

**FIRST AMENDMENT TO THE
BYLAWS
OF
ITOKAH VALLEY TOWNHOMES ASSOCIATION, INC.**

I, Shelly Volden, the Secretary of Itokah Valley Townhomes Association, Inc. ("Association"), a Minnesota non-profit corporation, do hereby certify that:

1. The Association was created to administer property that is subject to the Declaration of Common Interest Community Number 185, Itokah Valley Townhomes, Dakota County, Minnesota, recorded May 24, 1996, as Document No. 1350774, and amended from time to time thereafter (collectively, the "Declaration").

2. On February 16, 1996, the Association adopted its Bylaws ("Bylaws").

3. A meeting of the Owners as members of the Association (the "Meeting") was called in conformity with the Bylaws of the Association to consider the amendment set forth in the Resolutions attached hereto as Exhibit A and incorporated herein (the "Resolutions").

4. The Meeting was held on the 24th day of October, 2006.

5. Section 9 of the Bylaws provides that the Bylaws may be amended upon approval "by Owners who have authority to cast in excess of fifty percent (50%) of the total votes in the Association, in writing or at a duly held meeting of the Owners, subject to the approval rights of any mortgage holder who has submitted a written request to the Association to be notified of any proposed action requiring consent of mortgage holders ("Eligible Mortgagee").

6. At the Meeting, the proposed amendment to the Bylaws as set forth in the Resolutions was approved by Owners entitled to cast in excess of fifty percent (50%) of the total votes in the Association.

7. The Association has obtained the requisite assent of Eligible Mortgagees, to the extent there are Eligible Mortgagees, to the Resolution.

IN TESTIMONY WHEREOF, I hereunto set my hand this 24th day of October, 2006.

ITOKAH VALLEY
TOWNHOMES ASSOCIATION, INC.

By: Shelly Volden
Its: Secretary

STATE OF MINNESOTA)
)ss.
COUNTY OF Dakota)

The foregoing instrument was acknowledged before me this 3rd day of November, 2006, by Shelly Volden, the Secretary of Itokah Valley Townhomes Association, Inc., a Minnesota non-profit corporation, on behalf of the corporation.

Jane E. Furman
Notary Public

EXHIBIT A
to
FIRST AMENDMENT TO THE
BYLAWS
OF
ITOKAH VALLEY TOWNHOMES ASSOCIATION, INC.

RECITALS

1. The Bylaws governing Itokah Valley Townhomes Association, Inc. (the "Association"), were adopted on February 16, 1996 (the "Bylaws");
2. At a meeting of the Owners as members of the Association, on October 24, 2006, the Owners entitled to cast in excess of fifty percent (50%) of the votes in the Association voted to amend the Bylaws as set forth below, which satisfies the requirements for amendment of the Bylaws as specified in Section 9 of the Bylaws.
3. There are no Eligible Mortgagees, as such term is defined in this First Amendment to the Bylaws, from which consent to the proposed amendment must be obtained.

NOW, THEREFORE, BE IT RESOLVED, that:

Section 4.5 of the Bylaws is deleted in its entirety and the following inserted in its stead::

4.5 Quorum/Adjournment. The presence of Owners, in person or by proxy, who have the authority to cast ten percent (10%) of all of the votes in the Association shall be necessary to constitute a quorum at all meetings of the Owners for the transaction of any business, except that of adjourning the meeting to reconvene at a subsequent date. Any meeting may be adjourned from time to time, but until no longer than fifteen (15) days later, without notice other than announcement at the meeting as initially called. If a quorum is present at the reconvened meeting, any business may be transacted which might have been transacted at the meeting as initially called had a quorum then been present. The quorum, having once been established at a meeting or a reconvened meeting, shall continue to exist for that meeting, notwithstanding the departure of any Owner previously in attendance in person or by proxy. The Association may not be counted in determining a quorum as to any Unit owned by the Association.

BY-LAWS
OF
ITOKAH VALLEY TOWNHOMES
ASSOCIATION, INC.

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DRH

ITOKAH VALLEY TOWNHOMES

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COMMON INTEREST COMMUNITY NUMBER 185
(Condominium)

ITOKAH VALLEY TOWNHOMES ASSOCIATION, INC.

BY-LAWS

SECTION 1

GENERAL

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

SECTION 2

MEMBERSHIP

2.1 Owners Defined. All Persons described as Owners in Section 1 of the Declaration shall be members of the Association. No Person shall be a member solely by virtue of holding a security interest in a Unit. A Person shall cease to be a member at such time as that Person is no longer an Owner.

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

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

SECTION 3

VOTING

3.1 Entitlement. Votes shall be allocated to each Unit as provided in the Articles of Incorporation of the Association (the "Articles"), provided no vote shall be exercised as to a Unit while the Unit is owned by the Association.

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

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

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

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

of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

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

SECTION 4

MEETINGS OF OWNERS

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

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

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

4.4 Notice of Meetings. At least 21, but no more than 30, days in advance of any annual meeting of the Owners, and (subject to Section 6.3 of the Declaration) at least 7, but no more than 30, days in advance of any special meeting of the Owners, the Secretary shall send, to all persons who are Owners as of the date of sending the notice, notice of the time, place and agenda of the meeting, by United States mail, or by hand delivery, at the Owner's Unit address or to such other address as the Owner may have designated in writing to the Secretary. The notice shall also be sent to the Eligible Mortgagee, upon request, at the address provided by the Eligible

Mortgagee. Any Eligible Mortgagee shall, upon request, be entitled to designate a representative to be present at any meeting. Notice of meetings to vote upon amendments to the Articles of Incorporation shall also be given separately to each officer and director of the Association.

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

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

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

SECTION 5

ANNUAL REPORT

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

- a. A statement of any capital expenditures in excess of two percent of the current budget or \$5,000, whichever is greater, approved by the Association for the current year or succeeding two fiscal years.
- b. A statement of the balance in any reserve or replacement fund and any portion of the fund designated for any specified project by the Board of Directors.
- c. A copy of the statement of revenues and expenses for the Association's last fiscal year, and a balance sheet as of the end of said fiscal year.

- d. A statement of the status of any pending litigation or judgments to which the Association is a party.
- e. A statement of the insurance coverage provided by the Association.
- f. A statement of the total past due assessments on all Units, current as of not more than 60 days prior to the date of the meeting.

