compliance with governmental laws, codes and regulations.

The Board, or the appointed committee if so authorized by the Board, shall be the sole judge of whether the criteria are satisfied.

- d. Approval of alterations which encroach upon another Unit or the Common Elements shall create an appurtenant easement for such encroachment in favor of the Unit with respect to which the alterations are approved,

notwithstanding any contrary requirement in the Governing Documents or the Act. A file of the resolutions approving all alterations shall be maintained permanently as a part of the Association's records.

- e. Declarant's construction in connection with the initial sale of Units owned by it is exempt from Section 8.
- f. The following antennas may be installed on a Unit, as permitted by applicable federal law: (i) two antennas one meter or less in diameter for the purpose of receiving direct broadcast/satellite service or video programming services or (ii) any antenna for receiving Internet or television broadcast signals; provided, that the Board or an architectural committee appointed by it may require that the antenna be installed so as to minimize its visibility from the front of the Unit and otherwise camouflage its appearance, unless such requirements would (i) unreasonably delay installation, (ii) unreasonably increase the cost of installation, maintenance or use of the antenna or (iii) preclude reception of an acceptable quality signal. Such installation shall be subject to all governmental laws, codes and ordinances. The Board shall have authority to impose further, reasonable requirements consistent with law. The Owner is responsible for all maintenance and repair of any antenna installed on a Unit.

8.2 Review Procedures. The following procedures shall govern requests for alterations under this Section:

- a. Detailed plans, specifications and related information regarding any proposed alteration, in form and content acceptable to the Board of Directors, shall be submitted to the Board at least thirty (30) days prior to the projected commencement of construction. No alterations shall be commenced prior to approval.
- b. The Board shall give the Owner written notice of approval or disapproval. If the Board fails to approve or disapprove within thirty (30) days after receipt of said plans and specifications and all other information requested by the Board of Directors, or fails to continue the matter in said time period, for cause, for up to an additional thirty (30) day period commencing from the end of the first such thirty (30) day period, then approval shall be deemed to be granted; provided that the alterations are done in accordance with the plans, specifications and related information which were submitted.
- c. If no request for approval is submitted, approval is denied, unless (i) the alterations are reasonably visible and (ii) no written notice of the violation has been given to the Owner in whose Unit the alterations are made, by the Association or another Owner, within six months following the date of

completion of the alterations. Notice may be direct written notice or the commencement of legal action by the Association or an Owner. The Owner of the Unit in which the alterations are made shall have the burden of proof, by clear and convincing evidence, that the alterations were completed and reasonably visible for at least six months following completion and that the notice was not given.

8.3 Remedies for Violations. The Association may undertake any measures, legal or administrative, to enforce compliance with this Section and shall be entitled to recover from the Owner causing or permitting the violation all attorneys' fees and costs of enforcement incurred by the Association, whether or not a legal action is started. Such attorneys' fees and costs shall be a lien against the Owner's Unit and a personal obligation of the Owner. In addition, the Association shall have the right to enter the Owner's Unit and to restore any part of the Dwelling or Unit to its prior condition if any alterations were made in violation of this Section, and the cost of such restoration shall be a personal obligation of the Owner and a lien against the Owner's Unit.

8.4 Hold Harmless. The Owner who causes an alteration to be made, regardless of whether the alteration is approved by the Board, shall be solely responsible for the construction standards and specifications relating to the alteration and the construction work. The Owner, and not the Association, is responsible for determining whether any alteration is in violation of any restrictions imposed by any governmental authority having jurisdiction over the Property. The Owner shall hold the Association harmless and indemnify the Association, and its officers and directors, from and against any expenses, claims, damages, losses or other liabilities, including without limitation attorneys' fees and costs of litigation, arising out of (i) any alteration which violates any governmental laws, codes, ordinances or regulations, (ii) the adequacy of the specifications for construction of the alterations and (iii) the construction of the alterations.

SECTION 9

MAINTENANCE

9.1 Maintenance by Association. The Association shall provide for maintenance, repair or replacement (collectively referred to as "maintenance") of the Common Elements, including all improvements thereon. In addition, for the purpose of preserving the architectural character, quality and uniform and high standards for appearance of the Property, the Association may provide for exterior maintenance upon the Dwellings and/or Units as follows:

- a. paint, repair and replace roofs, gutters, down spouts, garage doors and exterior entry doors (except control of the lock(s) or other security device(s) utilized to limit or gain access), windows and window frames, exterior siding and other building surfaces, sidewalks, driveways, and

- b. provide for lawn, shrub and tree maintenance on the yard areas of all Units, as originally installed.

The Association's authority over exterior building surfaces shall not extend to foundations and foundation walls, Dwelling walls, floors, ceilings, all interior parts of the Dwellings, keying (or other security device(s) utilized to limit or gain access), mechanical, electrical and plumbing systems, glass and any other items not specifically required to be maintained by the Association, unless otherwise approved under Section 9.2. The Association shall have easements as described in Section 13 to perform its obligations under this Section 9.

9.2 Optional Maintenance by Association. In addition to the maintenance described in Section 9.1, the Association may, with the approval of a majority of votes cast in person or by proxy at a meeting called for such purposes, undertake to provide additional exterior maintenance to the Units or Dwellings, and/or maintenance of water and/or sewer systems within or for the Units.

