Scottish Village

Multi-Family Homeowner Association Documentation No. 1

09/20/2006

DISCLOSURE STATEMENT

OF

SCOTTISH VILLAGE AT THE JEWEL

ALSO KNOWN AS

THE JEWEL:

A GOLF COMMUNITY

MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

COMMON INTEREST COMMUNITY NUMBER 16
A Planned Community

SCOTTISH VILLAGE AT THE JEWEL

ALSO KNOWN AS

THE JEWEL:

A GOLF COMMUNITY

MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

DISCLOSURE STATEMENT

(To be furnished to Buyers prior to execution of Purchase Agreement)

The information in this Disclosure Statement is accurate as of the **1st day of September, 2006.**

STATUTORY NOTICE

(a) Within ten (10) days after the receipt of a disclosure statement, a purchaser may cancel any contract for the purchase of a Lot from a declarant; provided, that the right to cancel terminates upon the purchaser's voluntary acceptance of a conveyance of the Lot from the declarant.

(b) If a purchaser receives a disclosure statement more than ten (10) days before signing a purchase agreement, the purchaser cannot cancel the purchase agreement.

(c) If a declarant obligated to deliver a disclosure statement fails to deliver a disclosure statement which substantially complies with Minnesota Statutes, Chapter 515B to a purchaser to whom a Lot is conveyed, the declarant shall be liable to the purchaser as provided in Section 515B.4-106(d) of Minnesota Statutes.

(end of statutory notice)

This Disclosure Statement is furnished to you as a prospective purchaser as required by the Minnesota Common Interest Ownership Act, Chapter 515B of Minnesota Statutes (the "Act"). Neither Declarant nor its representatives are authorized to give you legal or tax advice. You should consult your own counsel and tax advisor as to the legal and tax matters relating to this purchase.

The following paragraphs correspond to the required disclosure items listed in Section 515B.4-102 of the Act.

1. **Name and Number of Common Interest Community.** The name of this planned community is: SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC., Common Interest Community number 16 (the "CIC").

2. **Name and Principal Address of "Declarant".** The name and principal address of the Declarant is: The Residences at the Jewel, LLC, 102 West Center Street, Lake City, MN 55041.

3. **Type of Common Ownership Community; Number of Lots.** This CIC is a planned residential community (not a cooperative or condominium), and will consist of up to 48 residential Lots. The CIC is a member of THE JEWEL: A GOLF COMMUNITY MASTER ASSOCIATION, Common Interest Community number 11 (the "Master Association"); see No. 20 below for details.

4. **General Description of CIC.** It will be a mixed-use residential community, consisting of multi-family (i.e. twin) homes and recreational facilities, governed in accordance with the terms of the Declaration of SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC. ("Declaration"). THE JEWEL: A GOLF COMMUNITY MASTER ASSOCIATION, Common Interest Community number 11 (the "Master Association") may consist of single-family, multi-family and/or condominium units.

5. **Schedule.** Declarant's schedule of commencement and completion of construction of buildings and other improvements. Declarant will commence, or already has commenced, construction of the buildings and other improvements which Declarant is obligated to build pursuant to Minn. Stat. Section 515B.4-117 of the Act. See Exhibit A attached hereto for the current schedule of construction.

6. **Expenses or Services Not Reflected in Budget Which May Become at Subsequent Time Common Expenses of Association.** In addition to the estimated annual budget for the combined responsibilities of THE JEWEL: A GOLF COMMUNITY MASTER ASSOCIATION, CIC Number 11 (the "Master Association") and this Association furnished herewith, Declarant expects maintenance of certain common elements of the Scottish Village (48 Home) to be a Common Expense of the Association, as set forth in the separate maintenance estimated annual budget furnished herewith.

   The Declarant has established an alternative assessment program under the authority of Section 515B.3-115 of Minnesota Statutes. Under this program, once a common expense assessment has been levied, any unit owned by Declarant for initial sale shall be assessed at the rate of twenty-five percent (25%) of the assessment levied on the other units not owned by Declarant until a certificate of occupancy for such unit has been issued by the municipality in which the CIC is located. This reduced assessment shall apply to each unit owned by Declarant at the time that the unit is created, and shall continue until the issuance of the certificate of occupancy as previously described. There are no assurances

that this alternative assessment program will have no effect on the level of services for items set forth in the Association's budget.

7. **Initial and Special Fees Due at Closing; Payments in Lieu of Assessments.** As provided in Buyer's Lot Information Statement or Purchase Agreement, Buyer shall pay at closing to the Association, $ **None** to fund the initial working capital of the Association. **(Note: THE JEWEL: A GOLF COMMUNITY MASTER ASSOCIATION, Common Interest Community number 11 (the "Master Association") requires a payment on closing of $100.00 to Working Capital. $200.00 will be collected to reimburse seller for its payment to the City of Lake City regarding the upgraded neighborhood lighting.** These sums, which are non-refundable, are in addition to the regular Common Expense monthly assessment (or payments in lieu thereof) which will be payable subsequent to closing. Until the Association levies a monthly assessment against Lots in the CIC, Declarant shall pay all expenses incurred by the Association in administering the Common Elements. The Buyer should be aware that such payments are not part of the Alternative Assessment Program described in paragraph 6 above, which takes effect after the Association levies its first monthly assessment. At the time control of the homeowners association is transferred by the Declarant to owners, the working capital fund, if not sooner transferred, will be transferred to the Association for deposit to a segregated fund.

8. **Liens.** The following liens, defects, or encumbrances will continue to affect the title to the Lot conveyed to purchaser or to any real property owned by the Association after said conveyance are identified in Exhibit B attached.

9. **Financing.** No financing will be offered by the Declarant.

10. **Federal Approval.** This CIC ☐ **HAS** ☒ **HAS NOT** (check one) received final project approvals from the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Department of Housing and Urban Development (HUD), or Department of Veterans Affairs (VA). Such approvals are not at this time being sought.

11. **Warranties.** Declarant's primary intention is to sell lots to owner-occupants, including seasonal or recreational owners. Depending upon market conditions, however, Declarant may market individual lots, or blocks of lots, to investors or developers. The statutory warranties set forth in Chapter 327A apply to the purchase of a completed dwelling unit in the CIC. Section 515B.4-112 through 515B.4-115 of the Act include additional statutory warranties that apply to the sale of Lots and/or completed dwelling units in the CIC. A copy of the referenced statutes is attached as Exhibit C.

12. **Buyers Right to Cancel.** Declarant hereby advises Buyer to review the Statutory Notice at the beginning of this Disclosure Statement.

13. **Unsatisfied Judgments or Pending Lawsuits.** Based on the actual knowledge (after reasonable inquiry) of Declarant, or any affiliates of Declarant, there are no unsatisfied judgments or lawsuits to which the Association is a party, nor are there any pending suits

to which the Association is a party or which would be material to the CIC or the Lot being purchased by Buyer.

14. **Escrow of Earnest Money.** Any earnest money paid in connection with Buyer's purchase of a Lot will be held in an escrow account in accordance with the terms of the purchase agreement (which include, without limitation, the right of Declarant-Seller to make withdrawals therefrom for construction of roads, utilities and recreational facilities), until: (i) the closing, or (ii) the valid termination of the purchase agreement by Buyer pursuant to Minn. Stat. Section 515B.4-106 of the Act. Following such termination, the earnest money will be returned to Buyer.The name and address of the escrow agent is: Goodhue County Abstract Company, 433 West Third Street, Suite 100, Red Wing, MN 55066.

15. **Insurance.** To the extent available, the insurance coverage provided by the Association, if any, for the benefit of Lot Owners is disclosed in the Declaration attached hereto as Exhibit D and incorporated herein by reference.

16. **Fees for Use on Common Elements**. There are no current or expected fees or charges, other than assessments for common expenses, to be paid by Lot Owners for the use of the common elements or any other common improvement or facilities.

17. **Financial Arrangements.** The improvements that Declarant is obligated to pay for pursuant to Section 515B.4-118 of the Act are described in the Schedule provided under item 5 above and funds have been set aside by the Declarant to provide for completion of all "Must Be Built" improvements shown on the CIC Plat for the Scottish Village at the Jewel First Addition.

18. **Cooperative CIC**. Does not apply to the CIC.

19. **Statement Regarding Real Estate Taxes and Delinquent Real Estate Taxes.** Real estate taxes for any real property owned by the Association are not delinquent. Real estate taxes, including the amount of any special assessments certified for payment with the real estate taxes, due and payable with respect to the Lot Buyer is purchasing, in the year in which this Disclosure Statement is given, are set forth in Exhibit E attached hereto.

20. **Master Association**. The CIC Association shall be a member of the THE JEWEL: A GOLF COMMUNITY MASTER ASSOCIATION, Common Interest Community number 11 (the "Master Association"). . The information and documents regarding the Master Association that is required to be disclosed pursuant to § 515B.4-102(20) is set forth in Exhibit F attached hereto and incorporated herein by reference.

21. **Substantial Completion.** Because the Declarant is only selling Lots and not buildings, the unit will not be complete by closing. Buyer is advised that Lots in the CIC have been dedicated to **RDS Builders, Lake City** and that all construction on any Lot must be done by this builder. Buyer is responsible for paying for and causing any construction of the unit on the Lot.

22. **Copy of Binding Documents.** The following is a summary of the material agreements between The Residences at The Jewel, LLC and government entities that affect the Jewel CIC.

1. Developer Agreements with the City of Lake City ("City") that govern the construction of and payment obligations for public infrastructure exist for the following subdivisions at Jewel: Jewel First Additions, Jewel Second Addition, Jewel Third Addition, Scottish Village, Oakhurst, Champion Circle, Lakes, 3 Tees, Grand Bluffs and Woodland Walk. All such Developer Agreements, and amendments thereto, will be released by the City, subject to several conditions, prior to closing on October 23, 2006. Any conditions involving monetary obligations shall be the sole responsibility of Seller.

2. The Planned Unit Development (PUD) Agreement dated 10.31.2001, as well as a subsequent Addendum and several Amendments run with the land. These documents set forth procedures and policies for planning, government approvals, and phasing of the project. These are the key agreements governing the project. Important provisions include a Mandatory Annual Review Process for build out and requirements for various escrow agreements identified below. Exhibit K-1 as amended covers project phasing. Procedures for departure from toe of slope requirements are also covered. Perhaps the most significant advantage of the PUD Agreement is the vesting of rights provision protecting Jewel until October 30, 2011, from the application of new zoning and other city ordinances that affect the project.

    a. The following escrow agreements require the Jewel Master Homeowners Association, Inc, through its Architectural Control Committee (ACC), to have builders place in escrow certain sums to protect the City and to comply with environmental obligations: Escrow Agreement for Protection of Public Improvements, Escrow Agreement for Nuisance Abatement, and Construction Clean Up and Erosion Control Escrow Agreement.

3. Oakhurst lots are governed by two special agreements. The Individual Lot Grading Plan agreement requires that before a building permit is issued for a home, an engineering drawing must be produced by the builder or lot owner showing the grading required by any structure and how it affects the adjacent lots. The Ecological Mitigation Plan requires review, mitigation and possible replacement of certain trees on a lot to be built upon.

4. The Clubhouse Drive Median Maintenance Agreement requires Jewel and The Jewel Golf Club to maintain the plantings in the median at the intersection of Clubhouse drive and Green Parkway.

5. Applicable to Woodland Walk, the Financial Guarantee Agreement
For Enforcement of Conservation Easement requires the maintenance of the slope area of this subdivision by The Residences At The Jewel, LLC, the Jewel Master Homeowners Association, Inc, and/or the Jewell Nursery Heritage Foundation, Inc.

6. An Agreement to Grant Trail Easement requires Jewel to dedicate a trail easement over certain land connecting Minnesota State Highway 63 with Hidden Meadow Lane. The property is east of Green Parkway and Hidden Meadow Lane. A similar agreement requires jewel to grant an easement for a trail through a designated outlot in Jewel Third Addition for a trail past the city reservoir to the top of the bluff.

7. The Forest Management Plan, approved by the City, is a document identifying the forest resources at the Jewel.

8. The Contribution for Street Lighting Agreement delineates the cost Jewel is to reimburse the City for the special street lighting poles and lamps that adorn Jewel streets.

9. There are several pond agreements including the Pond Ownership Agreement, which identifies the ponds to be taken over by the City, and the Pond Easement and Maintenance Agreement, which grants to the City access to Jewel ponds and sets forth the responsibilities of the parties for maintenance of the ponds.