SECTION 6

BOARD OF DIRECTORS

6.1 Number and Qualification. The affairs of the Association shall be governed by a Board of Directors. The first Board of Directors shall consist of the persons designated as directors in the Articles of Incorporation of the Association or appointed to replace them by the Declarant, subject to the rights of Owners to elect directors as set forth in Section 6.2. Upon the expiration of the terms of the members of the first Board of Directors, the Board of Directors shall be composed of five (5) directors, a majority of whom shall be Owners, or a duly authorized representative of the Owner if the Owner is a corporation, partnership, limited liability company, trust or other entity which has the capacity to hold title to real estate.

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

- a. Subject to Subsection b, the terms of all directors appointed by Declarant as authorized by the Declaration shall terminate upon the earliest of (i) voluntary surrender of control by Declarant, (ii) an Association meeting which shall be held within 60 days after conveyance to Owners other than a declarant of 75% of the total number of Units authorized to be included in the common interest community or (iii) the date five (5) years following the date of the first conveyance of a Unit to an Owner other than a declarant. The term of office of any director elected to the first Board of Directors by Owners other than the Declarant shall terminate at the same time as those appointed by Declarant.
- b. Notwithstanding the provisions of Subsection a, the Owners other than Declarant shall have the right to nominate and elect not less than 33 1/3% of the directors at a meeting of the Owners held within 60 days following the conveyance by Declarant of 50% of the total number of Units authorized to be included in the common interest community.
- c. The first terms of office of the directors elected by the Owners immediately following the termination of the terms provided for in Subsection a. shall be two years for three of the directors and three years for two of the directors. The

nominee or nominees receiving the greatest numbers of votes shall fill the longer terms. Each term of office thereafter shall be two years and shall expire upon the election of a successor at a subsequent annual meeting of the Owners; provided, that a director shall continue in office until a successor is elected. A number of nominees equal to the number of vacancies, and receiving the greatest numbers of votes, shall be elected, notwithstanding that one or more of them does not receive a majority of the votes cast. A director appointed or elected to fill an uncompleted term shall serve until the natural termination of that term, unless removed in accordance with these By-Laws. There shall be no cumulative voting for directors.

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

6.4 Powers. The Board of Directors shall have all powers necessary for the administration of the affairs of the Association, and may exercise for the Association all powers and authority vested in or delegated to the Association (and not expressly prohibited or reserved to the owners) by law or by the Governing Documents. The powers of the Board of Directors shall include, without limitation, the power to:

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

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

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

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

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

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

6.8 Vacancies. A vacancy in the Board of Directors shall be filled by a person elected within 15 days following the occurrence of the vacancy by a majority vote of the remaining directors, regardless of their number; except for vacancies created pursuant to Sections 6.2 and 6.9 of this Section. Each person so elected shall serve out the term vacated.

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

6.10 Compensation. Except as authorized by a vote of the Owners at a meeting thereof, the directors of the Association shall receive no compensation for their services in such capacity. A director, or other Owner or Occupant may, upon approval by the Board of Directors, be retained by the Association and reasonably compensated for goods and services furnished to the Association in an individual capacity. Directors may be reimbursed for out-of-pocket expenses incurred in the performance of their duties.

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

SECTION 7

OFFICERS

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

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

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

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

7.5 Vice President. The Vice President shall take the place of the President and perform the duties of the office whenever the President shall be absent or unable to act. The Vice President shall also perform such other duties as shall from time to time be prescribed by the Board of Directors.

7.6 Secretary. The Secretary shall be responsible for recording the minutes of all meetings of the Board of Directors and the Association. The Secretary shall be responsible for keeping the books and records of the Association, and shall give all notices required by the Governing Documents or the Act unless directed otherwise by the Board of Directors. The Board of Directors may delegate the Secretary's administrative functions to a managing agent; provided that such delegation shall not relieve the Secretary of the ultimate responsibility for the Secretary's duties.

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

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

SECTION 8

OPERATION OF THE PROPERTY

8.1 Assessment Procedures. The Board of Directors shall, at least thirty (30) days prior to the first day of the Association's fiscal year, prepare a budget of Common Expenses for the Association and assess and levy such Common Expenses against the Units according to their respective Common Expense liability as set forth in the Declaration. The annual budget shall include a general operating reserve, and an adequate reserve fund for maintenance, repair and replacement of those Common Elements and parts of the Units that must be maintained, repaired or replaced by the Association on a periodic basis.

- a. The Board of Directors shall fix the amount of the annual assessment against each Unit and advise the Owners in writing of the assessment at least thirty (30) days prior to the date when the first installment thereof is due. Increases in assessments

shall be subject to the limitations set forth in Section 6 of the Declaration. The failure of the Board of Directors to timely levy an annual assessment shall not relieve the Owners of their obligation to continue paying assessment installments in the amount currently levied, as well as any increases subsequently levied.

- b. If an annual assessment proves to be insufficient, the budget and assessments thereof or may be amended, or a special assessment levied, by the Board of Directors at any time subject to the limitations set forth in Section 6 of the Declaration. The levy shall be deemed to occur upon the date specified in the resolution which fixes the assessment.
- c. The Association shall furnish copies of each budget on which the Common Expenses and the assessment are based to an Owner or to any Eligible Mortgagee, upon request of such persons.

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

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

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

installment of an assessment for Common Expenses or any other default in the performance of obligations by the Owner shall be given in writing to such Eligible Mortgagee.

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

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

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

8.6 Enforcement of Obligations. All Owners and Occupants and their guests are obligated and bound to observe the provisions of the Governing Documents, the Rules and Regulations and the Act. The Association may impose any or all of the charges, sanctions and remedies authorized by the Governing Documents, the Rules and Regulations or by law to enforce and implement its rights and to otherwise enable it to manage and operate the Association.

SECTION 9

AMENDMENTS

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

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

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

9.3 Effective Date: Recording. The amendment shall be effective on the date of approval by the required vote of the Owners and need not be recorded. If recorded, the amendment shall be recorded in the office of the recording officer for the county in which the Property is located.

SECTION 10

INDEMNIFICATION

The Association shall, to the extent the alleged liability is not covered by insurance, indemnify every individual acting in any official capacity on behalf of the Association, pursuant to the provisions of Minnesota Statutes 317A.521.

SECTION 11

MISCELLANEOUS

11.1 Notices. Unless specifically provided otherwise in the Act, the Declaration or these By-Laws, all notices required to be given by or to the Association, the Board of Directors, 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 Section 2.2 shall be effective upon receipt by the Association.

11.2 Severability. The invalidity or unenforceability of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.

11.3 Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way limit or proscribe the scope of these By-Laws or the intent of any provision hereof.

11.4 Conflicts in Documents. In the event of any conflict among the provisions of the Act, the Declaration, the By-Laws or the Rules and Regulations, the Act shall control unless it permits the documents to control. As among the Declaration, By-Laws and Rules and Regulations, the Declaration shall control, and as between the By-Laws and the Rules and Regulations, the By-Laws shall control.