9.3 Maintenance by Owner. Except for the exterior maintenance required to be provided by the Association under Section 9.1 or undertaken by the Association in accordance with Section 9.2, all maintenance of the Dwellings and Units shall be the sole responsibility and expense of the Owners thereof. The Limited Common Elements allocated to the Unit shall be maintained by the Owner of that Unit. The Owners and Occupants shall have a duty to promptly notify the Association of defects in or damage to those parts of the Property which the Association is obligated to maintain. The Association may require that any exterior maintenance to be performed by the Owner be accomplished pursuant to specific uniform criteria established by the Association. The Association may also undertake any exterior maintenance which the responsible Owner fails to or improperly performs and charge and assess the Unit and for the cost thereof. Such cost shall be a personal obligation of the Owner and a lien against the Owner's Unit.

9.4 Damage Caused by Owner. Notwithstanding any provision to the contrary in this Section, if, in the judgment of the Association, the need for maintenance of any part of the Property is caused by the willful or negligent act or omission of an Owner or Occupant, or their guests, or by a condition in a Unit which the Owner or Occupant has willfully or negligently allowed to exist, the Association may cause such damage or condition to be repaired or corrected (and enter the yard area of upon any Unit to do so), and the cost thereof may be charged and assessed against the Unit of the Owner responsible for the damage. Such cost shall be a personal obligation of the Owner and a lien against the Owner's Unit. In the case of party walls between Dwellings, the Owners of the affected Dwellings shall be liable as provided in Section 10.

SECTION 10

PARTY WALLS

10.1 General Rules of Law to Apply. Each Dwelling wall built as part of the original construction of the Dwellings and located on the boundary line between Units shall constitute a party wall, and, to the extent not inconsistent with the provisions of this Section, the general rules of law regarding party walls and liability for property damage due to negligent or willful acts or omissions shall apply thereto.

10.2 Repair and Maintenance. The Owners of the Units which share the party wall shall be responsible for the maintenance, repair and replacement of party wall in equal proportions; provided (i) that any maintenance, repair or replacement necessary due to the acts or omissions of a certain Owner or Occupant sharing such party wall shall be paid for by such Owner and (ii) that the Association may contract for and supervise the repair of damage caused by an Owner or Occupant and assess the Owners for their respective shares of the cost to the extent not covered by insurance. Such cost shall be a personal obligation of the Owner and a lien against the Owner's Unit(s).

10.3 Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has use of the wall may, with the consent of the Association, restore it, and the other Owner shall promptly reimburse the Owner who restored the wall for his or her share of the cost of restoration thereof; provided, however, that the cost of restoration resulting from destruction or other casualty resulting from the acts or omissions of certain Owners shall be the financial responsibility of such Owners, and the Association may assess the responsible Owners for their share of the costs, without prejudice to the right of an Owner to recover a large contribution from the other Owner. Insurance claims shall be made promptly following any casualty.

10.4 Weatherproofing. Notwithstanding any other provision of this Section, any Owner who, by his or her negligent or willful act, causes a party wall to be exposed to the elements shall bear the whole cost of the repairs necessary for protection against such elements.

10.5 Right to Contribution Runs With Land. The right of any Owner to contribution from any other Owner under this Section shall be appurtenant to the Unit and shall pass to such Owner's assign and successors in title.

10.6 Arbitration. In the event of a dispute between two or more Owners concerning a party wall, and if the same is not resolved within thirty (30) days of the event causing the dispute, the matter shall be submitted to binding arbitration under the rules of the American Arbitration Association, upon the written demand of the Association or any Owner whose Dwelling shares the party wall. Notwithstanding the foregoing, the parties shall use only one arbitrator unless they unanimously agree to more arbitrators. The Association may elect to become a party to an arbitration proceeding between Owners but cannot be compelled to be a party. Each party agrees that the decision of the arbitrator(s) shall be final and conclusive of the questions

involved. The fees of the arbitrator(s) shall be shared equally by the parties, but each party shall pay its own attorney fees or other costs to prove its case.

SECTION 11

INSURANCE

11.1 Required Coverage. The Association shall obtain and maintain, at a minimum, a master policy or policies of insurance in accordance with the insurance requirements set forth in the Act and the additional requirements set forth herein, issued by a reputable insurance company or companies authorized to do business in the State of Minnesota, as follows:

- a. Property insurance in broad form covering all risks of physical loss in an amount equal to one hundred percent (100%) of the insurable “replacement cost” of the Common Elements and Units sharing or having contiguous walls, siding or roofs, exclusive of: (i) deductibles; (ii) land, footings, excavation and other items normally excluded from coverage (but including all building service equipment and machinery) and (iii) improvements and betterments referred to in Section 515B.3-113(b)(i) through (vii) of the Act. The policy or policies shall cover personal property owned by the Association. The policy or policies shall also contain “Inflation Guard” and “Agreed Amount” endorsements, if reasonably available. Such policy or policies shall include such additional endorsements, coverages and limits with respect to the foregoing and other hazards as may be required from time to time by the regulations of the Federal National Mortgage Association (“FNMA”), the FHA or the VA, if required by one of such agencies as a precondition to their purchase, financing, insuring or guarantee of a mortgage on a Unit. The Board may also, on behalf of the Association, enter into binding written agreements with a mortgagee, or insurer, guarantor or servicer of a mortgage, obligating the Association to keep certain specified coverages or endorsements in effect.
- b. Comprehensive public liability insurance covering the use, operation and maintenance of the Common Elements, with minimum limits of One Million Dollars per occurrence, against claims for death, bodily injury and property damage and such other risks as are customarily covered by such policies for projects similar in construction, location and use to the Property. The policy shall contain a “severability of interest” endorsement which shall preclude the insurer from denying the claim of an Owner or Occupant because of negligent acts of the Association or other Owners or Occupants. The policy shall include additional endorsements, coverages and limits necessary to comply with the regulations of the FNMA, the FHA or VA, if required by one of such agencies as a precondition to the purchase, financing, insuring or guarantee of a mortgage on a Unit.