10. Conditions of approval for each subdivision of the Jewel may contain certain requirements, particularly for toe of slope lots in Oakhurst and lots in Woodland Walk that back up to the slope.

11. Storm Water Drainage Easements with Waltman and Bolduan guarantee City access to drainage areas and piped that are connected to pond 301 in Park One.

12. Jewel Third Addition toe of slope lot owners are also required to complete an individual lot grading plan before home construction, as described in paragraph 3 above.

13. Pursuant to a Wetland Replacement Plan and a consent agreement with the Wabasha County Soil and Water Conservation District, Jewel has constructed, and is required to monitor for a time, certain wetlands on the property to be sold including a pond on the golf course located between holes 1 and 9, two nurp ponds adjacent to 10th street currently under construction and wetland C which is located underneath the power line on Outlot K of Jewel Planning Plat 2.

23. **Balance Sheet; Projected Budget**. Prepared by the Board of Director

24. **Statutory Notice**. 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 to make other changes to the community over a specified period of time. These changes may have a substantial effect upon the units or rights of unit owners, by changing relative voting power and share of common expenses, by increasing the number of persons using the common elements, by altering the size and appearance of the common interest

community and by making other changes which may affect the value or utility of the units. A purchaser of units in this common interest community should consider the possible effects of the declarant's rights reserved for this project.

Section 11 of THE JEWEL: A GOLF COMMUNITY MASTER ASSOCIATION, Common Interest Community number 11 (the "Master Association"). declaration and Section 11 of the Declaration allow additional real estate to be added to the Master Association and the CIC, respectively.

25. **Notice of Waiver of Certain Liability.** Please note that the THE JEWEL: A GOLF COMMUNITY MASTER ASSOCIATION, Common Interest Community number 11 (the "Master Association") declaration and the Declaration each contain the following waiver of liability by Lot owners with respect to the Lot being located on or near a golf course. Capitalized terms used in the following quote are defined in the declarations:

> Golfers are not always able to control their shots and errant golf balls from the Golf Course will invariably enter upon certain Lots and Common Elements from time to time, possibly causing damage or injury to person or property. The Association and the Owner of each Lot, by its acceptance and recordation of a deed for its Lot, shall be deemed to have agreed that the Non-Liable Parties shall not in any way be responsible for, and that the Association and the Owner of each Lot within the Property, for itself and its successors and assigns, shall be deemed to have waived all rights it may at any time have against the Non-Liable Parties for, any and all claims, damages, losses, demands, liabilities, obligations, actions, or causes or actions resulting from any entry onto the Lot or Common Elements of any golf balls (regardless of number) hit from or in connection with the golf course, any damage or injury to person or property, resulting therefrom, any entry onto a Lot or Common Elements, or any portion thereof, by any golfer attempting to retrieve a golf ball as permitted under Section 2.7 and 2.8 (of the above-referenced declarations), and from the exercise by any golfer or the Golf Course of the rights set forth in Section 2.7 and 2.8 (of the above-referenced declarations), including, without limitation, actions based on: (a) any invasion of the use and enjoyment of the Property, or any portion thereof; (b) improper or negligent design or construction of the Golf Course; and (c) the level of skill of any golfer (regardless of whether such golfer has the permission of the Golf Course owner or the Golf Course Operator to use the Golf Course).

EXHIBIT A
TO
DISCLOSURE STATEMENT

Schedule of Construction:

	Start	Completion
Homeowners Association Clubhouse	To Be Determined	

EXHIBIT B
TO
DISCLOSURE STATEMENT

Liens/Encumbrances:

(b) Existing roads, streets, rights-of-way, utilities, and easements of record;

(c) Any matters shown on any plat recorded or filed concerning the CIC or any replat thereof;

(d) Provisions of the Declaration, as amended, Bylaws and CIC Plat of record or to be of record as of the date of closing of title to Buyer's Lot;

(e) Provisions of the declaration, as amended, articles of incorporation and bylaws of the THE JEWEL: A GOLF COMMUNITY MASTER ASSOCIATION, Common Interest Community number 11 (the "Master Association"). ;

(f) The lien of current real estate taxes and special assessments not then due and payable against the Lot;

(g) Building, zoning and platting laws, state and federal regulations, including without limitation, the Act;

(h) Reservations of minerals or mineral rights to the State of Minnesota; and

(i) Exceptions shown in the ALTA form of title insurance policy or title commitment (other than exceptions for mechanic's liens);

EXHIBIT C
TO
DISCLOSURE STATEMENT

Statutory Warranties: Reference The Master Home Owners Association Disclosure

EXHIBIT D
To
Disclosure Statement Attached

INSURANCE STATEMENT

Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No.1, Inc.

INSURANCE DISCLOSURE

NAME OF ASSOCIATION: The Jewel: A Golf Community Master Association, Inc.; **Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No.1, Inc.; The Jewel Golf Community: Hickory Mansions Multi Family Homeowners Association No. 2, Inc.; The Jewel Golf Community: Crimson Courts Multi Family Homeowners Association No. 3, Inc.; The Jewel: A Golf Community Single-Family Homeowners Association No. 1 Inc.; The Jewel: A Golf Community Single Family Homeowners Association No. 2, Inc.; The Jewel: A Golf Community Single Family Homeowners Association No.3, Inc.; Golf Cottages At the Jewel A Golf Community Single Family Homeowners Association No. 4, Inc.; Champions Circle at The Jewel: A Golf Community Single Family Homeowners Association No. 5, Inc.; Oakhurst At the Jewel: A Golf Community Single Family Homeowners Association No. 6, Inc.; The Lakes At The Jewel: A Golf Community Single Family Homeowners Association No. 7, Inc.; The Jewel, A Golf Community, Single Family Home Owners Association, No. 8 Inc. (3 Tees At The Jewel); The Jewel: A Golf Community Single-Family Homeowners Association No. 9, Inc. (Grand Bluffs); The Jewel Golf Community: Woodland Walk Single Family Homeowners Association No. 10, Inc.;**

LOCATION: Lake City, Minnesota, 55041
DEDUCTIBLE: $ N/A
POLICY DATES: 8-11-06 TO 8-11-07

Other Coverages:

General liability $ 1,000,000 Amount of coverage/Aggregate $ 3,000,000
Employee Dishonesty/Crime $ 100,000 Amount of coverage
Directors & Officers $ 1,000,000 Amount of coverage.
Umbrella $_____ Amount of coverage.
Boiler & Machinery $_____ Amount of coverage.
Workers Compensation $_____ Amount of Coverage
Fidelity Bond $_____ Amount of Coverage

Lyle Papenfuss
Agent's Signature

9/18/06
Date

Lyle Papenfuss
Print Name & Title

L.O. Brown Agency, Inc.
Company Name

507-388-7600
Phone

COMMUNITY ASSOCIATION GROUP, LLC

Note: The Above Scheduled Nine Sub-Associations Are Listed As Additional Insureds on the Directors & Officers Liability and General Liability Policies, ON the Master Association (The Jewel A Golf Community Master Association, Inc.) ~~A Golf~~ policies.

INSURANCE DISCLOSURE

NAME OF ASSOCIATION: Scottish Village Multi Family Homeowners Assn.
LOCATION: 713-715 Hidden Meadow + 725-727 Hidden Meadow Lake City, MN
DEDUCTIBLE: $ 5,000
POLICY DATES: 5/12/06 TO 5/12/07

Property Coverage:

1. Agreed Amount Endorsement ___ Yes X No
2. Guaranteed Replacement Cost ___ Yes X No
3. "All In" Policy ___ Yes X No

4. The following described fixtures, decorating items, or construction items within the unit referred to in the Minnesota Statutes.

(Check all items covered under the property insurance policy):

- _ Ceiling or wall finishing materials
- _ Floor coverings
- _ Cabinetry
- _ Finished millwork
- _ Electrical or plumbing fixtures serving a single unit
- _ Built-in appliances
- _ Improvements and betterments as originally constructed
- _ Additional improvements and betterments installed by unit owners

Other Coverages:

General liability $ 1,000,000 Amount of coverage/Aggregate $ 2,000,000
Employee Dishonesty/Crime $_____ Amount of coverage
Directors & Officers $ 1,000,000 Amount of coverage.
Umbrella $_____ Amount of coverage.
Boiler & Machinery $_____ Amount of coverage.
Workers Compensation $_____ Amount of Coverage
Fidelity Bond $_____ Amount of Coverage

Lyle Papenfuss
Agent's Signature

6/16/06
Date

Lyle Papenfuss, V.P.
Print Name & Title

C.O. Brown Agency, Inc.
Company Name

507-288-7600
Phone

COMMUNITY ASSOCIATION GROUP, LLC

EXHIBIT E
TO
DISCLOSURE STATEMENT

Real Estate Taxes: Real Estate taxes payable 2006 will be prorated with buyer paying 2/12th of tax due at closing.

Special Assessments: None

EXHIBIT F
TO
DISCLOSURE STATEMENT

Required Master Association Information: See Master Association Disclosure Statement, Declarations, Articles and Bylaws accompanying this packet.

EXHIBIT G-1
TO
DISCLOSURE STATEMENT

Declaration: Attached

EXHIBIT G-2
TO
DISCLOSURE STATEMENT

Articles of Incorporation: Attached

EXHIBIT G-3
TO
DISCLOSURE STATEMENT

By-Laws: Attached

Financial and Budget Statement

Those viewing; **The Jewel: A Golf Community Master Associatio**n should note the following:

The budget has been prepared and approved by the Master Association Board of Directors but there has been no levy of association owner assessments.

Prior to August 1, 2006 all expenses for The Jewel: A Golf Community Master Association were paid for by the Declarant as the Developer, and the expenses were not allocated separately to the Association. Therefore, what is shown in the Year to Date Actual column on the financial statement does not reflect complete operating expenses and does not include additional expenses which are anticipated for the following year of operation.

As of August 1, 2006, current funds, income and expenses for The Jewel: A Golf Community Master Association are segregated from any development/Declarant expenses and in the name of The Jewel: A Golf Community Master Association, Inc.

While the budget contemplates 2,365 homes, the August financial statement does not reflect this number as the community is still in a build out phase. The number of future lots/homes may vary depending on options which may be exercised by any Declarant.

The Board of Directors has approved the attached budget which plans for assessments to be $400.00 per lot per year.

The Master Budget anticipates $85,420.00 will be contributed annually to the reserve fund for the Master Association upon full build out and with 2365 homes/lots. This does not include any other additional reserve funding for the sub-associations. No other additional or reserve funding is planned.

The budget for the Jewel has been prepared as a guide for the community. While we deem the information correct, we do not guarantee it.

This budget does provide for minor shoreline and maintenance of some of the large ponds.

Please refer to the attached Master Association Budget.