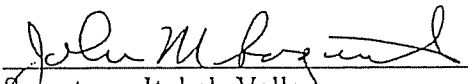
11.5 Waiver. No restriction, condition, obligation or provision contained in these ByLaws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.

11.6 No Corporate Seal. The Association shall have no corporate seal.

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

The undersigned hereby executes these By-Laws and certifies that they were adopted by Itokah Valley Townhomes Association, Inc., a non-profit corporation incorporated under the laws of the State of Minnesota, effective as of the date hereof.

Dated: 2/16/96


Secretary, Itokah Valley
Townhomes Association, Inc.

ARTICLES OF INCORPORATION
OF
ITOKAH VALLEY TOWNHOMES ASSOCIATION, INC.

We, the undersigned, being of legal age, for the purposes of forming non-profit corporation under Chapter 317A of Minnesota Statutes, as amended, and in compliance with the requirements thereof, do hereby voluntarily associate ourselves as a body corporate, not for profit, but for the purposes herein conferred and adopt these Articles of Incorporation.

ARTICLE I
NAME

The name of this Corporation shall be ITOKAH VALLEY TOWNHOMES ASSOCIATION, INC.

ARTICLE II
REGISTERED OFFICE

The registered office of this Corporation shall be at 3459 Washington Drive, Suite 204, Eagan, MN 55122.

ARTICLE III
PURPOSES AND AUTHORITY

This Corporation is formed generally for civic, recreational, social and community welfare purposes, and specifically for the purposes of constituting and acting as an association of the owners of units in that certain platted subdivision situated in the City of Eagan, County of Dakota, State of Minnesota, known as Itokah Valley Townhomes, a condominium, Common Interest Community No. 185.

The property is being developed as a townhouse development and is a "condominium" as defined in Chapter 515B of the Minnesota Statutes. For the purposes of managing, maintaining, repairing, replacing and operating certain buildings and facilities located thereon, and any additions thereto as may be made in accordance with the Declaration hereinafter referred to, all for the preservation of the value and amenities of said townhouse development, and such additions as may be made thereto as provided in said Declaration, and in fulfillment of such purposes, this Corporation shall have the power:

- (a) To exercise all of the powers and privileges and to perform all of the duties and obligations of the Association described in that certain Declaration of Covenants, Conditions and Restrictions herein referred to as the "Declaration", applicable to the aforementioned property and recorded or to be recorded in the Office of the Registrar of Titles and/or County Recorder, Dakota County, Minnesota, and as the same may be amended from time to time as therein provided, said Declaration being incorporated herein as if set forth at length;
- (b) To fix, levy, collect and enforce the payment of, by any lawful means, all charges or assessments pursuant to the terms of the Declaration; to pay all expenses in connection therewith and all office and other expenses incident to the conduct of the business of the Association, including all licenses, taxes or governmental charges levied or imposed against the aforementioned property of the Association;
- (c) To acquire (by gift, purchase or otherwise), own, hold, improve, build upon, operate, maintain, convey, sell, lease, transfer, dedicate for public use or otherwise dispose of real or personal property in connection with the affairs of the Association;
- (d) To borrow money, and with the assent of all the members of each class of membership, mortgage, pledge, deed in trust, or hypothecate any or all of its real or personal property as security for money borrowed or debts incurred;
- (e) To dedicate, sell or transfer all or any part of the Common Area to any public agency, authority, utility for such purposes and subject to such conditions as may be agreed to by the members. No such dedication or transfer shall be effective unless an instrument has been signed by all members, agreeing to such dedication, sale or transfer;
- (f) To participate in mergers and consolidations with other non-profit corporations organized for the same purposes, provided that any such merger or consolidation shall have the assent of all members;
- (g) To provide garbage and trash collection;
- (h) To enforce provisions of the Declaration, and any and all other covenants, conditions or restrictions applicable to the aforementioned property; and
- (i) To, insofar as permitted by law, and consistent with the provisions and purposes hereof and of the Declaration, do any other thing that, in the opinion of the Board of Directors, will promote the common benefit and enjoyment of the members, including cooperative developments or undertakings with adjacent properties.

ARTICLE IV
NO PECUNIARY GAIN TO MEMBERS

This Corporation does not and shall not afford pecuniary gain, incidentally or otherwise, to its members. None of its members shall be personally liable for corporate debt. Members, however, shall be liable to this Corporation for the assessments as specified in the Declaration.

ARTICLE V
MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided fee simple interest or a contract vendee, in any Unit as described in the Declaration (an "Owner"), shall be a member of this Corporation. The foregoing is intended to exclude contract vendors, unless the contract provides otherwise, and other persons or entities who hold an interest in any Unit merely as security for the performance of any obligation. Membership in this Corporation shall be appurtenant to and may not be separated from the above-described ownership interest in each such Unit.

ARTICLE VI
VOTING RIGHTS

This Corporation shall not have capital stock, but members of the Association shall be entitled to one (1) vote for each Unit owned. When more than one (1) person holds the interest in a Unit required by Article V for membership, all such persons shall be members but the vote for such Unit shall be exercised as they among themselves shall determine, subject, however, to limitation that no more than one (1) vote may be cast with respect to any Unit and the further limitation that no vote may be split. The vote for any Unit which is owned by more than one (1) member may not be cast at any meeting unless such members have filed with the Secretary of the Association prior to such meeting the name of one (1) of their number who then shall be the only person authorized to cast such vote at such meeting. In lieu of such filing prior to every meeting, such members may file, as aforesaid, a document executed by all of them, designating one (1) of their number as the person authorized to cast their vote at all future meetings and such authorization shall continue to be valid until such time as such authorization shall have been rescinded in writing by all of such members.

Notwithstanding the foregoing, Declarant, as defined in the Declaration, shall control the operation and administration of the Association, including without limitation the power to appoint and remove the members of the Board pursuant to Section 515B.3-103 of the Act during the Declarant Control Period, which shall commence as of this date and terminate upon the earliest of: (i) voluntary surrender of control by Declarant, (ii) an Association meeting which shall be held within 60 days after conveyance to Owners other than a Declarant of 75% of the total number of Units authorized to be included in the 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, provided, the members other than Declarant shall have the right to nominate and elect not less than 33 1/3% of the directors at a meeting of the Owners which shall be held within 60 days following the conveyance by Declarant of 50% of the total number of Units authorized to be included in the Property.