- c. Fidelity bond or insurance coverage against dishonest acts on the part of directors, officers, managers, trustees, employees or persons responsible for handling funds belonging to or administered by the Association, if deemed to be advisable by the Board or required by the regulations of any financing-related institution as a precondition to the purchase, insuring, guarantee or financing of a mortgage on a Unit. The fidelity bond or insurance shall name the Association as the named insured and shall comply with the regulations of the FNMA, the FHA or VA, if required by one of such agencies as a precondition to the purchase, financing, insuring or guarantee of a mortgage on a Unit. An appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers, or a waiver of defense based upon the exclusion of persons serving without compensation shall be added.
- d. Workers' Compensation insurance as applicable and required by law.
- e. Director's and officer's liability insurance as deemed to be advisable by the Board, with such reasonable limits and coverages as the Board shall determine from time to time.
- f. Such other insurance as the Board may determine from time to time to be in the best interests of the Association and the Owners.

11.2 Premiums; Improvements; Deductibles. Except as provided in Section 6.4, all insurance premiums shall be assessed and paid as an Annual Assessment. If improvements and betterments to the Units are covered and as to any insurance on Units sharing or having contiguous walls, siding or roofs, any cost attributable to same may be assessed against the Units affected. The Association may, in the case of a claim for damage to a Unit or Units, (i) pay the deductible amount as a Common Expense, (ii) assess the deductible amount against the Units affected in any reasonable manner or (iii) require the Owners of the Units affected to pay the deductible amount directly. The Association's decision as to who shall be charged with paying the deductible amount may, but need not, be based on fault.

11.3 Loss Payee; Insurance Trustee. All insurance coverage maintained by the Association shall be written in the name of, and the proceeds thereof shall be payable to, the Association (or a qualified insurance trustee selected by it) as trustee for the benefit of the Owners and secured parties, including Eligible Mortgagees, which suffer loss. The Association, or any insurance trustee selected by it, shall have exclusive authority to negotiate, settle and collect upon any claims or losses under any insurance policy maintained by the Association.

11.4 Required Policy Provisions. All policies of property insurance carried by the Association shall provide that:

- a. Each Owner and secured party is an insured Person under the policy with respect to liability arising out of the Owner's interest in the Common Elements or membership in the Association.
- b. The insurer waives its right to subrogation under the policy against any Owner or member of the Owner's household and against the Association and members of the Board.
- c. The coverage shall not be voided by or conditioned upon (i) any act or omission of an Owner or Eligible Mortgagee, unless acting within the scope of authority on behalf of the Association or (ii) any failure of the Association to comply with any warranty or condition regarding any portion of the Property over which the Association has no control.
- d. If at the time of a loss under the policy there is other insurance in the name of an Owner covering the same property covered by the policy, the Association's policy is primary.

11.5 Cancellation; Notice of Loss. Property insurance and comprehensive liability insurance policies maintained by the Association shall provide that the policies shall not be canceled or substantially modified, for any reason, without at least thirty (30) days prior written notice to the Association and to all secured parties holding first mortgages on Units.

11.6 Restoration in Lieu of Cash Settlement. Property insurance policies maintained by the Association shall provide that, despite any provisions giving the insurer the right to elect to restore damage in lieu of a cash settlement, such option shall not be exercisable (i) without the prior written approval of the Association (or any insurance trustee) or (ii) when in conflict with provisions of any insurance trust agreement to which the Association may be a party, or any requirement of law.

11.7 Owner's Personal Insurance. Each Owner shall obtain additional personal insurance coverage at his or her own expense covering fire and other casualty to improvements not covered by the Association's insurance, personal property and the Owner's personal liability. Insurance policies maintained by Owners are without contribution as against the insurance purchased by the Association.

SECTION 12

RECONSTRUCTION, CONDEMNATION AND EMINENT DOMAIN

12.1 Reconstruction. The obligations and procedures for the repair, reconstruction or disposition of the Property following damage or destruction thereof

shall be governed by the Act. Any repair or reconstruction shall be substantially in accordance with the plans and specifications of the Property as initially constructed and subsequently improved. Notice of substantial damage or destruction shall be given as provided in Section 16.10.

12.2 Condemnation and Eminent Domain. In the event of a taking of any part of the Property by condemnation or eminent domain, the provisions of the Act shall govern; provided (i) that notice shall be given pursuant to Section 16.10, (ii) that the Association shall be the attorney-in-fact to represent the Owners in any related proceedings, negotiations, settlements or agreements and (iii) that any awards or proceeds shall be payable to the Association for the benefit of the Owners and the mortgagees of their Units. Eligible Mortgagees shall be entitled to priority for condemnation awards in accordance with the priorities established by the Act and the Governing Documents, as their interests may appear.