Jewel Master HOA
Balance Sheet
As of 08/31/06

	CURRENT ASSETS			
1000	**TCF Bank - Checking Account**	$ 3,215.00		
1010	**TCF Checking - Savings**	38,193.91		
	TOTAL ASSETS			$ 41,408.91
	LIABILITIES & EQUITY			
	CURRENT LIABILITIES:			
	Subtotal Current Liab.		$ .00	
	RESERVES:			
	Subtotal Reserves		$ .00	
	EQUITY:			
4026	**Owner Capital Contribution**	$ 38,193.91		
	Current Year Net Income/(Loss)	3,215.00		
	Subtotal Equity		$ 41,408.91	
	TOTAL LIABILITIES & EQUITY			$ 41,408.91

Jewel Master HOA
Income/Expense Statement
Period: 08/01/06 to 08/31/06

	Description	Current Period Actual	Current Period Budget	Current Period Variance	Year-To-Date Actual	Year-To-Date Budget	Year-To-Date Variance	Yearly Budget
INCOME:								
06100	General Assessments	.00	78,833.33	(78,833.33)	.00	630,666.64	(630,666.64)	946,000.00
06321	Declarant Subsidy Income	4,164.42	.00	4,164.42	4,164.42	.00	4,164.42	.00
06340	Late Fee Income	.00	50.00	(50.00)	.00	400.00	(400.00)	600.00
06910	Interest Income	.00	50.00	(50.00)	.00	400.00	(400.00)	600.00
06920	Misc. Income	.00	50.00	(50.00)	.00	400.00	(400.00)	600.00
	Subtotal Income	4,164.42	78,983.33	(74,818.91)	4,164.42	631,866.64	(627,702.22)	947,800.00
	EXPENSES							
General & Administrative								
07010	Management/Accounting	.00	9,460.00	9,460.00	.00	75,680.00	75,680.00	113,520.00
07140	Tax Return & Audit	.00	291.66	291.66	.00	2,333.28	2,333.28	3,500.00
07160	Legal Fees	.00	2,083.33	2,083.33	.00	16,666.64	16,666.64	25,000.00
07250	Bank Charges	.00	125.00	125.00	.00	1,000.00	1,000.00	1,500.00
07260	Copies/Postage	.00	500.00	500.00	.00	4,000.00	4,000.00	6,000.00
07280	Insurance-Policies	400.00	2,416.66	2,016.66	400.00	19,333.28	18,933.28	29,000.00
07300	License/Permits	250.00	50.00	(200.00)	250.00	400.00	150.00	600.00
07320	Social	129.00	500.00	371.00	129.00	4,000.00	3,871.00	6,000.00
07400	Decorating	139.00	416.66	277.66	139.00	3,333.28	3,194.28	5,000.00
07410	Communications	.00	2,791.66	2,791.66	.00	22,333.28	22,333.28	33,500.00
07420	RE Taxes	.00	833.33	833.33	.00	6,666.64	6,666.64	10,000.00
07430	Telephone/Cable/DSL	.00	208.33	208.33	.00	1,666.64	1,666.64	2,500.00
07450	Miscellaneous Admin.	.00	2,916.66	2,916.66	.00	23,333.28	23,333.28	35,000.00
	General & Administrative	918.00	22,593.29	21,675.29	918.00	180,746.32	179,828.32	271,120.00
Payroll								
08010	Staffing - Clubhouse	.00	7,800.00	7,800.00	.00	62,400.00	62,400.00	93,600.00
	Payroll	.00	7,800.00	7,800.00	.00	62,400.00	62,400.00	93,600.00
Utilities								
08910	Electricity/Gas	.00	1,041.66	1,041.66	.00	8,333.28	8,333.28	12,500.00
08930	Water	.00	1,000.00	1,000.00	.00	8,000.00	8,000.00	12,000.00
	Utilities	.00	2,041.66	2,041.66	.00	16,333.28	16,333.28	24,500.00
Maintenance								
09010	Landscape Improvements	.00	12,333.33	12,333.33	.00	98,666.64	98,666.64	148,000.00
09020	Additional Grounds Maintenanc	.00	3,500.00	3,500.00	.00	28,000.00	28,000.00	42,000.00
09030	Structural/Maint. Ext/Int.	.00	441.66	441.66	.00	3,533.28	3,533.28	5,300.00
09090	Tennis Court Maintenance	.00	208.33	208.33	.00	1,666.64	1,666.64	2,500.00
09120	Fountains	.00	458.33	458.33	.00	3,666.64	3,666.64	5,500.00
09135	Staffing - Grounds	.00	7,583.33	7,583.33	.00	60,666.64	60,666.64	91,000.00
	Maintenance	.00	24,524.98	24,524.98	.00	196,199.84	196,199.84	294,300.00
Contract Services								
09610	Grounds Maintenance	31.42	5,416.66	5,385.24	31.42	43,333.28	43,301.86	65,000.00

Jewel Master HOA
Income/Expense Statement
Period: 08/01/06 to 08/31/06

	Description	Current Period Actual	Current Period Budget	Current Period Variance	Year-To-Date Actual	Year-To-Date Budget	Year-To-Date Variance	Yearly Budget
09700	Trash Removal	.00	100.00	100.00	.00	800.00	800.00	1,200.00
09750	Irrigation	.00	2,083.33	2,083.33	.00	16,666.64	16,666.64	25,000.00
09800	Snow Removal	.00	375.00	375.00	.00	3,000.00	3,000.00	4,500.00
09850	Pool operations	.00	2,750.00	2,750.00	.00	22,000.00	22,000.00	33,000.00
	Contract Services	31.42	10,724.99	10,693.57	31.42	85,799.92	85,768.50	128,700.00
Reserve Contributions								
09910	Reserves - Replacement	.00	7,118.33	7,118.33	.00	56,946.64	56,946.64	85,420.00
	Reserve Contributions	.00	7,118.33	7,118.33	.00	56,946.64	56,946.64	85,420.00
Contingency								
09880	Contingency	.00	4,180.00	4,180.00	.00	33,440.00	33,440.00	50,160.00
	Contingency	.00	4,180.00	4,180.00	.00	33,440.00	33,440.00	50,160.00
	TOTAL EXPENSES	949.42	78,983.25	78,033.83	949.42	631,866.00	630,916.58	947,800.00
	CURRENT YEAR NET INCOME/(LOSS	3,215.00	.08	3,214.92	3,215.00	.64	3,214.36	.00

EXHIBIT H

BUDGET AND FINANCIAL STATEMENTS:
For

Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No.1, Inc.; The Jewel Golf Community: Crimson Courts Multi Family Homeowners Association No. 3, Inc.; The Jewel: A Golf Community Single Family Homeowners Association No.3, Inc.; Golf Cottages At the Jewel A Golf Community Single Family Homeowners Association No. 4, Inc.; Champions Circle at The Jewel: A Golf Community Single Family Homeowners Association No. 5, Inc.; Oakhurst At the Jewel: A Golf Community Single Family Homeowners Association No. 6, Inc.; The Lakes At The Jewel: A Golf Community Single Family Homeowners Association No. 7, Inc.; The Jewel, A Golf Community, Single Family Home Owners Association, No. 8 Inc. (3 Tees At The Jewel); The Jewel: A Golf Community Single-Family Homeowners Association No. 9, Inc. (Grand Bluffs); The Jewel Golf Community: Woodland Walk Single Family Homeowners Association No. 10, Inc.

The communities listed above have not levied assessments to the owners. All expenses to date have been paid for by the Declarant and therefore no financial statement has been created on behalf of the Association prior to September 2006.

At this time, there is not a separate budget (from that of the Master Association Budget) or reserve contributions for any of the communities noted state above.

Other than the Master assessment, there are no separate assessments for the sub-associations for communities listed above **or the lot owners at this time. The Master budget anticipates an annual assessment of $400.00 per lot per year.**

The budget planning and approval for the communities listed above including the Master Association has been done by the Board of Directors for the Communities stated above.

No shoreline maintenance is anticipated other than that stated in the Master Budget.

Please refer to the attached Master Association Budget and Financial Statement

MF 1 (SCOTTISH VILLAGE) MAINTENANCE – ESTIMATED ANNUAL BUDGET	
Lawn Service – cut, fertilize, trim	$21,000
Snow Removal	$18,000
Irrigation – water, electric, repair	$ 3,000
General Liability Insurance	$ 2,500
Common Elements	$ 1,500
Accounting/Management Services	$ 3,000
Reserve Fund	$21,000
Miscellaneous	$ 2,000
Total	$72,000

MONTHLY FEE PER HOME:

$72,000.00 / 48 HOMES = $1,500 PER YEAR / 12 = $125 PER MONTH

Balance Sheet (Master Association and Subassociation Combined): None – start up mode.

Scottish Village

August 7, 2006

Type	Date	Source Name	Memo	Account	Amount
HOA					
Scottish Village HOA					
Administration					
Insurances					
Property & General Liability					
Bill	8/1/2005	State Auto Insuranc...	Commerical Policy for common homeowners	1454 · H...	976.00
Bill	3/6/2006	State Auto Insuranc...	commercial policy - Scottish Village Multi Family Home...	1454 · H...	230.00
Bill	5/11/2006	State Auto Insuranc...	Commercial policy (05/12/06-05/12/07) Scottish village -	1454 · H...	1,934.00
Bill	6/9/2006	State Auto Insuranc...	commercial policy (05/12/06 - 05/12/07)	1454 · H...	898.00
Bill	7/20/2006	State Auto Insuranc...	Commerical policy (05/12/06 - 05/12/07) Scottish village	1454 · H...	935.00
General ...	7/31/2006		Scottish Village - Return Premium - Insurance	1454 · H...	-36.00
General ...	7/31/2006		Scottish Village - Return Premium - Insurance	1454 · H...	-898.00
Total Property & General Liability					4,039.00
Directors/Officers					
Bill	6/13/2006	C.O. Brown Agency...	directors and officers - new policy	1454 · H...	821.00
Total Directors/Officers					821.00
Total Insurances					4,860.00
Administration - Other					
Bill	4/25/2006	Wabasha County R...	record Second amendment to the declaration of the Sc...	1454 · H...	46.00
Bill	5/2/2006	Wabasha County R...	affidavit of Pat Lowther concerning second amendment ...	1454 · H...	46.00
Bill	7/11/2006	Wabasha County R...	third amendment to the declaration of the Scottish villag...	1454 · H...	46.00
Bill	7/11/2006	Wabasha County R...	second amendment - Scottish Village - A golf community	1454 · H...	46.00
Total Administration - Other					184.00
Total Administration					5,044.00
Landscaping & Maintenance					
Lawn Maintenance					
Bill	10/26/2005	Indian Creek Lawn ...	Mowing Scottish Village	1454 · H...	740.00
Bill	8/31/2005	Indian Creek Lawn ...	Mowings and Weed whipping - Scottish Village	1454 · H...	872.00
Total Lawn Maintenance					1,612.00
Total Landscaping & Maintenance					1,612.00
Total Scottish Village HOA					6,656.00
Total HOA					6,656.00
TOTAL					**6,656.00**

EXHIBIT

DISCLOSURE OF CONTRACTS

Association Contracts
For

Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No.1, Inc

As of today the community has not signed any contracts.

In the future the Board may contract for some of the following services:

Management

Grounds Care

Snow Removal

Cleaning

Fire Monitoring

253301

STATE OF MINNESOTA
County of Wabasha
Office of County Recorder
This is to certify that the within instrument was filed for record in this office at Wabasha, on the 31st day of December A.D. 2002 at 9:00 o'clock A. .m. and that the same was duly recorded in Wabasha County Records.
JEFFERY R. AITKEN
County Recorder
By

DECLARATION

OF

SCOTTISH VILLAGE AT THE JEWEL

ALSO KNOWN AS

THE JEWEL:

A GOLF COMMUNITY

MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

Jeffery R. Aitken Wabasha Co. Recorder
Date Recorded 12/31/02
Amount Paid Cash Ck No 5513 Chg
Amt. Pd 20.00 +
Return To Jewel 26.00 Ex Pg.
Ref. 058727

12.23.02

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COMMON INTEREST COMMUNITY NUMBER 16
(A Planned Community)

SCOTTISH VILLAGE AT THE JEWEL

ALSO KNOWN AS

THE JEWEL:
A GOLF
COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

DECLARATION OF COVENANTS, CONDITIONS, RESTRICTIONS AND GRANT OF EASEMENTS

This Declaration of Covenants, Conditions, Restrictions and Grant of Easements (hereinafter referred to as "Declaration") is made in the County of Wabasha, State of Minnesota, on this _24_ day of _December_, 2002, by **THE RESIDENCES AT THE JEWEL, LLC** (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 a Multi-Family Homeowners Association known as **SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.**

WHEREAS, Declarant is the owner of certain real property located in Wabasha County, Minnesota, legally described in **Exhibit A** attached hereto and Declarant desires to submit said real property and all improvements thereon (collectively the "Property") to the Act, and

WHEREAS, the Declarant intends to develop the Property and sell, convey and/or lease portions of the property to various individuals and entities as part of a multi-family residential development; and

WHEREAS, in order to create and preserve the quality and harmonious development of the Property and for the benefit of the respective Lots (as hereinafter defined), the Declarant desires to create certain covenants, conditions, restrictions and grant of easements upon and against such Property in order to establish a uniform plan for the development, improvement and sale of the Property, and to ensure the preservation of such uniform plan for the benefit of the present and future owners of Lots.

NOW, THEREFORE, Declarant hereby adopts, establishes and imposes on the Property, and declares the following covenants, conditions, restrictions and grant of easements applicable thereto, all of which are for the purposes of enhancing and protecting the value, desirability, and attractiveness of the Property, which shall run with the Property and title or interest therein, or any part thereof, and which shall be binding

upon and inure to the benefit of the present and all future owners of the Property and/or any parts thereof.

SECTION 1.
DEFINITIONS

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

1.1 "Annexable Area" shall mean and refer to any additional property legally described in **Exhibit C** attached hereto which may become part of the Property upon being made subject to the jurisdiction of the Association pursuant to the provisions set forth herein.