The right of any Member to vote and the right of any Member, his family or guests to use any recreational facilities, if any, that may be acquired by the Association shall be suspended during any period in which such Member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended, after notice and hearing, for a period not to exceed sixty (60) days for any infraction of any rules or regulations adopted by the Association.

ARTICLE VII BOARD OF DIRECTORS

The business and affairs of this Corporation shall be managed by a Board of Directors consisting of three Directors, or such other number of Directors as may be determined in accordance with the By-Laws. Until the first full Board of Directors consisting of three members shall have been elected, the first and interim Board of Directors shall consist of three Directors whose names and addresses are as follows:

<u>Name</u>	<u>Address</u>
George Seagraves	3459 Washington Drive, Suite 204, Eagan, MN 55122
John Saganich	Suite 100 1901 Ascension Boulevard Arlington, TX 76006
Carolyn Young	3459 Washington Drive, Suite 204, Eagan, MN 55122

Said first directors shall serve until the first annual meeting of the members or until their successors have been duly elected and qualified.

ARTICLE VIII
ELECTION OF DIRECTORS

At the first annual meeting following the termination of the term of all directors appointed by Declarant as authorized by the Declaration, the members shall elect three Directors, each for a term of one year and until their successors have been duly elected and have qualified; and at each annual meeting thereafter the members shall elect any new members to the Board of Directors for a term of one year.

The term of all directors appointed by Declarant as authorized by the Declaration, shall terminate upon the earliest of (i) voluntary surrender of control by Declarant, (ii) an Association meeting which shall be held within 60 days after conveyance to Owners other than a declarant of 75% of the total number of Units authorized to be included in the common interest community or (iii) the date five (5) years following the date of the first conveyance of a Unit to an Owner other than a declarant. The term of office of any director elected to the first Board of Directors by Owners other than the Declarant shall terminate at the same time as those appointed by Declarant.

Not later than sixty (60) days after the conveyance of fifty percent (50%) of the Units that may be created to owners other than the Declarant (or an affiliate of the Declarant), a special meeting shall be held to elect Directors (the "First Special Election"). At the First Special Election and all subsequent elections at annual meetings, all members other than the Declarant (or affiliates of the Declarant) shall have the right to nominate and elect not less than 33 1/3% of the Directors. Directors elected at the First Special Election shall serve until the next annual meeting.

Not later than the end of the Declarant Control Period, a special meeting shall be held to elect Directors (the "Second Special Election"). At the Second Special Election, all members shall elect a new Board of Directors. If the Second Special Election is held before the end of the Declarant Control Period, for the purposes of voting for the new Board of Directors the Declarant shall vote along with the other members on the basis of one vote for each Lot owned. A majority of the Directors elected at the Second Special Election and in all elections of Directors thereafter shall be members other than the Declarant (or an affiliate of Declarant).

ARTICLE VIII
WRITTEN ACTION BY DIRECTORS

Any action required or permitted to be taken at a meeting of the board of directors of this Corporation may be taken by written action signed by the number of directors that would be required to take the same action at a meeting of the board at which all directors were present.

ARTICLE IX
DIRECTOR LIABILITY

To the fullest extent permitted by Chapter 317A, Minnesota Statutes, as the same exists or may hereafter be amended, a director of this corporation shall not be personally liable to the Corporation or its members for monetary damages for breach of fiduciary duty as a director.

ARTICLE X
DURATION

The duration of this Corporation shall be perpetual.

ARTICLE XI
DISSOLUTION

This Corporation may be dissolved only with the written consent of 90% of the Members entitled to vote pursuant to Article VI of these Articles. Written notice of a proposal to dissolve, setting forth the reasons therefor and the disposition to be made of its assets (which shall be consistent with Article XII hereof) shall be mailed to every member at least ninety (90) days prior to any meeting at which such dissolution shall be voted upon.

ARTICLE XII
DISPOSITION OF ASSETS UPON DISSOLUTION

Upon dissolution of this Corporation, all of its property and assets, both real and personal, including, but not limited to, sewer and water lines, if any, first shall be dedicated or transferred to an appropriate municipality, public agency or utility, or if such transfer or dedication be refused, such assets then shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other entity, to be devoted to purposes as nearly as practicable the same as those to which they were required to be devoted by this Corporation. No disposition of the assets of this Corporation shall be effective to divest or diminish any vested right or title of any member in any such assets arising under recorded covenants and deeds applicable to such assets unless made in accordance with the provisions of such covenants and deeds.

ARTICLE XIII
AMENDMENTS

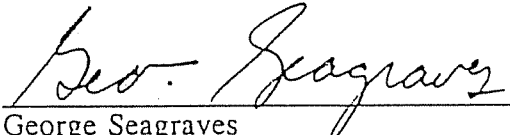
- - These Articles of Incorporation may be amended only with the assent of 75% of the Members entitled to vote.

ARTICLE XIV
INCORPORATORS

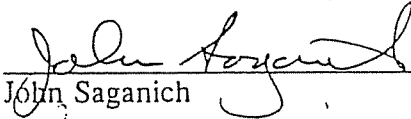
The following persons constitute the incorporators who are forming this Corporation:

<u>Name</u>	<u>Address</u>
George Seagraves	3459 Washington Drive, Suite 204 Eagan, MN 55122
John Saganich	Suite 100 1901 Ascension Boulevard Arlington, TX 76006
Carolyn Young	3459 Washington Drive, Suite 204 Eagan, MN 55122

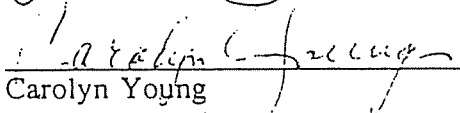
IN WITNESS WHEREOF, we have hereunto executed these ARTICLES OF INCORPORATION effective this 16th day of FEBRUARY, 1997.



George Seagraves



John Saganich



Carolyn Young

RECORD OF ACTION OF THE BOARD OF DIRECTORS
OF
ITOKAH VALLEY TOWNHOMES ASSOCIATION, INC.