12.3 Termination and Liquidation. The termination of the common interest community, and the distribution of any proceeds therefrom, shall be governed by the Act and may necessitate review and action by the County under applicable rules and regulations. Any distribution of funds shall be based upon the value of the Units as determined by their relative value for property insurance purpose and shall be made to Owners and their mortgage holders, as their interests may appear, as provided in the Act.

12.4 Notice. The Association shall give written notice of any condemnation proceedings or substantial destruction of the Property to the Eligible Mortgagees entitled to notice under Section 16.10.

12.5 Association's Authority. In all cases involving reconstruction, condemnation, eminent domain, termination or liquidation of the common interest community, the Association shall have authority to act on behalf of the Owners in all proceedings, negotiations and settlement of claims. All proceeds shall be payable to the Association to hold and distribute for the benefit of the Owners and their mortgage holders, as their interests may appear, in accordance with the Act.

SECTION 13

EASEMENTS

13.1 Easement for Encroachments. Each Unit and the Common Elements, and the rights of the Owners and Occupants therein, shall be subject to an exclusive easement for encroachments in favor of the adjoining Units for fireplaces, walls, roof overhangs, air conditioning systems, decks, balconies, porches, patios, utility installations and other appurtenances (i) which are part of the original construction of the adjoining Unit or the Property or (ii) which are added in compliance with Section 8, but only so long as any such encroachments are allowed by the Governing Documents

and applicable local, state and federal statutes, rules and regulations. If there is an encroachment by a Dwelling, or other building or improvement located in a Unit, upon another Unit or the Common Elements as a result of the construction, reconstruction, repair, shifting, settlement or movement of any part of the Property, an appurtenant easement for the encroachment, for the use, enjoyment and habitation of any encroaching Dwelling, building or improvement, and for the maintenance thereof, shall exist; provided, that with respect to improvements or alterations added pursuant to Section 8, no easement shall exist unless the same have been approved, and the proposed improvements constructed, as required by this Declaration. Such easements shall continue for as long as the encroachment exists and shall not affect the marketability of title.

13.2 Easement for Maintenance, Repair, Replacement and Reconstruction. Each Unit, and the rights of the Owners and Occupants thereof, shall be subject to the rights of the Association to an exclusive, appurtenant easement on and over the Units for the purposes of maintenance, repair, replacement and reconstruction of the Dwellings and other improvements located within the Units, and utilities serving the Units, to the extent necessary to fulfill the Association's obligations under the Governing Documents.

13.3 Utility and Drainage Easements. The Property shall be subject to non-exclusive, appurtenant easements in favor of all public utility companies and other utility providers for the installation, use, maintenance, repair and replacement of all utilities, such as natural gas, electricity, cable TV and other electronic communications, water, sewer, septic systems, wells and similar services, and metering and control devices, which exist or are constructed as part of the development of the Property, or which are referred to in the CIC Plat or otherwise described in this Declaration or any other duly recorded instrument. Each Unit, and the rights of the Owners and Occupants thereof, shall also be subject to a non-exclusive, appurtenant easement in favor of the other Units for all such utilities and services; provided, that the utilities and services shall be installed, used, maintained and repaired so as not to interfere with the use and quiet enjoyment of the Units by the Owners and Occupants, nor affect the structural or architectural integrity of the Units or Dwellings; and provided, further, that the placement of any well or septic system within a Common Element (excluding any Limited Common Element associated with the Unit to which service is to be provided) shall require the approval of the Board or, if delegated by the Board to it, an architectural committee established pursuant to Section 8.1(b) hereof. Perpetual storm drainage easements are hereby created in all cases where referred to in the CIC Plat. All such utility and drainage easements include the right of ingress and egress for maintenance of the property included in the easements.

13.4 Emergency Access to Units. In case of emergency, all Units and Limited Common Elements are subject to an easement for access, without notice and at any time, by an officer or member of the Board, by the Association's management agents or by any public safety personnel. The Board may require that an Owner or Occupant leave keys to the Unit with another Owner of his or her choice and to advise the

manager or Board of the locations of the keys, so as to allow access for emergencies when the Owner or Occupant is absent for extended periods.

13.5 Project Sign Easements. Declarant shall have the right to erect and maintain monument signs identifying the common interest community and related decorative improvements on the Common Elements. Those parts of the Property on which monument signs or related decorative improvements are located shall be subject to appurtenant, exclusive easements in favor of the Association for the continuing use, maintenance, repair and replacement of said signs and improvements. In exercising its rights under said easements, the Association shall take reasonable care to avoid damaging the improvements to the Property.

13.6 Continuation and Scope of Easements. Notwithstanding anything in this Declaration to the contrary, no Owner or Occupant shall be denied reasonable access to his or her Unit or the right to utility services thereto. The easements set forth in this Section 13 shall supplement and not limit any easements described elsewhere in this Declaration or recorded, and shall include reasonable access to the easement areas through the Units and the common Elements for purposes of maintenance, repair, replacement and reconstruction. All easement rights shall include a right of reasonable access to maintain, repair and replace the utility lines and related equipment.

SECTION 14

COMPLIANCE AND REMEDIES

Each Owner and Occupant, and any other Person owing or acquiring any interest in the Property, shall be governed by and comply with the provisions of the Act, the Governing Documents, the Rules and Regulations and such amendments thereto as may be made from time to time, and the decisions of the Association. A failure to comply shall entitle the Association to the relief set forth in this Section, in addition to the rights and remedies authorized elsewhere by the Governing Documents and the Act.