1.2 "Applicable Law" shall include, but shall not be limited to, CERCLA, RCRA, the Federal Water Pollution Control Act, 33 U.S.C. §§ 1251 et seq., and any other local, state and/or federal laws or regulations that govern the existence, cleanup and/or remedy of contamination on property, the protection of the environment from spills, the control of hazardous waste or the use, generation, transport, treatment, removal or recovery of hazardous substances, including building materials.

1.3 "Articles of Incorporation" shall mean the Articles of Incorporation for the Association, as amended from time to time.

1.4 "Association" shall mean **SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.,** a nonprofit corporation which has been created pursuant to Chapter 317A of the laws of the State of Minnesota and Minnesota Statutes Section 515B.3-101, whose members consist of all Owners as defined herein.

1.5 "Bluff Top Areas" shall mean those areas within the Property and/or Annexable Areas (incorporated into the Association) that lie within (a) the North one-half (N 1/2) of the Northwest one-quarter (NW 1/4) of Section 7, Township 111, Range 12; and (b) the East one-half (E 1/2) of the Southwest one-quarter (SW 1/4) of Section 6, Township 111, Range 12, Wabasha County, Minnesota.

1.6 "Board" shall mean the Board of Directors of the Association as provided for in the By-Laws.

1.7 "By-Laws" shall mean the By-Laws governing the operation of the Association, as amended from time to time.

1.8 "City" shall mean the City of Lake City, Minnesota.

1.9 "Committee" shall mean the Architectural Control Committee appointed pursuant to Section 4 with the rights and obligations conferred upon such Architectural Control Committee pursuant to this Declaration.

1.10 "Common Elements" shall mean all parts of the Property, including improvements thereto, from time to time owned by the Association for the common benefit of

the Owners, including but not limited to the Limited Common Elements, parks, open spaces, creeks, wetlands and other facilities and areas to which the Owners may hereafter become entitled to use. The Common Elements shall include but not be limited to those areas listed in **Exhibit B** attached hereto.

1.11 "Common Expenses" shall mean and include all expenditures made or liabilities incurred by or on behalf of the Association and incident to its operation, including without limitation allocations to reserves and those items specifically identified as Common Expenses in this Declaration or By-Laws.

1.12 "Control Transfer Date" shall mean earliest of: (i) Declarant's voluntary surrender of the right to appoint or elect directors; (ii) the date five (5) years after the first conveyance of a unit to an Owner other than Declarant; (iii) the date, if any, in the Articles of Incorporation; or (iv) the date an Association meeting is held no later than 60 days after the date when at least seventy-five percent (75%) of the Lots are sold to unit owners other than Declarant.

1.13 "Design Guidelines" shall mean the Design Guidelines of the Association as approved from time to time by the Committee, which shall establish the minimum standards for construction of improvements within the Property. The Design Guidelines are available at the Jewel office, Lake City, Minnesota.

1.14 "Duplex" shall mean a residential structure used for occupancy for two (2) families living independently of each other, where both units are situated on the same platted parcel of land.

1.15 "Dwelling Unit" shall mean a structure or portion thereof located within the boundaries of each Owner's Lot, which is designed or intended for occupancy as a residential unit within a multi-family residential structure. The Dwelling Unit includes any garage attached thereto or otherwise included within the boundaries of the Lot in which a Dwelling Unit is located.

1.16 "Eligible Mortgagee" shall mean any Person owning a mortgage on any Lot, which mortgage is first in priority upon foreclosure to all other mortgages that encumber such Lot, 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.

1.17 "Golf Course" shall mean the golf course to be known as The Club at The Jewel which is intended to be constructed in connection with and surrounded by the common interest community as shown on the Plat.

1.18 "Governing Documents" shall mean this Declaration, and the Articles of Incorporation and By-Laws, as amended from time to time, together with the respective declarations, articles of incorporation and bylaws of the Master Association, all of which shall govern the use and operation of the Property.

1.19 "Hazardous Substances" shall mean any substance which, as of the date hereof, or from time to time hereafter, shall be listed as "hazardous" or 'toxic" under the regulations implementing The Comprehensive Environmental Response Compensation and Liability Act ("CERCLA"), 42 U.S.C. §§ 9601 et seq., The Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. §§ 6901 et seq., or listed as such in any applicable state or local law or

which has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Law.

1.20 "Limited Common Elements" shall mean those parts of the Common Elements reserved for the exclusive use of the Owners and occupants of the Lots to which they are allocated, and the rights to the use and enjoyment thereof are automatically conveyed with the conveyance of such Lots. The Limited Common Elements are described and allocated to the Lots as follows:

a. Chutes, flues, ducts, pipes, wires, conduit or other utility installations, bearing walls, bearing columns, or any other components or fixtures lying partially within and partially outside the boundaries of a Lot, and serving only that Lot, are allocated to the Lot they serve. Any portion of such installations serving or affecting the function of more than one Lot or any portion of the Common Elements is a part of the Common Elements, but is not a Limited Common Element.

b. Improvements such as decks, patios, balconies, shutters, awnings, window boxes, doorsteps, stoops, perimeter doors and windows, constructed as part of the original construction to serve a single Lot, and authorized replacements and modifications thereof, if located outside the Lot's boundaries, are Limited Common Elements allocated exclusively to that Lot.

c. The utility lines and driveway running between each Dwelling Unit and the nearest public street is a Limited Common Element for that Lot.

1.21 "Lot" shall mean and refer to any separately identified plot of land and/or Dwelling Unit within a multi-family structure shown upon the Plat which is intended to be sold to the ultimate buyer as a separate property. The description of the boundaries of each Lot, including the unit identifier number for each Lot, if any, is set forth on the Plat.

1.22 "Master Association" shall mean The Jewel: A Golf Community Master Association, Common Interest Community No. 11, organized in connection with the development of the Property and other areas within the Annexable Areas.

1.23 "Member" shall mean all Persons who are members of the Association by virtue of being Owners as defined in this Declaration. Each Member shall also be an "Owner" as defined in the Master Association declaration. The words "Owner" and "Member" may be used interchangeably in this Declaration, the Articles of Incorporation, and the By-Laws.

1.24 "Occupant" shall mean any person or persons, other than an Owner, in possession of or residing on a Lot.

1.25 "Owner" shall mean and refer to the record owner, whether one or more Persons or entities, of fee simple title to any Lot, which is a part of the Property, including, without limitation, contract for deed sellers (except as otherwise provided herein), but excluding those having an interest merely as security for the performance of an obligation. Where any such Lot is being sold by the fee owner to a contract for deed vendee who is entitled to possession of the Lot, the contract vendee shall be considered to be the Owner of the Lot if: (i) the rights of the contract vendor hereunder are delegated to the vendee under such contract for deed; and (ii) the vendee

shall furnish proof of such delegation to the Association. Each Owner shall also be a Member of the Master Association.

1.26 "Person" shall mean a natural individual, corporation, limited liability company, partnership, trustee, or other legal entity capable of holding title to real property.

1.27 "Plat" shall mean the plat or plats of the Property as recorded, including any amended, supplemental or additional plat(s) recorded from time to time in the office of the Wabasha County Recorder/Registrar of Titles, which plat(s) are hereby incorporated herein by reference.

1.28 "Property" shall mean the real property described in Exhibit A, together with the Annexable Area (if, when, and to the extent such Annexable Area or portions thereof) are brought under the jurisdiction of the Association.

1.29 "Related User" shall mean the Member's: (i) immediate family living in the Dwelling Unit; (ii) renter(s) living in the Dwelling Unit; or (iii) contract purchaser(s) who reside in the Dwelling Unit.

1.30 "Residential Purpose" shall mean used exclusively for multi-family residential occupancy only to be known as the **SCOTTISH VILLAGE AT THE JEWEL,** consisting of 48 twin homes (24 structures with 2 Dwelling Units per structure)**.** No Lot except as expressly permitted in Section 3.1 shall be used for business, educational, religious or professional purposes of any kind whatsoever, nor for any commercial or manufacturing purposes; provided, however, an Owner may maintain a home office within a Dwelling Unit provided there is no advertising signs or regular visits by customers or clients.

1.31 "Roads" shall mean roadways within the Plat.

1.32 "Rules and Regulation" shall mean the Rules and Regulations of the Association as approved from time to time as contemplated herein, regarding (among other matters) the use and enjoyment of the Common Elements.

In accordance with the requirements of Section 515B.2-105 of the Act, the Declarant hereby states the following:

a. The number of the Common Interest Community created hereby is the number set forth on the first page of this Declaration.

b. The Common Interest Community created hereby is a planned community and is subject to the Master Association.

c. The name of the Association is SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC. The Association has been incorporated pursuant to the provisions of Minnesota Statutes Chapter 317A.

d. The legal description of the Property included within the common interest community created hereby (including all appurtenant easements) is set forth on **Exhibit A** attached hereto.

e. The description of the boundaries of each Lot, if any, created by this Declaration, including the unit identifier number for each Lot, if any, is set forth on the Plat, which Plat has been filed for record with the office of the County Recorder/Registrar of Titles for Wabasha County, and is hereby incorporated herein by reference.

f. The Common Elements are legally described in **Exhibit B**.

g. Subject to Section 5.2 and Section 10 below, each Lot shall have one vote in the affairs of the Association. Except as provided in Section 6.7 (relating to the Alternative Assessment Program) or as permitted in the Act, each Lot shall share the Common Expenses equally.

h. The common interest community created hereby shall consist initially of the Scottish Village at the Jewel – Phase 1 which will amount to eighteen (18) Lots.

i. No additional units may be created by the subdivision or conversion of Lots.

j. Time shares are not permitted.

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.
RESERVATIONS, EXCEPTIONS AND DEDICATIONS

2.1 Recorded Plat. The Plat establishes certain restrictions applicable to the Property. All dedications, restrictions and reservations created herein or shown on the Plat shall be construed as being included in each contract, deed, or conveyance executed or to be executed by or on behalf of Declarant, conveying said Property or any part thereof whether specifically referred to therein or not.

2.2 Easements. Declarant reserves for public use the utility easements shown on the Plat or that have been or hereafter may be created by separate instrument recorded in the Office of the County Recorder/Registrar of Titles for Wabasha County, Minnesota, for the purpose of constructing, maintaining and repairing a system or systems of electric lighting, electric power, fiber optic cable, telephone lines, gas lines, sewers, water lines, if any, storm drainage (surface or underground), cable television, or any other utility the Declarant sees fit to install in, across and/or under the Property. Declarant and its assigns further expressly reserves the right to enter upon any Lot (outside of any Dwelling Units) for the purpose of improving, constructing, maintaining or redirecting any natural drainage pattern, drainage swales, area or easement. All utility easements in the Property may be used for the construction of drainage swales in order to provide for improved surface drainage of the Common Elements and/or Lots (outside of any Dwelling Unit). Declarant shall not be liable for any damages done by any utility company, water district, political subdivision or other authorized user of such easements or their assigns, agents, employees, or servants, to fences, shrubbery, trees and lawns or any other property of the Owner on the property covered by said easements. If any building or other improvements

originally constructed by Declarant or constructed or erected thereafter on any Lot in accordance with this document encroaches upon any Lot or Common Element, or, if any such encroachment shall hereafter arise because of settling or shifting of the building or other cause, an exclusive easement appurtenant to said encroaching Lot for such encroachment and the maintenance thereof shall exist.

2.3 Title Subject to Easements. It is expressly agreed and understood that the title conveyed by Declarant to any of the Lots by deed or other conveyance shall be subject to any easement affecting the same for roadways or drainage, water line, gas, sewer, electric lighting, electric power, or telephone purposes and other easements hereafter granted affecting the Lots. The Owners of the respective Lots shall not be deemed to own pipes, wires, conduits or other service lines running through their Lots which are utilized for or service other Lots, but each Owner shall have an easement in and to the aforesaid facilities as shall be necessary for the use, maintenance and enjoyment of the Owner's Lot. The Declarant may convey title to said easements to the public, a public utility company or the Association.

2.4 Utility Easements.

a. Utility easements have been dedicated in accordance with the Plat and by separate recorded easement documents. Each Lot shall be subject to and the beneficiary of appurtenant easements for all services and utilities serving the Lots and the Common Elements, and for maintenance, repairs and replacements as contemplated in this Declaration.

b. No building shall be located over, under, upon or across any portion of any utility easement. The Owner of each Lot shall have the right to construct, keep and maintain concrete drives, fences, and similar improvements across any utility easement located within the Lot, and shall be entitled to cross such easements at all times for purposes of gaining access to and from such Lots, provided, however, any concrete drive, fence or similar improvement placed upon such utility easement by the Owner shall be constructed, maintained and used at Owner's risk. The Association shall have the right to construct, keep and maintain concrete drives, fences, and similar improvement across any utility easement that is located on the Common Elements.