2/16, 199~~8~~

INASMUCH as Minnesota Statutes, Section 317A.239, Subdivision 1 provides that the directors of a nonprofit corporation may act without the formality of a meeting by subscribing their names to a record of action assented to and taken by the same number of directors required to act at a meeting;

NOW, THEREFORE, the undersigned, being all of the Directors of ITOKAH VALLEY TOWNHOMES, ASSOCIATION, INC., record that effective the above date, they hereby adopt the following resolutions:

"RESOLVED by the Board of Directors of ITOKAH VALLEY TOWNHOMES ASSOCIATION, INC., that:

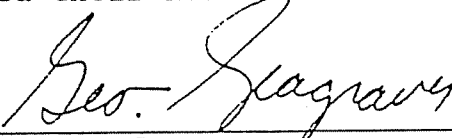
"This Board hereby adopts the attached BY-LAWS OF ITOKAH VALLEY TOWNHOMES, INC., and

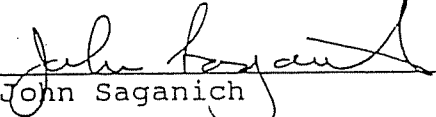
"Effective immediately, the officers of this corporation shall be:

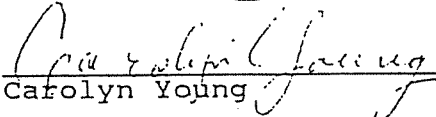
"JOHN SAGANICH, President, Secretary and Treasurer

"GEORGE SEAGRAVES, Vice President"

IN WITNESS WHEREOF, the following Directors of this corporation have hereunto subscribed their names


George Seagraves


John Saganich


Carolyn Young

ITOKAH VALLEY TOWNHOMES
COMMON INTEREST COMMUNITY NUMBER 185

BURNSVILLE, MINNESOTA

DISCLOSURE STATEMENT

Pursuant to Section 515B.4-102 of Minnesota Statutes, as amended, the undersigned ("Declarant") does hereby fully disclose and provide to _____ ("Purchaser", whether one or more) the following:

1. Name and Common Interest Community Number of Condominium.

Itokah Valley Townhomes
Common Interest Community Number 185

2. Name and Principal Address of Declarant.

D.R. Horton, Inc.-Minnesota
3459 Washington Drive
Suite 204
Eagan, Minnesota 55122

3. Number of Units and Type of Common Interest Community. Itokah Valley Townhomes (the "Condominium") is a condominium as defined in the Minnesota Common Interest Ownership Act, Minnesota Statutes Chapter 515B (the "Act"). The initial phase of the development will be composed of 8 condominium units contained in one building. Declarant has reserved the right to create up to 156 additional condominium units in up to 19 additional buildings in subsequent phases of the development.

4. General Description of Project. The initial 8 condominium units will be located at NW CORNER OF 15TH & W. RIVER, all in Burnsville, Minnesota _____. The units will consist of newly constructed 2 story buildings each with 2 living levels. Each unit will include 1 or 2 parking spaces in a garage IN the buildings. The units will contain the following limited common elements:

Each unit will share an exterior front stoop and back stoop and an internal rear stairway and stoop with the adjacent unit. The exterior front and back stoops will be Common Elements, while the internal rear stairways and stoops will be Limited Common Elements.

Parking spaces which are part of units may contain service equipment (e.g. meters or service lines) for the provision of utilities to the units. Under the terms of the Declaration, the Board of the Association may grant easements for access across the parking areas by utility personnel for the installation, maintenance, repair and replacement of this equipment.

The buildings will be of wood frame construction with brick veneer and will have painted plywood bay windows and asphalt shingle roofs. Each unit will be separately metered for electricity.

Interior walls will be constructed of gypsum board or plaster and the floors will be wood sub-floors with sheet vinyl, carpet or wood finish, as selected by the Purchaser.

The structures will contain standard supply, waste and vent systems. Each unit will be separately metered for utilities other than water. The plumbing system will meet or exceed City of Burnsville Building Codes. The condominium will be registered with the City of Burnsville and will have all permits and licenses necessary for occupancy.

5. Construction Schedule. Construction of buildings and landscaping and planting will begin in the SPRING of 1996 and is scheduled to be complete in the FALL of 1997.

6.- Expenses and Services not Reflected in Budget or Expenses Which May Become Common Expenses at a Subsequent Time. Declarant is presently unaware of any expenses or services which are not reflected in the Estimated Annual Operating Budget which the Declarant itself provides, or any expenses which it pays and which it expects may become at any subsequent time a Common Expense of the Association. Accordingly, there is no projected Common Expense assessment of which Declarant at this time is aware which would be attributable to any such supplies or services.

7. Working Capital Reserve Payment Due From Purchaser to Association at the Closing. At the closing Purchaser will pay to the Association an assessment for working capital in an amount equal to two (2) months projected Common Expense assessment for the condominium unit purchased. Such assessment is to be used to provide a working capital reserve fund for the Association. The assessment is neither refundable, nor is it to be considered an advance payment of monthly assessments. The estimate of the monthly Common Expenses assessable to the condominium unit Purchaser is buying and the working capital assessment required by the Purchase Agreement is detailed in the documentation annexed hereto. In addition, Purchaser shall pay at closing to the Association the full Common Expense assessment for the month succeeding closing.

8. Liens, Defects or Encumbrances Affecting Title to the Condominium After Conveyance. The following are the liens, defects or encumbrances on or affecting the title to the Condominium after the contemplated conveyance by Declarant to Purchaser:

- (a) Reservation of any minerals or mineral rights to the State of Minnesota;

(b) Requirements of the Minnesota Common Interest Ownership Act, Chapter 515B, Minnesota Statutes, as amended;

(c) Requirements, restrictions, easements, conditions, obligations, covenants and reservations contained in the Declaration, Bylaws and condominium plat of record, or any amendments thereto;

(d) Building, housing and zoning laws, codes, ordinances and regulations - federal, state and local;

(e) Lien of real estate taxes and installments of special assessments (including interest) payable therewith in the year following the closing and subsequent years; and

(f) Any mortgage given by Purchaser and encumbering the condominium unit together with its undivided interest in the Common Elements.

(g) [add others from title commitment]

9. Financing Offered by Declarant. The Declarant does not offer financing in connection with the contemplated conveyance by Declarant to Purchaser.

10. Project Approvals for Lenders. The Condominium has received final project approval from the following: [Federal National Mortgage Association (FNMA)] [Federal Home Loan Mortgage Corporation (FHLMC)] [Department of Housing and Urban Development (HUD)] [Department of Veterans Affairs (VA)].

11. Terms of Warranties Provided by Declarant and Statutory Warranties. Purchaser will be provided with the written warranties of the manufacturer of any appliances included in the transaction. These warranties may be found in or on the appliances covered.

Declarant makes no representations with respect to the expected useful lives of any of the structural components and mechanical and electrical installations material to the use and enjoyment of the Community.

In connection with the sale of the unit Purchaser is purchasing from Declarant, Declarant makes the express and implied warranties which are provided by law. The statutory warranties provided under Minnesota Statutes Chapter 327A and Sections 515B.4-112 to 515B.4-115 are attached to this Disclosure and are incorporated herein by reference. Warranties imposed by law may be excluded or modified by Minnesota Statutes, Section 515B.4-114 and are subject to the statute of limitations for warranties, Minnesota Statutes Section 515B.4-115.