14.1 Entitlement to Relief. The Association may commence legal action to recover sums due, for damages, for injunctive relief or to foreclose a lien owned by it, or any combination thereof, or an action for any other relief authorized by the Governing Documents or available at law or in equity. Legal relief may be sought by the Association against any Owner to enforce compliance with the Governing Documents, the Rules and Regulations, the Act or the decisions of the Association. Owners may also enforce compliance with the Governing Documents, the Rules and Regulations or the Act by a private legal action, independent of this section. No Owner may withhold any Assessments payable to the Association, or take or omit other action in violation of the Governing documents, the Rules and Regulations or the Act, as a measure to enforce such Owner's position, or for any other reason.

14.2 Sanctions and Remedies. In addition to any other remedies or

sanctions, expressed or implied, administrative or legal, the Association shall have the right, but not the obligation, to implement any one or more of the following actions

against Owners and Occupants and/or their guests, who violate the provisions of the Governing Documents, the Rules and Regulations or the Act:

- a. Commence legal action for damages or equitable relief in any court of competent jurisdiction.
- b. Impose late charges of up to the greater of twenty-five dollars (\$25), or fifteen percent (15%) of the amount past due, for each past due Assessment or installment thereof, and impose interest at the highest rate permitted by law accruing beginning on the first day of the period after the Assessment or installment was due.
- c. In the event of default of more than thirty (30) days in the payment of any Assessment or installment thereof, all remaining installments of Assessments assessed against the Unit owned by the defaulting Owner may be accelerated and shall then be payable in full if all delinquent Assessments or installments thereof, together with all attorneys' fees, costs of collection and late charges, are not paid in full prior to the effective date of the acceleration. Not less than ten (10) days advance written notice of the effective date of the acceleration shall be given to the defaulting Owner.
- d. Impose reasonable fines, penalties or charges for each violation of the Act, the Governing Documents or the Rules and Regulations of the Association.
- e. Suspend the rights of any Owner to vote when the Assessments due with respect to the Owner's Unit are past due, and suspend the rights of any Owner or Occupant and their guests to use any Common Element amenities; provided, that the suspension of use rights shall not apply to Limited Common Elements, or deck, balcony, porch or patio easements, appurtenant to the Unit, and those portions of the Common Elements providing utilities service and access to the Unit. Such suspensions shall be limited to periods of default by such Owners and Occupants in their obligations under the Governing Documents, and for up to thirty (30) days thereafter, for each violation.
- f. Restore any portions of the Common Elements or Limited Common Elements damaged or altered, or allowed to be damaged or altered, by any Owner or Occupant or their guests in violation of the Governing Documents, and to assess the cost of such restoration against the responsible Owners and their Units.

- g. Enter any Unit or Limited Common Element in which, or as to which, a violation or breach of the Governing Documents exists which is likely to materially affect the health or safety of the other Owners or Occupants, or their guests, or the safety or soundness of any Dwelling or other part of the Property or the property of the Owners or Occupants, and to summarily abate and remove, at the expense of the offending Owner or Occupant, any structure, thing or condition in the Unit or Limited Common Elements which is causing the violation; provided, that any improvements which are a part of a Dwelling may be altered or demolished only pursuant to a court order or with the agreement of the Owner.
- h. Foreclose any lien arising under the provisions of the Governing Documents or under law, in the manner provided by the Act.

14.3 Rights to Hearing. Before the imposition of any of the remedies authorized by Section 14.2.d., e., f. or g., the Board shall, upon written request of the offender, grant to the offender an opportunity for a fair and equitable hearing as contemplated by the Act. The offender shall be given notice of the nature of the violation and the right to a hearing, and at least ten (10) days within which to request a hearing. The hearing shall be scheduled by the Board and held within thirty (30) days of receipt of the hearing request by the Board, and with at least ten (10) days prior written notice to the offender. If the offender fails to timely request a hearing or to appear at the hearing, then the right to a hearing shall be deemed waived and the Board may take such action as it deems appropriate. The decision of the Board and the rules for the conduct of hearings established by the Board shall be final and binding on all parties. The Board's decision shall be delivered in writing to the offender within ten (10) days following the hearing, if not delivered to the offender at the hearing. The Board may delegate the foregoing hearing authority to a committee of three or more disinterested Owners, who shall conduct the hearing and make a recommendation to the Board regarding the disposition of the matter.

14.4 Lien for Charges, Penalties, Etc. Any Assessments, charges, fines, expenses, penalties or interest imposed under this Section shall be a lien against the Unit of the Owner or Occupant against whom the same are imposed and the personal obligation of such Owner in the same manner and with the same priority and effect as assessments under Section 6. The lien shall attach as of the date of imposition of the remedy but shall not be final as to violations for which a hearing held until the Board makes a written decision at or following the hearing. All remedies shall be cumulative, and the exercise of, or failure to exercise, any remedy shall not be deemed a waiver of the right to pursue any others.

14.5 Costs of Proceeding and Attorneys' Fees. With respect to any collection measures, or any measures or action, legal, administrative or otherwise, which the Association takes to enforce the provisions of the Act, Governing Documents or Rules and Regulations, whether or not finally determined by a court or arbitrator, the Association may assess the violator and his or her Unit with any expenses incurred in

connection with such enforcement, including without limitation fines or charges previously imposed by the Association, reasonable attorneys' fees and interest (at the highest rate allowed by law) on the delinquent amounts owed to the Association. Such expenses shall also include any collection or contingency fees or costs charged to the Association by a collection agency or other Person acting on behalf of the Association in collecting any delinquent amounts owed to the Association by an Owner or Occupant. Such collection or contingency fees or costs shall be the personal obligation of such Owner and shall be a lien against such Owner's Unit.