2.5 Road Easements.

a. Subject to the terms and conditions set forth in this Declaration, Declarant does hereby grant to each Owner, and the agents and invitees of each Owner, from time to time, a non-exclusive easement over and upon, and the right to use for pedestrian and vehicular travel and transportation purposes, all Roads, subject to and in common with Declarant, its successors and assigns, and the rights of all other parties having any interest or rights therein. Subject to the rights reserved by Declarant to take any action necessary or desired in order to cause the Roads or any portion thereof to be dedicated to and accepted as a public roadway by any governmental authority, as provided in Section 2.5(b) below, the easement and right to use granted pursuant to this Section 2.5(a) are and shall be permanent and perpetual, are nonexclusive, are appurtenant to and shall pass and run with the title to each Lot. Declarant and the Association reserve the right to provide for the extension of the roads and utilities to the Annexable Areas or portions thereof.

b. Notwithstanding anything provided to the contrary in this Declaration, Declarant (1) does hereby establish and reserve the right, in its sole and absolute discretion, at any time and from time to time, with the consent of the Association, to dedicate the Roads or any portion thereof and/or any other private roadways within the Property as public roadways to any governmental authority designated by Declarant, subject to the acceptance thereof by the applicable authority, without requirement that the approval or consent of any Owner or mortgagee be obtained and (2) shall be and hereby is authorized and entitled to execute any and all agreements, documents, instruments and subdivision plats pursuant to which the Roads or any portion thereof and/or any of the private roadways within the Property are submitted for dedication as public roadways. The rights reserved by Declarant pursuant to this section may be assigned to the Association which, upon such assignment, shall have the same rights reserved herein to Declarant.

c. The Association too shall have the right to dedicate or otherwise convey all or any portion of the Roads to the applicable governmental authority, subject to the acceptance thereof by the applicable authority. In the event the Association and the applicable authority mutually agree that it is in the best interest of the Association and the applicable authority to dedicate all or any portion of the private roadways within the Development to the public, the Association shall, at its own expense, complete any additional road and/or ditch improvements as determined necessary by the applicable municipality prior to the dedication thereof. Following any such dedication, the Owners may be subject to assessments for costs incurred by the applicable governmental authority, including without limitation for repairs, maintenance and replacement costs, in connection with the ownership, maintenance and operation of such public roadways.

d. In the event any Annexable Area is added and submitted to the provisions of this Declaration as provided in Section 11, the Declarant retains and has the right to grant to each owner of the Annexable Area a non-exclusive easement over and upon, and the right to use for pedestrian and vehicular travel and transportation purposes, the Roads, subject to and in common with Declarant, its successors and assigns, and the rights of all other parties having an interest or rights therein.

2.6 Governmental Authorities Easement. Declarant does hereby grant to each governmental authority and its respective agents, employees and representatives, permanent, perpetual and non-exclusive easements over, across, through and upon (a) the Roads and all Common Elements for the purposes of performing such duties and activities related to law enforcement, fire protection and medical and emergency situations on or for any portion of the Development or any person thereon as shall be required or appropriate from time to time by such governmental authorities and (b) each Lot (outside of any Dwelling Unit) and Common Elements surrounding multi-family structures for the placement and maintenance of all fire number signs and related fire protection materials.

2.7 Easement for Golfers. See Master Association Declaration Section 2 which is incorporated herein by reference.

2.8 Owner Consent to Golf Course and Golf Course Activities. See Master Association Declaration Section 2 which is incorporated herein by reference.

2.9 Waiver of Certain Liability. See Master Association Declaration Section 2 which is incorporated herein by reference.

2.10 Priority of Easements. The Road Easement granted herein is specifically subject to the Utility and Storm Drainage Easements, including, but not limited to, the right to build, construct, reconstruct, rebuild, repair, maintain and operate underground sewer, water and electrical mains and any surface connections to such underground mains, along with the right to enter upon and open the ground for such purposes, providing that all such openings shall be filled and the surface restored to its former condition. All such utility easements shall jointly run in favor of and inure to the benefit of the Owners of the Property, and any and all public authorities or utility companies maintaining or operating any utility facilities upon, under or above the Road Easement. In the event that it shall be necessary to install, repair or maintain any utility facility, such repairs and maintenance shall be undertaken so as to cause, to the extent practicable, minimum interference with the use of the Road Easement and any and all damage shall be repaired and fully restored.

2.11 Unit to Unit/Unit to Common Element Easement. Since each Dwelling Unit forms an integral part of a building including at least one other Dwelling Unit, the Owner of each Lot shall have a nonexclusive right and easement over the Dwelling Unit with which it shares a party wall for lateral support, support, and where necessary, access for maintenance and upkeep of walls, fences and other improvements. In addition, in the event that any Dwelling Unit or any improvements to any Dwelling Unit encroaches upon any part of another Lot or Dwelling Unit, as a result of construction, reconstruction, repair, shifting, settlement or movement of any part of the Property, then a perpetual easement appurtenant to such encroaching Dwelling Unit shall exist for the continuance of any such encroachment for so long as the encroachment shall exist.

SECTION 3.
USE RESTRICTIONS

3.1 Residential Use. No Lot shall be used for anything but Residential Purposes, except that Declarant and its successors and assigns shall be entitled to maintain model homes and other sales facilities upon the Lots as authorized in Section 7.3 below. In addition, other home builders that own Lots may also use such Lots as model homes.

3.2 Residential Foundation Requirements. Every residential structure shall consist of either a poured concrete foundation, a concrete block foundation or a concrete slab provided such foundation or slab has been approved by the Committee.

3.3 Driveways. Any driveway on a Lot or Common Elements shall be constructed of concrete or asphalt, and shall be completed within six (6) months of receipt of a certificate of occupancy for the first Dwelling Unit it serves.

3.4 Construction of Dwelling Unit. Subject to waiver by the Association (at the Association's sole discretion) construction of a multi-family structure on a Lot(s) shall be commenced (i.e. foundation poured and framing commenced) within two (2) years after the Lot(s) are conveyed to the Owner, and shall be completed within eighteen (18) months after commencement of construction. **For purposes of this paragraph only, Owner shall not include a builder who purchases the Lot(s) for purposes of constructing a Dwelling Unit for resale.**

3.5 Tree Preservation/Site Clearing. Tree preservation and site clearing shall be guided by the Woodland Management Plan as approved from time to time by the Association. All tree trimming/removal and/or site clearing shall be approved in advance by the Committee. The Woodland Management Plan is available at the Jewel office, Lake City, Minnesota.

3.6 Use of Temporary Structures. No structure of a temporary character, whether trailer, basement, tent, shack, garage, barn or other outbuilding shall be maintained or used on any Lot at any time as a residence, either temporarily or permanently; provided, however, that Declarant reserves the exclusive right to erect, place and maintain such facilities in or upon any portion of the Property as in its sole discretion may be necessary or convenient while selling Lots, selling or constructing residences or buildings and constructing other improvements on the Property.

3.7 City Water and Sewer. Except for Lots located in the Bluff Top Areas: (i) all Lots shall be served by the City water and sanitary systems; (ii) no private well system may be made, or drilled, except upon approval of the Committee and any required governmental authority; (iii) no private septic systems may be constructed on any part of the Property. Notwithstanding the foregoing, wells may be drilled by the Declarant and/or the Association for use in watering Common Elements and filling of lakes or ponds in the Common Elements.

3.8 Prohibition of Offensive Activities. No noxious or offensive activity of any sort shall be permitted nor shall anything be done on any Lot or Common Elements which may be or become an unreasonable annoyance or a nuisance. This restriction shall not be construed to limit or restrict the customary sales activities required to sell homes or the use of a Dwelling Unit for home office purposes as described in Section 3.1 or any activities allowed under Sections 2.7, 2.8 or 2.9 above. No exterior speaker, horn, whistle, bell or other sound device, except security and fire devices used exclusively for security and fire purposes, shall be located, used or placed on a Lot. Without limitation, the discharge or use of firearms on the Property is expressly prohibited. The Association shall have the sole and absolute discretion to determine what constitutes a nuisance or an unreasonable annoyance.

3.9 Garbage, Trash Disposal and Recycling. Unless the Board elects otherwise, all Owners must contract with a garbage and trash disposal company for the removal of trash and recycling. Garbage and trash or other refuse accumulated on the Property shall not be permitted to be dumped at any place upon adjoining land where a nuisance to any residence of the Property is or may be created. No part of the Property may be used or maintained as a dumping ground for rubbish or landfill. Trash, garbage or other waste shall not be allowed to accumulate, shall be kept in sanitary containers and shall be disposed of regularly. No trash, garbage or other waste shall be burned on the Property. All equipment for the storage or disposal of such material shall be kept in a clean and sanitary condition.

3.10 Inoperable Motor Vehicles Prohibited. No inoperable vehicle shall be stored on any Lot, except within an enclosed garage or other approved structure on the Lot. No accessories, parts or objects used with cars, boats, buses, trucks, trailers, house trailers or the like, shall be kept on any Lot other than in a garage or other enclosed structure approved by the Committee.

3.11 Vehicles and Recreational Vehicles. Except within a garage or other enclosed structure approved by the Committee, no vehicles or similar equipment shall be parked or stored

on a Lot other than passenger automobiles, passenger vans, motorcycles and pick-up trucks that are in operating condition, have current license plates and inspection stickers, and are in regular legal use as motor vehicles on public streets and highways. No trailers, boats, buses, motor homes, campers, snowmobiles or other types of recreational vehicles shall be parked on any Lot, Common Element or streets for more than forty-eight (48) consecutive hours or such shorter period as may be established by law, except if such vehicle is parked within a garage or other approved structure located on such Lot; provided however, the Board may (at its discretion) grant permits to park such vehicles on Lots for limited periods of time not to exceed fourteen (14) days in any twelve (12) month period. No such vehicles shall be parked on any Common Elements, except in designated parking areas pursuant to rules and restrictions established by law and/or the Board. The foregoing restrictions shall not apply to any vehicles, machinery or equipment temporarily parked at a Lot in connection with the construction, maintenance or repair of a building or other authorized improvements on such Lot. No vehicle shall be permitted to park overnight on any street except for those vehicles used by a builder during the construction of improvements on Lots or Common Elements. No vehicle of any size which transports inflammable or explosive cargo may be kept on the Property at any time.

3.12 Signs. No signs, advertisement, billboard or advertising structure of any kind whatsoever may be erected or maintained on any Lot or Common Elements surrounding a multi-family structure, without the consent in writing of the Committee, including without limitation any "For Sale" or "For Rent" sign or any sign displaying the name of a realtor. Declarant or any member of the Committee shall have the right to remove any such signage. Notwithstanding the foregoing, Declarant shall have the right to erect and maintain such signs as it deems necessary to advertise the development during construction and sale periods.

3.13 Livestock and Animals. No animals, livestock or poultry of any kind shall be raised, bred or kept on any Lot except that dogs, cats or other common household pets may be kept on all such Lots provided that they are not kept, bred or maintained for commercial purposes and do not become a nuisance or threat to other Owners. No such animals shall be allowed to run loose on a Lot (outside of the Dwelling Unit) or the Common Elements immediately surrounding a multi-family structure, unless contained within such Lot or area by an "invisible fence" type fence or other fence approved by the Committee. No Owner or Occupant shall feed any wild animals including without limitation deer, bear, rabbits and raccoons. Notwithstanding the foregoing restriction, Owners and Occupants may use bird feeders to feed birds, squirrels and chipmunks, as long as the feed being provided does not attract other wild animals.

3.14 Drainage. Except for any such rights reserved to the Declarant, any natural drainage patterns of streets, Lots, Common Elements or roadway ditches will not be impaired by any person or persons, and the Declarant or its assigns may enter upon any Lot (outside of any Dwelling Unit) to maintain such natural drainage areas. Driveway culverts must be installed prior to beginning construction of any building or Dwelling Unit and must be of sufficient size to afford proper drainage of ditches without backing water up into ditch or diverting flow. The size and type of driveway culverts must also be approved by appropriate governmental authorities. The breaking of curbs, if any, for driveway installations will be accomplished in a good and workmanlike manner. Such break shall be re-cemented without hindrance to drainage and shall be subject to the inspection and approval of the Committee.

3.15 Hazardous Substances. Except for common household cleaners and supplies and for substances used in connection with the operation of the Golf Course, no Hazardous Substance

shall be brought onto, installed, used, stored, treated, buried, disposed of or transported over the Lots. All activities on the Lots involving Hazardous Substances shall, at all times, comply with Applicable Law.