12. Receipt/Provision of Disclosure Statement and Cancellation. Declarant hereby advises Purchaser that pursuant to Minnesota Statutes, Section 515B.4-106:

(a) Within fifteen (15) days after receipt of this Disclosure Statement, Purchaser may, prior to conveyance, cancel the Purchase Agreement Purchaser has entered into with Declarant;

(b) If Purchaser receives the Disclosure Statement more than fifteen (15) days before Purchaser signs a Purchase Agreement, Purchaser cannot cancel the Purchase Agreement; and

(c) If Declarant fails to provide a Disclosure Statement to Purchaser before conveying the unit Purchaser is buying, then Declarant shall be liable to Purchaser in the amount of \$1,000, in addition to any other damages recoverable by Purchaser.

13. Judgments or Pending Suits Against the Association. Declarant, to the best of its knowledge, after reasonable inquiry, is unaware of any unsatisfied judgments or lawsuits to which the Association is a party, or of any pending suits which are material to the Community or the unit being purchased by Purchaser.

14. Earnest Money. The earnest money paid by Purchaser to Declarant in connection with the purchase of a unit in the Community will be held in an escrow account by DAKOTA COUNTY ABSTRACT until closing or until termination of the Purchase Agreement and will be returned to Purchaser if Purchaser cancels the Purchase Agreement pursuant to Section 515B.4-106 of the Minnesota Statutes. The address of DAKOTA COUNTY ABSTRACT is 7373 147TH STREET WEST, APPLE VALLEY, MN 55124

15. Description of Insurance Coverage. The Declarant will obtain for the Association a master condominium casualty insurance policy which will be in effect prior to the first conveyance of units in the Condominium, and which will cover the Condominium against loss or damage by fire and all other hazards normally covered by the standard extended coverage endorsement and all other perils customarily covered by the standard "all risk endorsement," for one hundred percent (100%) of the replacement cost of the Condominium facilities, including the individual condominium units, the common elements and limited common elements. The insured will be the Association for the use and benefit of the individual Unit Owners. The policy will contain standard mortgagee provisions.

The policy will afford general public liability coverage of all common and limited common elements and public ways surrounding the Condominium in an amount of at least One Million Dollars (\$1,000,000.00) for bodily injury and property damage for any single occurrence. The general liability portion of the policy will contain a severability of interest endorsement.

16. Current or Expected Fees or Charges to be Paid by Unit Owners for the Use of Common Elements and Other Facilities Related to the Condominium. No current or expected fees or charges shall be paid by Unit Owners for the use of any of the common or limited common elements or other facilities in or related to the Condominium.

17. Financial Arrangements for Completion of Any Improvements Labeled "Must Be Built" Pursuant to Section 515B.4-118 of Minnesota Statutes. Declarant has not labeled any improvements shown in the common interest community plat "MUST BE BUILT," as allowed under Section 515B.2-110 of Minnesota Statutes, and accordingly has made no financial arrangements for the completion of such improvements.

18. Real Estate Taxes. There are no delinquent taxes on the property on which the Community will be constructed. The amount of real estate taxes on the property on which the Community will be constructed (including the amount of any special assessments certified for payment with real estate taxes) that is due and payable with respect to the unit in 1995 is \$ 0.00.

19. Completion of Purchaser's Unit. The unit Purchaser is purchasing from Declarant will be substantially completed at the time of the contemplated conveyance.

20. Condominium and Association Documents. Attached hereto and incorporated herein are copies of the following documents related to the Condominium and the Association:

- (1) Declaration and any amendments (other than the plat);
- (2) [Any other recorded covenants, conditions, restrictions, and reservations affecting the Community;]
- (3) Articles of Incorporation of the Association;
- (4) By-Laws of the Association;
- (5) Rules and Regulations of the Association;
- (6) Current balance sheet and [projected] [current] annual budget of the Association conforming with Minn. Stat. § 515B.4-102(a)(23);
- (7) Statutory Express and Implied Warranties;
- (8) Description of Contracts or leases that may be subject to cancellation by the Association under Minn. Stat § 515B.3-105

21. Budget. Attached hereto is the [projected] [current annual] budget of the Association. Under the terms of the Association's by-laws, the Treasurer shall prepare all annual budgets of the Association.

22. Additional Real Estate. The following notice is required by Minnesota Statutes. The Declarant has reserved in the Declaration certain rights to add additional real estate. These rights allow a Declarant to add units or common elements to a common interest community, and

THE FOLLOWING ARE IMPORTANT WARRANTIES THAT GIVE YOU CERTAIN RIGHTS WITH RESPECT TO THE CONDOMINIUM. THESE WARRANTIES ARE ATTACHED TO THE DISCLOSURE STATEMENT FOR THE CONDOMINIUM AND ARE INCORPORATED BY REFERENCE THEREIN.

Chapter 327A of Minnesota Statutes.

327A.01. Definitions. Subdivision 1. As used in sections 327A.01 to 327A.07, the terms in this section shall have the meanings assigned to them.

Subd. 2. "Building standards" means the structural, mechanical, electrical, and quality standards of the home building industry for the geographic area in which the dwelling is situated.

Subd. 3. "Dwelling" means a new building, not previously occupied, constructed for the purpose of habitation; but does not include appurtenant recreational facilities, detached garages, driveways, walkways, patios, boundary walls, retaining walls not necessary for the structural stability of the dwelling, landscaping, fences, nonpermanent construction materials, off-site improvements, and all other similar items.

Subd. 4. "Initial vendee" means a person who first contracts to purchase a dwelling from a vendor for the purpose of habitation and not for resale in the ordinary course of trade.

Subd. 5. "Major construction defect" means actual damage to the load-bearing portion of the dwelling or the home improvement, including damage due to subsidence, expansion or lateral movement of the soil, which affects the load-bearing function and which vitally affects or is imminently likely to vitally affect use of the dwelling or the home improvement for residential purposes. "Major construction defect" does not include damage due to movement of the soil caused by flood, earthquake or other natural disaster.

Subd. 6. "Vendee" means any purchaser of a dwelling and includes the initial vendee and any subsequent purchasers.

Subd. 7. "Vendor" means any person, firm or corporation which constructs dwellings for the purpose of sale, including the construction of dwellings on land owned by vendees.