14.6 Liability for Owners' and Occupants' Acts. An Owner shall be liable for the expense of any maintenance, repair or replacement of the Property rendered necessary by such Owner's acts or omissions, or by that of Occupants or guests in the Owner's Unit, to the extent that such expense is not covered by the proceeds of insurance carried by the Association or such Owner or Occupant. However, any insurance deductible amount and/or increase in insurance rates, resulting from the Owner's acts or omissions, may be assessed against the Owner responsible for the condition and against his or her Unit.

14.7 Enforcement by County. If, in the reasonable judgment of the County, the Association fails to enforce any material covenant, condition, or restriction contained in this Declaration and/or any provision of the conditional use permit granted Declarant with respect to the Property, then the County may enforce the covenant, condition, restriction and/or provision with the same authority and in the same manner as the Association is authorized to do. Prior to undertaking such enforcement, the County shall give 30 days' notice to the Association before the County undertakes the enforcement. If the Association fails to undertake the required enforcement within the 30-day notice period, then the County may undertake such enforcement and charge the Association in question all costs, attorney's fees and other expenses incurred by the County in such enforcement. The Association shall reimburse the County within 30 days following receipt of a detailed description of the enforcement activities undertaken and the costs thereof. If the amount due to the County is not paid within 30 days after receipt of the detailed description from the County, the County may levy the amount against the entire Property in the same manner as assessments for improvements under the applicable Minnesota Statutes or may pursue any other remedy available under applicable Law.

14.8 Enforcement by Owners. The provisions of this Section shall not limit or impair the independent rights of other Owners to enforce the provisions of the Governing Documents, the Rules and Regulations and the Act as provided therein.

SECTION 15

AMENDMENTS

15.1 Approval Requirements. Except for amendments by Declarant pursuant to Section 515B.2-112(e) of the Act, this Declaration may be amended only by the

approval of:

- a. Owners of Units to which are allocated at least sixty-seven percent (67%) of the total votes in the Association.
- b. The percentage of Eligible Mortgagees (based upon one vote per Unit financed) required by Section 16 as to matters described by said Section.
- c. The FHA or VA, as applicable, during the period of Declarant control under Section 17.9, as to the following matters:
 - (1) The merger or consolidation of the Association with another Association or other legal entity.
 - (2) The dissolution of the Association.
 - (3) The amendment of this Declaration, or the Articles of Incorporation or Bylaws of the Association.
- d. Declarant as to certain amendments as provided in Section 17.9

15.2 Procedures. Approval of the Owners may be obtained in writing or at a meeting of the Association duly held in accordance with the Bylaws. Consents of Eligible Mortgagees, the FHA, the VA or Declarant shall be in writing. Any amendment shall be subject to any greater requirements imposed by the Act. The amendment shall be effective when recorded as provided in the Act. An affidavit by the Secretary of the Association as to the outcome of the vote, or the execution of the foregoing agreements or consents, shall be adequate evidence thereof for all purposes, including without limitation, the recording of the amendment.

SECTION 16

RIGHTS OF ELIGIBLE MORTGAGEES

Notwithstanding anything to the contrary in the Governing Documents, and subject to any greater requirements of the Act or other laws, Eligible Mortgagees shall have the following rights and protections:

16.1 Consent to Certain Amendments. The written consent of Eligible Mortgagees representing at least fifty percent (50%) of the Units that are subject to first mortgages held by Eligible Mortgagees (based upon one (1) vote per first mortgage financed) shall be required for any amendment to the Governing Documents which causes any change in the following: (i) voting rights; (ii) increases in assessments over twenty-five percent (25%), assessment liens or priority of assessment liens; (iii) reductions in reserves for maintenance, repair and replacement of Common Elements;

(iv) responsibility for maintenance and repairs; (v) except as permitted by statute or this Declaration, reallocation of interests in the Common Elements or Limited Common Elements, or rights to their use; (vi) except as permitted by statute or this Declaration, redefinition of any Unit boundaries; (vii) except as permitted by statute or this Declaration, convertibility of Units into Common Elements or vice versa; (viii) except as permitted by statute or this Declaration, expansion or contraction of the Property or the addition, annexation or withdrawal of property to or from the Property; (ix) insurance or fidelity bonds; (x) imposition of any restrictions on the leasing of Units; (xi) except as permitted by statute or this Declaration, imposition of any restrictions on an Owner's right to sell or transfer his or her Unit; (xii) restoration or repair of the Property (after a hazard damage or partial condemnation) in a manner other than that specified in the Governing Documents; (xiii) any action to terminate the legal status of the common interest community after substantial destruction or condemnation occurs; or (xiv) any provisions that expressly benefit mortgage holders, or insurers or guarantors of mortgages.

16.2 Consent to Certain Actions. The written consent of Eligible Mortgagees representing at least sixty-seven percent (67%) of the Units that are subject to first mortgages held by Eligible Mortgagees (based upon one (1) vote per Unit financed) shall be required to (i) abandon or terminate the common interest community; (ii) change the allocations of voting rights, Common Expense obligations or interests in the Common Elements; (iii) partition or subdivide a Unit except as permitted by statute; (iv) abandon, partition, subdivide, encumber or sell the Common Elements; or (v) use hazard insurance proceeds for other than the repair, replacement or reconstruction of the Property, except as otherwise provided by law.