3.16 Completion of Landscaping. The lawn on each Lot or Common Elements immediately surrounding a multi-family structure shall be seeded or sodded by: (i) October 31 of the calendar year in which the Certificate of Occupancy is issued for the first Dwelling Unit within a multi-family structure, if the Certificate is issued between January 1 and September 15 of any calendar year; or (ii) by June 15 of the calendar year following the issuance of the Certificate, if such Certificate is issued between September 16 and December 31 of any calendar year.

3.17 Restoration. Notwithstanding any approvals or consent granted by the Committee or the Association if any Owner disturbs or otherwise damages any portion of the Common Elements, such Owner shall expeditiously complete such work, and at its sole expense, shall immediately restore and repair the Common Elements to their condition prior to the commencement of construction.

3.18 Lighting. The artificial lighting on each Lot and in the Common Elements shall be consistent with "down-lighting" designs established by the Committee for the purpose of limiting night sky illumination.

3.19 Rental Restrictions. Any lease for a Dwelling Unit or Lot between an Owner and a lessee shall provide that the lease and all rights of lessee thereunder shall be subject in all respects to the provisions of the Governing Documents and the Act. A lease for a Dwelling Unit or Lot must be for the entire Dwelling Unit and/or Lot, as applicable, not a portion thereof. No such lease may be for a period less than thirty (30) days.

3.20 Holiday Decorations/Lighting. Seasonal/holiday lights and decorations shall be permitted on the Lots, provided that they are installed/placed and removed (i) for the winter holiday season (i.e. Christmas, Hanukah, etc.) no earlier than November 15 and no later than March 15, respectively, and (ii) for all other holiday seasons within 10 days of the relevant holiday/season.

3.21 Exterior Ornaments. Exterior ornaments including but not limited to precast concrete, plastic or wood figurines, wishing wells and windmills shall be prohibited unless approved by the Committee prior to installation or construction.

3.22 Fences. Except for "invisible fence" type fences, no fence shall be allowed on any Lot or Common Element without the Committee's approval.

3.23 Minimum Setbacks. No building of any kind shall be located on any Lot nearer to: (i) any side or rear property line; (ii) any public road; or (iii) any wetlands, than as may be indicated on the Plat; provided, however, as to any Lot, the Committee may waive or alter any such setback line if the Committee, in the exercise of the Committee's sole discretion, deems such waiver or alteration is necessary to permit effective utilization of a Lot. Any such waiver or alteration must be in writing and recorded in the Office of the County Recorder/Registrar of Titles for Wabasha County, Minnesota.

3.24 Minimum Square Footage/Materials. Single or double wide manufactured or mobile homes or trailers, are not permitted on the Property and no old or used house may be moved on the Property. Dwelling Units on Lots abutting the golf course shall not exceed one story with main floor wall heights not to exceed 12 feet in height as measured at the top plate of the wall. All Dwelling Units must have at least 1300 square feet of living area on the first floor (on grade - completely above ground), excluding porches and garages, and be built with new construction materials. Acceptable exterior building materials are steel, natural wood, fiber cement siding products, masonry, stucco, brick, split faced block or other material approved by the Committee prior to construction. New prefabricated or pre-built homes from another location may be moved onto the property only with the prior written approval of the Committee. The roof of any Dwelling Unit shall not be less than 5/12 pitch and shall be constructed of either composition or fiberglass shingles, or other material approved by the Committee prior to construction. The use of sheet metal or similar material on the roof or exterior sides of any Dwelling Unit other than as flashing is prohibited.

3.25 Heating of Dwelling Units. For the purpose of preventing damage to and breakage of water, sewer and other utility lines and pipes in a Dwelling Unit which might result in damage to the adjoining Dwelling Unit, all Owners shall maintain the temperature in their Dwelling Unit, at all times, at least at fifty-five degrees (55°) Fahrenheit (or such other reasonable temperature or standard as the Board may from time to time specify by written rule), subject, however, to the inability to maintain such temperature due to causes beyond the Owner's reasonable control. Any damage resulting from the refusal or failure of an Owner to maintain such minimum temperature may be repaired by the Association and (unless due to causes beyond the Owner's reasonable control) the cost thereof assessed against the Lot of the refusing or failing Owner. However, if the failure to maintain such minimum temperature is due to causes beyond the Owner's reasonable control, the cost of such repair shall be a Common Expense. The Association may by rule require Dwelling Units which are unoccupied for substantial periods of time during winter to use alarms which will detect abnormally low temperatures.

SECTION 4.
ARCHITECTURAL CONTROL COMMITTEE, CONSTRUCTION, RESTRICTIONS AND REQUIREMENTS

4.1 Approval of Plans and Specifications.

a. In order to preserve the architectural and aesthetic appearance and the natural setting and beauty of the Property, to establish and preserve a harmonious design for the Property and to protect and promote the value of the Property, no improvements of any nature to be placed upon a Lot which affect the exterior appearance of any such Lot or Dwelling Unit shall be commenced, erected, installed, placed, moved onto, altered, replaced, relocated on any such Lot or Dwelling Unit, unless plans and specifications therefore complying with the Design Guidelines have been submitted to and approved by the Committee. The Committee shall be comprised of three (3) or more representatives appointed by the Board, in accordance with the terms and provisions of this Section 4. Without limiting the foregoing, the construction and installation of any Dwelling Units, sidewalks, driveways, parking lots, mailboxes, decks, patios, courtyards, swimming pools, tennis courts, greenhouses, playhouses, awnings, walls, fences, exterior lights, garages, guest or servant's quarters, or any other out-buildings, shall not be undertaken, nor shall any exterior addition to or change or alteration be made thereto unless the plans

and specifications for the same have been submitted to and approved by the Committee in accordance with the terms and provisions of this Section 4.

b. The Committee is hereby authorized and empowered to approve, and/or deny approval of, any plans and specifications in connection with the activities referenced in Section 4.1(a) above to be performed on any Lot. Prior to commencement of any Dwelling Unit, the Owner thereof shall submit to the Committee plans and specifications and related data for all such proposed construction which shall include the following:

(i) Two (2) copies of an accurately drawn and dimensioned site development plan indicating the location and identification of all improvements, including, specifically, the Dwelling Unit to be constructed or improved on said Lot, the location of the driveways, walkways, decks, terraces, patios, and mailboxes and the relationship of the same to any set-back requirements applicable to the Lot.

(ii) Two (2) copies of a foundation plan, floor plans and exterior elevation drawings of the front, back and sides of the Dwelling Unit to be constructed on the Lot.

(iii) Such other plans, specifications or other information or documentation as may be required by the Committee.

c. The Committee shall, in its sole discretion, determine whether the plans and specifications and other data submitted by the Owner are acceptable. One (1) copy of all plans, specifications and related data so submitted shall be retained in the records of the Association and the other copy shall be returned to the Owner marked "approved," "approved as noted," or "disapproved." Notwithstanding anything provided herein to the contrary, an Owner may make interior improvements and alterations within a Dwelling Unit or other approved structure that do not affect exterior appearance without the necessity or requirement that the Committee approval or consent be obtained.

d. The Committee shall have the right to disapprove any plans and specification upon any ground which is consistent with the objectives and purposes of this Declaration, including purely aesthetic considerations, any failure to comply with any of the provisions of this Declaration's minimum construction standards, failure to provide requested information, objection to exterior design, appearance or materials, objection on the ground of incompatibility of any such proposed improvement with the scheme of development proposed for the Property, objection to the location of any proposed improvements on any such Lot, objection to the landscaping plan for such Lot, objection to the color scheme, finish, proportions, style of architecture, height, bulk or appropriateness of any improvement or any other matter which, in the sole judgment of the Committee would render the proposed improvement inconsistent with the general plan of development contemplated for the Property. The Committee shall have the right to approve any submitted plans and specifications with reasonable conditions or stipulation which the Owner must incorporate into the plans and specifications for such improvements, if the Owner desires to complete such improvements. Approval of plans and specifications by the Committee for improvements to one particular Lot or Dwelling Unit shall not be deemed an approval or otherwise obligate the Committee to approve

similar plans and specifications or any of the features or elements for the improvements for any other Lot or Dwelling Unit within the Property.

e. If the Committee fails to approve, approve as noted, or disapprove in writing any such proposed plans and specifications within forty-five (45) days after such plans and specifications are submitted to the Committee, then the plans and specifications submitted will be deemed to have been approved.

f. Any revisions, modifications or changes in any plans and specifications previously approved by the Committee must be submitted to the Committee for re-approval in the same manner as above.

g. If construction of such improvements has not substantially commenced (e.g., by clearing and grading, pouring of footings and otherwise commencing framing and other related construction work) within one (1) year of approval by the Committee, then the Owner of such Lot or Dwelling Unit shall be required to resubmit all plans and specifications for any such improvements to the Committee for re-approval in the same manner specified above.

4.2 Procedure and Meetings. The Committee shall elect a chairperson and the chairperson, or in the chairperson's absence, the vice chairperson, shall be the presiding officer at all meetings of the Committee. The Committee shall meet on a regular basis as well as upon call of the chairperson or vice chairperson and all such meetings shall be held at such places as may be reasonably designated by the chairperson or vice chairperson. A majority of the total number of members of the Committee shall constitute a quorum of the Committee for the transaction of business and the affirmative vote of a majority of those present in person or by proxy at a meeting of the Committee shall constitute the action of the Committee on any matter which comes before it. The Board may authorized the Committee to retain the services of consulting architects, landscape architects, designers, engineers, inspectors and/or attorneys in order to advise and assist the Committee in performing its functions set forth herein. The Committee shall have the right from time to time to adopt and establish such rules and regulations as may be determined to be necessary concerning the procedure, notice of meetings and all other matters concerning the conduct of the business of the Committee.

4.3 Minimum Construction Standards. Within the framework established in this Declaration, the Committee may from time to time promulgate an outline of minimum acceptable construction standards; provided, however, that such outline will serve as a minimum guideline only.

4.4 Compliance with Laws. Each Owner agrees that all construction activities performed by it or on its behalf shall be performed in compliance with all laws, rules, regulations, orders and ordinances of the City and State of Minnesota affecting improvements constructed within the Property and that construction activities on its Lot shall not:

a. Cause any unreasonable increase in the cost of constructing improvements upon another Lot.

b. Unreasonably interfere with construction work being performed on any other part of the Property.

c. Unreasonably interfere with the use, occupancy or enjoyment of any part of the remainder of the Property and the easements granted by this Declaration by any other Owner its invitees or Occupants.

d. Cause any other Owner to be in violation of any applicable law, rule, regulation, order or ordinance of the City, Wabasha County, State of Minnesota or federal governmental agencies, or any department or agency thereof.

4.5 Subsurface Conditions. The approval of plans and specifications by the Committee for any Dwelling Unit or other improvements on a Lot shall not be construed in any respect as a representation or warranty by the Committee, the Association, or Declarant to the Owner submitting such plans or to any of the successors or assigns of such Owner that the surface or subsurface conditions of such Lot are suitable for the construction of the improvements contemplated by such plans and specifications. It shall be the sole responsibility of each Owner to determine the suitability and adequacy of the surface and subsurface conditions of any Lot for the construction of any contemplated improvements thereon.

4.6 Limitation of Liability. Notwithstanding anything provided herein to the contrary, neither Declarant, the Committee, the Association, nor any agent, employee, representative, member, shareholder, partner, officer or director thereof, shall have any liability of any nature whatsoever for any damage, loss or prejudice suffered, claimed, paid or incurred by any Owner or Occupant on account of (a) any defects in any plans and specifications submitted, reviewed or approved in accordance with the provisions of this Section 4, (b) any defects, structural or otherwise, in any work done according to such plans and specifications, (c) the failure to approve or the disapproval of any plans, drawings, specifications or other data pursuant to the provisions of this Section 4, (d) the construction or performance of any work related to such plans, drawings and specifications, (e) bodily injuries (including death) to any Owner, Occupant or the respective family members, guests, employees, servants, agents, invitees or licensees of any such Owner or Occupant or any damage to any Dwelling Units, improvements or the personal property of any Owner, Occupant or the respective family members, guests, employees, servants, agents, invitees or licensees of such Owner or Occupant, which may be caused by or arise as a result of past, present or future soil and/or subsurface conditions, known or unknown (including, without limitation, sink holes, tunnels and water channels and limestone formations) on or under any Lot or other part of the Property, and (f) any other loss, claim, damage, liability or expense, including court costs and attorneys' fees, suffered, paid or incurred by any Owner or Occupant arising out of or in connection with the use and occupancy of any Lot, Dwelling Unit, or any improvements situated thereon.