Subd. 8. "Warranty date" means the date from and after which the statutory warranties provided in section 327A.02 shall be effective, and is the earliest of

(a) The date of the initial vendee's first occupancy of the dwelling; or

(b) The date on which the initial vendee takes legal or equitable title in the dwelling.

In the case of a home improvement, the warranty date is the date on which the home improvement work was completed.

Subd. 9. "Home improvement" means the repairing, remodeling, altering, converting or modernizing of, or adding to a residential building. For the purpose of this definition, residential building does not include appurtenant recreational facilities, detached garages, driveways, walkways, patios, boundary walls, retaining walls not necessary for the structural stability of the building, landscaping, fences, nonpermanent construction materials, off-site improvements, and all other similar items.

Subd. 10. "Home improvement contractor" means a person who is engaged in the business of home improvement either full-time or part-time, and who holds himself or herself out to the public as having knowledge or skill peculiar to the business of home improvement.

Subd. 11. "Owner" means any person who owns a residential building on which home improvement work is performed, and includes any subsequent owner of the residential building.

327A.02. Statutory warranties. Subdivision 1. In every sale of a completed dwelling, and in every contract for the sale of a dwelling to be completed, the vendor shall warrant to the vendee that:

(a) During the one year period from and after the warranty date the dwelling shall be free from defects caused by faulty workmanship and defective materials due to noncompliance with building standards;

(b) During the two year period from and after the warranty date, the dwelling shall be free from defects caused by faulty installation of plumbing, electrical, heating, and cooling systems; and

(c) During the ten year period from and after the warranty date, the dwelling shall be free from major construction defects.

Subd. 2. The statutory warranties provided in this section shall survive the passing of legal or equitable title in the dwelling to the vendee.

Subd. 3. (a) In a sale or in a contract for the sale of home improvement work involving major structural changes or additions to a residential building, the home improvement contractor shall warrant to the owner that:

(1) During the one year period from and after the warranty date the home improvement shall be free from defects caused by faulty workmanship and defective materials due to noncompliance with building standards; and

(2) During the ten year period from and after the warranty date the home improvement shall be free from major construction defects.

(b) In a sale or in a contract for the sale of home improvement work involving the installation of plumbing, electrical, heating or cooling systems, the home improvement contractor shall warrant to the owner that, during the two year period from and after the warranty date, the home improvement shall be free from defects caused by the faulty installation of the system or systems.

(c) In a sale or in a contract for the sale of any home improvement work not covered by paragraphs (a) or (b) of this subdivision, the home improvement contractor shall warrant to the owner that, during the one year period from and after the warranty date, the home improvement shall be free from defects caused by faulty workmanship or defective materials due to noncompliance with building standards.

327A.03. Exclusions. The liability of the vendor or the home improvement contractor under sections 327A.01 to 327A.07 is limited to the specific items set forth in sections 327A.01 to 327A.07 and does not extend to the following:

(a) Loss or damage not reported by the vendee or the owner to the vendor or the home improvement contractor in writing within six months after the vendee or the owner discovers or should have discovered the loss or damage;

(b) Loss or damage caused by defects in design, installation, or materials which the vendee or the owner supplied, installed, or had installed under his direction;

(c) Secondary loss or damage such as personal injury or property damage;

(d) Loss or damage from normal wear and tear;

(e) Loss or damage from normal shrinkage caused by drying of the dwelling or the home improvement within tolerances of building standards;

(f) Loss or damage from dampness and condensation due to insufficient ventilation after occupancy;

(g) Loss or damage from negligence, improper maintenance or alteration of the dwelling or the home improvement by parties other than the vendor or the home improvement contractor;

(h) Loss or damage from changes in grading of the ground around the dwelling or the home improvement by parties other than the vendor or the home improvement contractor;

(i) Landscaping or insect loss or damage;

(j) Loss or damage from failure to maintain the dwelling or the home improvement in good repair;

(k) Loss or damage which the vendee or the owner, whenever feasible, has not taken timely action to minimize;

(l) Loss or damage which occurs after the dwelling or the home improvement is no longer used primarily as a residence;

(m) Accidental loss or damage usually described as acts of God, including, but not limited to: fire, explosion, smoke, water escape, windstorm, hail or lightning, falling trees, aircraft and vehicles, flood, and earthquake, except when the loss or damage is caused by failure to comply with building standards;

(n) Loss or damage from soil movement which is compensated by legislation or covered by insurance;

(o) Loss or damage due to soil conditions where construction is done upon lands owned by the vendee or the owner and obtained by him from a source independent of the vendor or the home improvement contractor;

(p) In the case of home improvement work, loss or damage due to defects in the existing structure and systems not caused by the home improvement.

327A.04. Waiver and modification limited. Subdivision 1. Except as provided in subdivisions 2 and 3 of this section, the provisions of sections 327A.01 to 327A.07 cannot be waived or modified by contract or otherwise. Any agreement which purports to waive or modify the provisions of sections 327A.01 to 327A.07, except as provided in subdivisions 2 and 3 of this section, shall be void.

Subd. 2. At any time after a contract for the sale of a dwelling is entered into by and between a vendor and a vendee or a contract for home improvement work is entered into by and between a home improvement contractor and an owner, any of the statutory warranties provided for in section 327A.02 may be excluded or modified only by a written instrument, printed in bold face type of a minimum size of ten points, which is signed by the vendee or the owner and which sets forth in detail the warranty involved, the consent of the vendee or the owner, and the terms of the new agreement contained in the writing. No exclusion or modification shall be effective unless the vendor or the home improvement contractor provides substitute express warranties offering substantially the same protections to the vendee or the owner as the statutory warranties set forth in section 327A.02. Any modification or exclusion agreed to by vendee and vendor or the owner and home improvement contractor pursuant to this subdivision shall not require the approval of the commissioner of administration pursuant to section 327A.07.

Subd. 3. If a major construction defect is discovered prior to the sale of a dwelling, the statutory warranty set forth in section 327A.02, subdivision 1, clause (c) may be waived for the defect identified in the waiver instrument, after full oral disclosure of the specific defect, by an instrument which sets forth in detail: the specific defect; the difference between the value of the dwelling without the defect and the value of the dwelling with the defect, as determined and attested to by an independent appraiser, contractor, insurance adjuster, engineer or any other similarly knowledgeable person selected by the vendee; the price reduction; the date the construction was completed; the legal description of the dwelling; the consent of the vendee to the waiver; and the signatures of the vendee, the vendor, and two witnesses.

A single waiver agreed to pursuant to this subdivision may not apply to more than one major construction defect in a dwelling.

The waiver shall not be effective unless filed for recording with the county recorder or registrar of titles who shall file the waiver for record.