16.3 Consent to Subdivision. No Unit may be partitioned or subdivided without the prior written approval of the Owner and Eligible Mortgagee thereof and the Association.

16.4 No Right of First Refusal. The right of an Owner to sell, transfer or otherwise convey his or her Unit shall not be subject to any right of first refusal or similar restrictions.

16.5 Priority of Lien. Any holder of a first mortgage on a Unit or any purchaser of a first mortgage at a foreclosure sale, that comes into possession of a Unit by foreclosure of the first mortgage or by deed or assignment in lieu of foreclosure, takes the Unit free of any claims for unpaid Assessments or any other charges or liens imposed against the Unit by the Association which have accrued against such Unit prior to the acquisition of possession of the Unit by said first mortgage holder or purchaser; (i) except as provided in Section 6.10 and the Act and (ii) except that any reimbursed Assessments or charges may be reallocated among all Units in accordance with their interests in the Common Elements.

16.6 Priority of Taxes and Other Charges. All taxes, assessments and charges which may become liens prior to the first mortgage under state law shall relate

only to the individual Units and not to the Property as a whole.

16.7 Priority for Condemnation Awards. No provision of the Governing Documents shall give an Owner, or any other party, priority over any rights of the Eligible Mortgagee of the Unit pursuant to its mortgage in the case of a distribution to such Owner of insurance proceeds or condemnation awards for losses to or a taking of the Unit and/or the Common Elements. The Association shall give written notice to all Eligible Mortgagees of any condemnation or eminent domain proceeding affecting the Property promptly upon receipt of notice from the condemning authority.

16.8 Requirements Management Agreements. The term of any agreement for professional management of the Property may not exceed two (2) years. Any such agreement must provide at a minimum for termination without penalty or termination fee by either party, (i) with cause upon thirty (30) days prior written notice and (ii) without cause upon ninety (90) days prior written notice.

16.9 Access to Books and Records/Audit. Eligible Mortgagees shall have the right to examine the books and records of the Association upon reasonable notice during normal business hours and to receive free of charge, upon written request, copies of the Association's annual reports and other financial statements. Financial statements, including those which are audited, shall be available within one hundred twenty (120) days of the end of the Association's fiscal year. If the common interest community consists of fewer than fifty (50) Units, FNMA, or any institutional guarantor or insurer of a mortgage loan against a Unit, may require that, at its own expense, an audit of the Association's financial statements be made for the preceding year, in which case the Association shall cooperate in having an audit made and a copy given to the requesting party. If the common interest community consists of fifty (50) or more Units, the Association shall provide the requested audit at its expense.

16.10 Notice Requirements. Upon written request to the Association, identifying the name and address of the holder, insurer or guarantor of a mortgage on a Unit, and the Unit number or address, the holder, insurer or guarantor shall be entitled to timely written notice of:

- a. a condemnation loss or any casualty loss which affects a material portion of the Property or the Unit securing the mortgage;
- b. a sixty (60) day delinquency in the payment of assessments or charges owed by the Owner of a Unit on which it holds a mortgage;
- c. a lapse, cancellation or material modification of any insurance policy maintained by the Association; and
- d. a proposed action which requires the consent of a specified percentage of Eligible Mortgagees.

SECTION 17

SPECIAL DECLARANT RIGHTS

Except as otherwise specifically provided in this Section, Declarant hereby reserves exclusive and unconditional authority to exercise the following special Declarant rights within the meaning of Section 515B.1-103 (32) of the Act for as long as it owns a Unit, or for such shorter period as may be specifically indicated:

17.1 Complete Improvements. To complete all the Units and other improvements indicated on the CIC Plat, or otherwise included in Declarant's development plans or allowed by the Declaration, and to make alterations in the Units and Common Elements to accommodate the exercise of any special declarant rights. The foregoing shall include but not be limited to the right to grant a conservation easement or other more restrictive measures to the State of Minnesota or other non-profit organization with respect to the Protected Area on such terms and conditions as Declarant determines appropriate.

17.2 Subdivide or Convert Units. To subdivide units or convert units into common elements, limited common elements and/or units.

17.3 Sales and Maintenance Facilities. To construct, operate and maintain a sales office, maintenance, management office, model Units and other development, sales and rental facilities within the Common Elements and any Units owned by Declarant from time to time, located anywhere on the Property which may be temporary structures.

17.4 Signs. To erect and maintain signs and other sales displays offering the Units for sale or lease, in or on any Unit owned by Declarant and on the Common Elements.

17.5 Easements. To have and use easements, for itself, its employees, contractors, representatives, agents and prospective purchasers through and over the Common Elements and the yard areas of the Units for the purpose of exercising its special declarant rights.

17.6 Create Master Association. To create a master association and provide for the exercise of authority by the master association over the common interest community or its unit owners.

17.7 Merger or Consolidation. To merge or consolidate this common interest community with another common interest community of the same form of ownership.