SECTION 5.
PROPERTY OWNERS ASSOCIATION

5.1 Membership. Each Owner shall be a Member. Membership in the Association shall be appurtenant to and may not be separated from the ownership of a Lot. In the event any Lot is owned by more than one (1) person, then the Owners of such Lot shall, by written notice to the Board, designate only one (1) representative to exercise all voting rights attributable to the Lot owned by such Owners. Each Member shall at all times comply with the provisions of the Governing Documents and all Rules and Regulations. Each Lot shall have one vote and shall have a common expense allocation in proportion to the number of Lots then included in the Association, except that special allocations of common expenses shall be permitted as provided

in this Declaration and except for the alternative assessment program provided in this Declaration. Voting rights and Common Expense allocations and title to the Lots shall not be separated or conveyed separately. The voting rights are more specifically described in the By-Laws.

5.2 Appointment/Election of Board. The Board shall be appointed/elected as provided for in the Articles of Incorporation and the By-Laws. The Articles of Incorporation and By-Laws shall provide for the Members elect directors. Pursuant to Section 515B.3-103(c) of the Act, Declarant hereby retains and shall have the right to appoint or remove, with or without cause, any member or members of the Board and any officer or officers of the Association until the Control Transfer Date. Within sixty (60) days after the Control Transfer Date, a special meeting of the Association shall be called, at which meeting the Owners shall elect a new Board which shall undertake the responsibilities of the Board and the Association.

5.3 Board of Directors. The Board shall have the rights and duties set forth in the Articles of Incorporation and the By-Laws.

5.4 Owner's Right of Enjoyment. Every Owner shall have a beneficial interest of use and enjoyment in and to the Common Elements and such right shall be appurtenant to and shall pass with the title to every Lot, subject to the following provisions:

a. the right of the Association, with respect to the Common Elements, to limit the number of guests of Owners;

b. the right of the Association to make the Rules and Regulations and to charge reasonable admission and other fees for the use of any facility situated upon the Common Elements;

c. the right of the Association, in accordance with its Articles of Incorporation and By-Laws (and until the Control Transfer Date, subject to the prior written approval of the Declarant), to (i) borrow money for the purpose of improving and maintaining the Common Elements and facilities (including borrowing from the Declarant or any entity affiliated with the Declarant) and (ii) mortgage said property, however, the rights of such mortgagee of said property shall be subordinate to the rights of the Owners hereunder;

d. the right of the Association to suspend the Member's voting rights and the Member's and Related Users right to use any recreational facilities within the Common Elements during any period in which the any assessment against his or her Lot remains unpaid beyond its due date;

e. the right of the Association to suspend the Member's voting rights and the Member's and Related Users' right to use any recreational facilities within the Common Elements, after notice and hearing by the Board, for the infraction or violation by such Member or Related Users of this Declaration or the Rules and Regulations, which suspension shall continue for the duration of such infraction or violation, plus (at the Board’s discretion) a period not to exceed sixty (60) days following the cessation or curing of such infraction or violation; and

f. the right of the Association (subject, until the Control Transfer Date, to the prior written approval of the Declarant), to dedicate or transfer all or any part of the Common

Elements to any public agency, authority or utility, for such purposes and subject to the provisions of this Declaration.

5.5 Delegation of Use. Any Member may delegate, in accordance with the By-Laws, his right of enjoyment to the Common Elements and facilities to its Related Users.

SECTION 6.
ASSESSMENTS

6.1 General. Assessments shall be determined and assessed against the Lots by the Board, in its discretion; subject to the requirements and procedures set forth in this Section 6, and the requirements of the By-Laws. 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 Lots equally, in accordance with the allocation formula set forth in Section 6.2. Limited allocation assessments under Section 6.4 shall be allocated to Lots 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 Lots in accordance with the allocation set forth in this Section 6.2. Annual assessments shall be payable annually, in advance, or on such other payment basis (monthly, quarterly or semi-annually) as Declarant or the Board determines. Annual assessments shall provide, among other things, for an adequate reserve fund for the maintenance, repair and replacement of the Common Elements. Except for the variations authorized by Sections 6.3 and 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 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 pursuant to the requirements of the By-Laws. The foregoing restriction shall apply only during the period of Declarant control of the Association, as described in Section 11. Notwithstanding the foregoing, no annual assessments shall be assessed until on or after January 1, 2003.

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 Lots equally in accordance with the allocation formula set forth in Section 6.2. Special assessments shall be used for the purpose of defraying in whole or in part the cost of any unforeseen and unbudgeted Common Expense. Notwithstanding the foregoing, any special assessment shall be subject to approval by the vote of 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 pursuant to the requirements of the By-Laws

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 Lots in accordance with the following requirements and procedures:

a. Any assessment or portion thereof benefiting fewer than all of the Lots may be assessed equally and exclusively against the Lot or Lots benefited.

b. 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 Lot or Lots.

c. Late charges, fines and interest may be assessed as provided Section 10.

d. Assessments levied under Section 515B.3-116(a) of the Act to pay a judgment against the Association may be levied only against the Lots existing at the time the judgment was entered, in proportion to their Common Expense liabilities.

e. If any damage to the Common Elements or another Lot is caused by the act or omission or any Owner or Occupant, or their guests, the Association may assess the costs of repairing the damage exclusively against the responsible Owner's Lot or Lots to the extent not covered by insurance.

f. If any 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.

g. 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 Section 6.4(a) through (e) may, at the Board's discretion, be assessed as a part of, or in addition to, the other assessments levied under this Section 6.

6.5 Working Capital Fund. The Working Capital Fund shall be the same as the fund established by the Master Association.

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 Lot, 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 Lot shall be personally liable for the share of the Common Expenses assessed against such Lot. Such liability shall be joint and several where there are multiple Owners of the Lot. 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 Lot, 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 10, in addition to any remedies provided elsewhere in the Governing Documents or the Act, 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(b) of the Act. Notwithstanding anything to the contrary in this Section 6, if an assessment has been levied, any

unsold Lot owned by Declarant shall be assessed at the rate of twenty-five percent (25%) of the assessments levied on other Lots not owned by Declarant until a certificate of occupancy has been issued with respect to such Lot by the City. This reduced Assessment shall apply to each Lot owned by Declarant at the time that the Lot is created, and shall terminate with respect to each such Lot upon the issuance of the certificate of occupancy, or comparable occupancy approval, for the Lot. This alternative assessment program will not affect the allocated share of replacement reserves assessed as a part of the special assessments pursuant to Section 6.3 above against Lots 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 Lot for any assessment levied against a Lot 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 Lot 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 Lot so acquired. The Owner and any other Person claiming an interest in the Lot, by the acceptance or assertion of any interest in the Lot, 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 Lot.

6.10 Lien Priority. A lien for assessments is prior to all other liens and encumbrances on a Lot except (i) liens and encumbrances recorded before the Declaration, (ii) any first mortgage encumbering the fee simple interest in the Lot, and (iii) liens for real estate taxes and other governmental assessments or charges against the Lot. Notwithstanding the foregoing, if (1) a first mortgage on a Lot 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 Lot subject to unpaid assessments for Common Expenses levied pursuant to Sections 515B.3-115(a), (e)(1) to (3), (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 Lot, 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 Lot 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 Lot 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 Lot, including all assessments payable in the Association's current fiscal year, which statement shall be binding on the Association, seller and buyer.

SECTION 7.
DECLARANT'S RIGHTS, RESERVATIONS, AND DUTIES

7.1 Period of Declarant's Rights and Reservations. The rights and reservations hereinafter set forth and set forth in Section 11 below shall be deemed excepted and reserved in each conveyance of a Lot whether or not specifically stated therein and in each deed or other instrument by which any property within the Common Elements is conveyed by Declarant. Declarant shall have the right at its sole discretion to assign and/or transfer certain or all of its rights hereunder to other builders, developers that may develop portions of the Property. The rights, reservations and easements hereafter set forth shall be prior and superior to any other provisions of this Declaration and may not, without Declarant's prior written consent, be modified, amended, rescinded or affected by any amendment of this Declaration. Declarant's consent to any one such amendment shall not be construed as a consent to any other or subsequent amendment.

7.2 Right to Construct Additional Improvements in Common Elements. During the period of Declarant control, Declarant shall have and hereby reserves the right (without the consent of any other Owner), but shall not be obligated, to construct additional improvements within the Common Elements, or any part thereof, at any time and from time to time in accordance with the Declaration for the improvement and enhancement thereof and for the benefit of the Association and Owners. Declarant shall no later than the Control Transfer Date, convey or transfer such improvements to the Association and the Association shall be obligated to accept title to, care for and maintain the same as elsewhere provided in this Declaration.

7.3 Declarant's Rights to Use Common Elements and Lots in Promotion and Marketing of the Property and Annexable Area. For as long as Declarant owns any Lot, Common Element, or any portion of the Annexable Areas that can be added to the common interest community, Declarant shall have and hereby reserves the right to reasonable use of the Common Elements and Lots owned by Declarant, and of services offered by the Association in connection with the promotion and marketing of land within the boundaries of the Property and Annexable Area as contemplated in this Declaration. Without limiting the generality of the foregoing, Declarant may erect and maintain on any part of the Common Elements such signs, temporary buildings and other structures as Declarant may reasonably deem necessary or proper in connection with the promotion, development and marketing of land within the Property and Annexable Area; may use vehicles and equipment within the Common Elements for promotional purposes; and may permit prospective purchasers of property within the boundaries of the Property and Annexable Area, who are not Owners or Members, to use the Common Elements at reasonable times and in reasonable numbers; and may refer to the services offered by the Association in connection with the development, promotion and marketing of the Property and Annexable Area. Further, prior to the Control Transfer Date the Declarant may establish, supplement, modify and amend the Rules and Regulations.

7.4 Declarant's Rights to Grant and Create Easements. Prior to the Control Transfer Date, Declarant shall have and hereby reserves the right, without the consent of any other Owner or the Association, to grant or create temporary or permanent easements, for access, utilities, pipeline easements, cable television systems, communication and security systems, drainage,

water and other purposes incident to development, sale, operation and maintenance of the Property, in, on, under, over and across (i) the Lots (outside of any Dwelling Unit) or other property owned by Declarant, (ii) the Common Elements, and (iii) existing utility easements. Declarant also reserves the right, without the consent of any other Owner or the Association, to (i) grant or create temporary or permanent easements for access over and across the Roads to and from any public roads for the benefit of others, regardless of whether the beneficiary of such easements own property which is hereafter made subject to the jurisdiction of the Association, and (ii) permit owners and/or occupants of property within the Annexable Area which is not made subject to the jurisdiction of the Association to use the recreational facilities of the Association and other Common Elements, provided that said owners pay to the Association their proportionate share of the cost of operating and maintaining said recreational facilities and Common Elements.

7.5 Declarant's Rights to Convey Additional Common Elements to the Association. Prior to the Control Transfer Date, Declarant shall have and hereby reserves the right, but shall not be obligated to, convey additional real property and improvements thereon, if any, to the Association as Common Elements at any time and from time to time in accordance with this Declaration, without the consent of any other Owner or the Association.

7.6 Construction of Improvements to Roadways. The Declarant shall improve the portions of the Property designated on the Plat as public roadways with a bituminous or comparable surface material that meets all specifications of the applicable governmental unit with jurisdiction over such roadways.

7.7 Construction of Utilities. The Declarant shall, at its sole cost and expense, pay the initial cost of construction and installation of gas, electricity, city water and sanitary sewer, and telephone lines to the boundary lines of the Lots or Common Elements surrounding a multi-family structure, as applicable.

7.8 Construction of Storm-Water Detention and Drainage Facilities. The Declarant shall construct the storm-water detention and drainage facilities pursuant to the plans and specifications prepared by Declarant and approved by the City. The initial cost associated therewith, including all engineering costs, legal costs, recording fees, construction costs, and landscaping, as appropriate, to areas disturbed in connection with construction of the storm-water detention and drainage facilities shall be paid by the Declarant.