327A.05. Remedies. Subdivision 1. New home warranties. Upon breach of any warranty imposed by section 327A.02, subdivision 1, the vendee shall have a cause of action against the vendor for damages arising out of the breach, or for specific performance. Damages shall be limited to:

(a) The amount necessary to remedy the defect or breach; or

(b) The difference between the value of the dwelling without the defect and the value of the dwelling with the defect.

Subd. 2. Home improvement warranty. Upon breach of any warranty imposed by section 327A.02, subdivision 3, the owner shall have a cause of action against the home improvement contractor for damages arising out of the breach, or for specific performance. Damages shall be limited to the amount necessary to remedy the defect or breach.

327A.06. Other warranties. The statutory warranties provided for in section 327A.02 shall be in addition to all other warranties imposed by law or agreement. The remedies provided in section 327A.05 shall not be construed as limiting the remedies in any action not predicated upon breach of the statutory warranties imposed by section 327A.02.

327A.07. Variations. The commissioner of administration may approve pursuant to sections 14.05 to 14.36, variations from the provisions of sections 327A.02 and 327A.03 if the warranty program of the vendor or the home improvement contractor requesting the variation offers at least substantially the same protections to the vendee or owner as provided by the statutory warranties set forth in section 327A.02.

327A.08. Limitations. Notwithstanding any other provision of Laws 1981, chapter 119, sections 1 to 10:

(a) The terms of the home improvement warranties required by Laws 1981, chapter 119, sections 1 to 10 commence upon completion of the home improvement and the term shall not be required to be renewed or extended if the home improvement contractor performs additional improvements required by warranty;

(b) The home improvement warranties required by Laws 1981, chapter 119, sections 1 to 10 shall not include products or materials installed that are already covered by implied or written warranty; and

(c) The home improvement warranties required by Laws 1981, chapter 119, sections 1 to 10 are intended to be implied warranties imposing an affirmative obligation upon home improvement contractors, and Laws 1981, chapter 119, sections 1 to 10 do not require that written warranty instruments be created and conveyed to the owner.

Chapter 515B of Minnesota Statutes.

515B.4-112. Express Warranties. (a) Express warranties made by a declarant or an affiliate of a declarant to a purchaser of a unit, if reasonably relied upon by the purchaser, are created as follows:

(1) any affirmation of fact or promise which relates to the unit; use of the unit; rights appurtenant to the unit; improvements to the common interest community that would directly benefit purchaser or the unit; or the right to use or have the benefit of facilities not a part of the common interest community, creates an express warranty that the unit and related rights and uses will conform to the affirmation or promise;

(2) any model or description of the physical characteristics of the unit, or the common interest community, including plans and specifications of or for a unit or other improvements located in the common interest community, creates an express warranty that the unit and the common interest community will conform to the model or description. A notice prominently displayed on a model or description shall prevent a purchaser from reasonably relying upon the model or description to the extent of the disclaimer set forth in the notice;

(3) any description of the quantity or extent of the real estate comprising the common interest community, including plats or surveys, creates an express warranty that the common interest community will conform to the description, subject to customary tolerances.

(b) Neither the form of the word "warranty" or "guaranty", nor a specific intention to make a warranty, are necessary to create an express warranty of quality, but a statement purporting to be merely an opinion or commendation of the real estate or its value does not create a warranty.

(c) Any conveyance of a unit transfers to the purchaser all express warranties.

515B.4-113. Implied Warranties. (a) A declarant warrants to a purchaser that a unit will be in at least as good condition at the earlier of the time of the conveyance or delivery of possession as it was at the time of contracting, reasonable wear and tear excepted.

(b) A declarant warrants to a purchaser that:

(1) a unit and the common elements in the common interest community are structurally suitable for the ordinary uses of real estate of its type; and

(2) any improvements subject to use rights by the purchaser, made or contracted for by the declarant, or made by any person in contemplation of the creation of the common interest community, will be (i) free from defective materials and (ii) constructed in accordance with applicable law, according to sound engineering and construction standards, and in a workmanlike manner.

(c) In addition, a declarant warrants to a purchaser of a unit which under the declaration is available for residential use that the residential use will not violate applicable law at the earlier of the time of conveyance or delivery of possession.

(d) Warranties imposed by this section may be excluded or modified as specified in section 515B.4-114.

(e) For purposes of this section, improvements made or contracted for by an affiliate of a declarant are made or contracted for by the declarant.

(f) Any conveyance of a unit transfers to the purchaser all implied warranties.

(g) This section does not in any manner abrogate the provisions of chapter 327A relating to statutory warranties for housing, or affect any other cause of action under a statute or common law.

515B.4-114. Exclusion or Modification of Implied Warranties. (a) With respect to a unit available for residential use, no general disclaimer of implied warranties is effective, but a declarant may disclaim liability in an instrument separate from the purchase agreement signed by the purchaser for a specified defect or specified failure to comply with applicable law, if the defect or failure entered into and became a part of the basis of the bargain.

(b) With respect to a unit restricted to nonresidential use, implied warranties:

(1) may be excluded or modified by agreement of the parties; and

(2) are excluded by expression of disclaimer, such as "as is," "with all faults," or other language that in common understanding calls the purchaser's attention to the exclusion of warranties.

515B.4-115. Statute of Limitations for Warranties. (a) A judicial proceeding for breach of an obligation arising under section 515B.4-106(d) shall be commenced within six months after the conveyance of the unit.

(b) A judicial proceeding for breach of an obligation arising under section 515B.4-112 or 515B.4-113 shall be commenced within six years after the cause of action accrues, but the parties may agree to reduce the period of limitation to not less than two years. With respect to a unit that may be occupied for residential use, an agreement to reduce the period of limitation must be evidenced by an instrument separate from the purchase agreement signed by the purchaser.

(c) Subject to subsection (d), a cause of action under section 515B.4-112 or 515B.4-113, regardless of the purchasers lack of knowledge of the breach, accrues:

(1) as to a unit, at the earlier of the time of conveyance of the unit by the declarant to a bona fide purchaser of the unit other than an affiliate of a declarant, or the time the purchaser enters into possession of the unit; and

(2) as to each common element, the latest of (i) the time the common element is completed, (ii) the time the first unit in the condominium is conveyed to a bona fide purchaser, or if the common element is located on property that is additional real estate at the time the first unit therein is conveyed to a bona fide purchaser, or (iii) the termination of the period of declarant control.

(d) If a warranty explicitly extends to future performance or duration of any improvement or component of the common interest community, the cause of action accrues at the time the breach is discovered or at the end of the period for which the warranty explicitly extends, whichever is earlier.