17.8 Control of Association. To control the operation and administration of the Association, including without limitation the power to appoint and remove any officers or the members of the Board pursuant to Section 515B.3-103 of the Act, until the earliest of: (i) voluntary surrender of control by Declarant, (ii) an Association meeting which shall be held within sixty (60) days after conveyance to Owners other than a Declarant of seventy-five percent (75%) of the total number of Units authorized to be included in the Property or (iii) the date five (5) years following the date of the first conveyance of a Unit to an Owner other than a Declarant. Notwithstanding the foregoing, the Owners other than a Declarant shall have the right to nominate and elect not less than thirty-three and one-third percent (33 1/3%) of the directors at a meeting of the Owners which shall be held within sixty (60) days following the conveyance by Declarant of fifty percent (50%) of the total number of Units authorized to be included in the Property.

17.9 Consent to Certain Amendments. Until such time as Declarant no longer owns any Unit for initial sale, Declarant's written consent shall be required for any amendment to the Governing Documents or Rules and Regulations which directly or indirectly affects or may affect Declarant's rights under the Governing Documents or the Act.

SECTION 18

MISCELLANEOUS

18.1 Severability. If any term, covenant or provision of this instrument or any exhibit attached hereto is held to be invalid or unenforceable for any reason whatsoever, such determination shall not be deemed to alter, affect or impair in any manner whatsoever any other portion of this instrument or exhibits.

18.2 Construction. Where applicable the masculine gender of any word used herein shall mean the feminine or neutral gender, or vice versa, and the singular of any word used herein shall mean the plural, or vice versa. References to the Act, or any section thereof, shall be deemed to include any statutes amending or replacing the Act and the comparable sections thereof.

18.3 Tender of Claims. In the event that any incident occurs which could reasonably give rise to a demand by the Association against Declarant for indemnification pursuant to the Act, the Association shall promptly tender the defense of the action to its insurance carrier and give Declarant written notice of such tender, the specific nature of the action and an opportunity to defend against the action.

18.4 Notices. Unless specifically provided otherwise in the Governing Documents or the Act, all notices required to be given by or to the Association, the Board, the Association officers or the Owners or Occupants shall be in writing and shall be effective upon hand delivery, or mailing if properly addressed with postage prepaid and deposited in the United States mail; except that registrations pursuant to Article III, Paragraph 2 of the Bylaws shall be effective upon receipt by the Association.

EXHIBIT A

PROTECTED AREA

That part of Government Lot One (1) and that part of Government Lot Two (2) in Section Eleven (11), Township One Hundred Thirty-four (134) North, Range Forty (40) West of the Fifth Principal Meridian in Otter Tail County, Minnesota, described as follows: Commencing at a found iron monument which designates the West quarter corner of said Section 11; thence North 00 degrees 59 minutes 43 seconds East on an assumed bearing along the West line of said Section 11 for a distance of 557.22 feet; thence South 88 degrees 36 minutes 31 seconds East 112.23 feet to an iron monument; thence South 42 degrees 39 minutes 37 seconds East for a distance of 335.63 feet to an iron monument; thence South 50 degrees 12 minutes 00 seconds East for a distance of 239.65 feet to an iron monument; thence South 50 degrees 50 minutes 41 seconds East for a distance of 199.32 feet to an iron monument; thence South 87 degrees 02 minutes 26 seconds East for a distance of 347.14 feet to an iron monument; thence South 88 degrees 48 minutes 15 seconds East for a distance of 1010.31 feet to an iron monument; thence North 35 degrees 42 minutes 25 seconds East for a distance of 785.93 feet to an iron monument; thence North 15 degrees 41 minutes 41 seconds East for a distance of 476.67 feet to an iron monument; thence North 01 degree 26 minutes 53 seconds West for a distance of 578.04 feet to an iron monument; thence North 74 degrees 29 minutes 02 seconds East for a distance of 500.97 feet to an iron monument; thence North 88 degrees 17 minutes 50 seconds East for a distance of 305.54 feet to the point of beginning of said conservation easement; thence South 40 degrees 01 minute 35 seconds East for a distance of 283.38 feet; thence South 07 degrees 57 minutes 16 seconds East for a distance of 138.11 feet; thence South 36 degrees 46 minutes 12 seconds West for a distance of 243.60 feet; thence South 35 degrees 41 minutes 38 seconds West for a distance of 145.09 feet; thence South 25 degrees 38 minutes 24 seconds West for a distance of 390.62 feet; thence South 18 degrees 35 minutes 53 seconds West for a distance of 196.71 feet; thence South 12 degrees 57 minutes 02 seconds West for a distance of 374.26 feet; thence South 11 degrees 02 minutes 39 seconds West for a distance of 590.15 feet; thence South 02 degrees 47 minutes 46 seconds West for a distance of 422.18 feet; thence South 83 degrees 58 minutes 34 seconds East for a distance of 53.11 feet to an iron monument; thence continuing South 83 degrees 58 minutes 34 seconds East for a distance of 12 feet, more or less, to the water's edge of said Walker Lake; thence northerly, northeasterly, and northwesterly along the water's edge of said Walker Lake to the intersection with a line which bears North 88 degrees 17 minutes 50 seconds East from the point of beginning; thence South 88 degrees 17 minutes 50 seconds West for a distance of 41 feet, more or less, to an iron monument; thence continuing South 88 degrees 17 minutes 50 seconds West for a distance of 53.73 feet to the point of beginning of said conservation easement.

SCHEDULE B

SCHEDULE OF DWELLING UNITS

Single Dwelling Units: Units 1 through 13, inclusive, and Units 19 through 23, inclusive.

Twin Dwelling Units: Units 14 through 18.

Unit that may be converted into up to six Units: Unit 24.