7.9 General Construction Indemnity. With the exception of the infrastructure work to be performed by the Declarant under this Declaration and/or Development Agreement executed with the City, each Owner agrees to defend, indemnify and hold harmless each and every other Owner and the Declarant from all claims, actions and proceedings and costs incurred (including reasonable attorneys' fees and costs of suit) which result from any accident, injury, loss or damage whatsoever occurring to any person arising out of the performance of any construction activities performed or authorized by such indemnifying Owner. Any damage occurring to any portion of the Property as a result of such construction work shall be the responsibility of the Owner performing such construction work or causing such construction work to be performed and shall be repaired by such Owner, at such Owner's sole cost and expense, to the same condition as existed immediately prior to such work promptly upon the completion of such construction work.

7.10 Mechanic's or Construction Liens. If, because of any act or omission (or alleged act or omission) of any Owner, any mechanic's or construction lien shall be filed with respect to any portion of the Property other than such Owner's Lot (whether or not such lien is valid or enforceable as such), such Owner shall cause same to be discharged of record, or bonded, with respect to such portion of the Property not owned by such Owner, within thirty (30) days after being notified of the filing thereof; and such Owner shall indemnify and save harmless all other Owners, all ground and underlying lessors and mortgagees from all costs, liabilities, suits, penalties, claims and demands, including reasonable attorneys' fees resulting therefrom. If such Owner fails to comply with the foregoing, any other Owner and/or the Declarant shall have the option of discharging or bonding any such lien. If such option is exercised, the Owner whose act or omission (or alleged act or omission) gave rise to the lien shall reimburse the other Owner and/or Declarant who discharged or bonded such lien for all costs, expenses and other sums of money (including reasonable attorneys' fees) in connection therewith promptly upon demand.

7.11 Complete Improvements. Declarant shall have the right to complete all the Lots and other improvements indicated in the Plat, or otherwise included in Declarant's development plans or allowed by the Declaration.

7.12 Easements. Declarant shall have the right to have and use easements, for itself, its employees, contractors, representatives, agents and prospective purchasers through and over the Common Elements for the purpose of exercising its special declarant rights.

7.13 Control of Association. Declarant shall have the right to 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, until the Control Transfer Date.

7.14 Buy-back. In the event Owner fails to construct a Dwelling Unit on the Lot within the time frame required by this Declaration or any amendments thereto, Declarant shall have the right to buy back Owner's Lot at the purchase price paid to Declarant by the original Owner; provided, however that a) this buy-back right shall be subordinated to Owner's first mortgage on the Lot; and b) that any first mortgage holder, or it's successor, that acquires the Lot through foreclosure shall not be subject to this buy-back clause. For purposes of this paragraph, Owner includes a builder who purchases the Lot(s) for purposes of constructing a Dwelling Unit for resale.

SECTION 8.
DUTIES AND POWERS OF THE PROPERTY OWNERS

8.1 General Duties and Powers of the Association. The purpose of the Association is to further the common interest of the Members. The Association acting through the Board or through persons to whom the Board has delegated such powers (and subject to the provisions of the By-Laws), shall have the duties and powers hereinafter set forth and, in general, the power to do anything that may be necessary or desirable to: (i) further the common interest of the Members; (ii) maintain, improve and enhance the Common Elements; and (iii) improve and enhance the attractiveness, desirability and safety of the Property and any portion of the Annexable Area which becomes subject to the jurisdiction of the Association. The Association shall have the authority to act as the agent to enter into any and all contracts on behalf of the

Members in order to carry out the duties, powers and obligations of the Association as set forth in this Declaration.

8.2 Duty to Accept the Property and Facilities Transferred by Declarant. The Association shall accept title to any of the Common Elements or other real property, including any improvements thereon and personal property transferred to the Association by Declarant, and equipment related thereto, together with the responsibility to perform any and all administrative functions and recreational functions associated therewith, provided that they are not inconsistent with the terms of this Declaration. Property interests transferred to the Association by Declarant may include fee simple title, easements, leasehold interests and licenses to use such property. Any property or interest in property transferred to the Association by Declarant shall be within the boundaries of the Property or Annexable Area. Any property or interest in property transferred to the Association by Declarant shall, except to the extent otherwise specifically approved by resolution of the Board, be transferred to the Association free and clear of all liens and mortgages (other than the lien for property taxes and assessments not then due and payable), but shall be subject to the terms of this Declaration, the terms of any declaration of covenants, conditions and restrictions annexing such property to the Common Elements, and all easements, covenants, conditions, restrictions and equitable servitude or other encumbrances which do not materially affect the Association's and/or its Member's authorized use of such property. Unless otherwise prohibited by the Act, upon approval by the Board the Association may purchase or acquire Declarant's property or its interest in property from Declarant in exchange for reasonable monetary payments or remuneration including, but not limited to, purchase price, rent, charge or fee. Such payments and/or agreements to pay may result in increases in Owner's annual assessments and/or user fees. The property or interest in property transferred to the Association by Declarant shall not impose any unreasonable or special burdens of ownership of property, including the management maintenance, replacement and operation thereof.

8.3 Duty to Manage and Care for the Common Elements. The Association shall manage, operate, care for, maintain and repair all Common Elements and keep the same in a safe, attractive and desirable condition for the use and enjoyment of the Members. Such duty may include, but not be limited to: the establishment, operation and maintenance of a security system for the Property; landscaping, maintenance, repair and replacement of the drainage easements; and management, maintenance, repair and upkeep of the Common Elements.

8.4 Insurance.

a. By Association. The Association shall obtain such insurance as may be required by the Act, including worker's compensation insurance, and shall have the power to obtain such other insurance and such fidelity, indemnity or other bonds as the Association shall deem necessary or desirable. Amongst other requirements, Section 515B.3-113 of the Act requires the Association to maintain casualty insurance coverage on the Common Elements, and, because Dwelling Units in this common interest community share contiguous walls, siding and roofs, on the Dwelling Units.

b. By Owners. Except to the extent that the Association in its discretion provides blanket coverage for some or all such items, each Owner should carry insurance for his or her own benefit insuring such Owner's personal liability, and all portions, parts and components of the Dwelling Unit, including without limitation floor coverings, ceiling or wall finishing materials, cabinetry, finished millwork, electrical and plumbing fixtures,

appliances, furniture, furnishings, and other personal property and fixtures, and other property supplied or installed by Owner or a previous Owner or tenant; provided that all such Owner's policies shall contain waivers of subrogation, and further provided that the liability of the carriers issuing insurance obtained by the Association shall not be affected or diminished by reason of any such additional insurance carried by any Owner, that is, Owner's policies shall be "without contribution" against the Association's policies.

c. Betterments. In all circumstances, betterments or improvements made subsequent to the original construction by any Owner to a Dwelling Unit shall be the responsibility of the Owner to insure separately (or by rider to a blanket policy at the consent of the Association) if the Owner desires the same insured. If improvements and betterments are covered by the Association, any increased premium cost to the Association may be assessed against the Dwelling Units affected. If the Association, an insurance trustee or mortgagee undertakes the reconstruction or remodeling of a Dwelling Unit, as above provided, the same need be restored only to substantially the same condition as the Dwelling Unit was as of the completion of original construction.

d. Deductibles. The Association may, in the case of a claim for damage to a Dwelling Unit, (i) pay the deductible amount as a Common Expense, (ii) assess the deductible amount against the Lots affected in any reasonable manner, or (iii) require the Owners of the Lots affected to pay the deductible amount directly.

8.5 Duty to Prepare Budget. The Association shall prepare annual budgets for the Association, which budgets shall include a reserve fund for the maintenance of all Common Elements.

8.6 Duty to Levy and Collect the Annual Assessments. The Association shall levy, collect and enforce the annual assessments and other charges and assessments as permitted in this Declaration.

8.7 Duty to Provide Annual Review. The Association shall provide for an annual unaudited independent review of the accounts of the Association. Copies of the review shall be made available to any Member who requests a copy of the same upon payment by such Member of the reasonable cost of copying the same.

8.8 Duties with Respect to Architectural Approvals. The Association shall perform certain duties to assist the Committee as may be contemplated in Section 4 above.

8.9 Power to Acquire Property and Construct Improvements. The Association may acquire property or an interest in property (including leases) for the common benefit of the Owners including improvements and personal property. The Association may construct improvements on the Property and may demolish existing improvements.

8.10 Power to Adopt Rules and Regulations. The Association may adopt, amend and repeal the Rules and Regulations, fines, levies and enforcement provisions contained herein as may be deemed necessary or desirable with respect to the interpretation and implementation of this Declaration, the operation of the Association, the use and enjoyment of the Common Elements, and the use of any other property, facilities or improvements owned or operated by the Association.

8.11 Power to Enforce Restrictions and Rules and Regulations. The Association shall have the power to enforce the provisions of this Declaration and the Rules and Regulations, as provided in Section 10 below and elsewhere herein.

8.12 Power to Grant Easements. In addition to any other easements described in this Declaration, the Association shall have the power to grant access, utility, drainage, water facility and other such easements in, on, over or under the Common Elements.

8.13 Power to Convey and Dedicate Property to Government Authorities. The Association shall have the power to grant, convey, dedicate or transfer any Common Elements or facilities to any public or governmental agency or authority for such purposes and subject to such terms and conditions as the Association shall deem appropriate, which power may be exercised (i) by the Board for transfers to be made prior to the Control Transfer Date, and (ii) by the approval of not less than two-thirds (2/3) of the Members agreeing in writing or by voting at any scheduled meeting of the Members for transfers to be made after the Control Transfer Date. The Association may, subject to the limitations of the preceding sentence, convey property to a public or governmental agency or authority in lieu of such property being condemned by such public or governmental agency or authority.

8.14 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.

SECTION 9.
GENERAL PROVISIONS

9.1 Mergers and Consolidations. The Association may participate in mergers and consolidations with other non-profit corporations organized for the same purposes, provided that (i) prior to the Control Transfer Date any such merger or consolidation shall require the approval (in writing or at a meeting duly called for such purpose) of two-thirds (2/3) of the Directors and Declarant's written consent, and (ii) from and after the Control Transfer Date any such merger or consolidation shall require the consent (in writing or at a meeting duly called for such purpose) of those Members entitled to cast not less than two-thirds (2/3) of the votes of all of the Members of the Association. Upon a merger or consolidation of the Association with another association, the properties, rights and obligations may, by operation of law, shall be transferred to the surviving or consolidated association, or alternatively, the properties, rights and obligations of the other association may, by operation of law, be added to the properties, rights and obligations of the Association as a surviving corporation pursuant to the merger. The surviving or consolidated association will be subject to the covenants and restrictions established by this Declaration together with the covenants and restrictions established upon any other properties as one scheme. No such merger or consolidation, however, shall effect any of the covenants and restrictions established by this Declaration, except as changed by amendment of this Declaration or by the plan of merger or consolidation.

9.2 Liberal Interpretation. The provisions of this Declaration shall be liberally construed as a whole to effectuate the purpose of this Declaration.

9.3 Successors and Assigns. The provisions hereof shall be binding upon and inure to the benefit of the Owners, the Declarant, the owner of the Golf Course, and the Association, and their respective heirs, legal representatives, personal representatives or executors, administrators, successors and assigns.

9.4 Terminology. All personal pronouns used in this Declaration and all exhibits attached hereto, whether used in the masculine, feminine or neuter gender, shall include all other genders; the singular shall include the plural and vice versa. Title of articles and sections are for convenience only and neither limit nor amplify the provisions of this Declaration itself. The terms "herein," "hereof" and similar terms, as used in this instrument, refer to the entire agreement and are not limited to referring only to the specific paragraph, section or article in which such terms appear. All references in this Declaration to Exhibits shall refer to the Exhibits attached hereto.

9.5 Effect on Annexable Area. The provisions of this Declaration do not impose any restrictions whatsoever or otherwise encumber the Annexable Area, unless and until pursuant to Section 11 below portions of the Annexable Area are made subject to the jurisdiction of the Association by a separate instrument executed solely by Declarant or its successors and assigns and any lienholders, which instrument is recorded in the Office of the County Recorder/Registrar of Titles for Wabasha County, Minnesota.

9.6 Electric Utility Service. Prior to beginning any construction on a Lot, each Owner, at the Owner's expense, shall be required to install underground electric service lines from the transformer or source of feed to the meter location on said Lot. Further, each Owner may expect to pay a charge for connection to such electric utility service, and the Owner is obligated to contact the City to determine such charge and make arrangements for the installation of said underground service lines and connection to the electrical distribution system. Owner shall also be responsible for all charges for all utility service furnished to Lot.

SECTION 10.
COMPLIANCE AND REMEDIES

Each Owner and Occupant, and any other Person owning or acquiring any interest in a Lot, 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 lawful 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 herein or by the Governing Documents and the Act.

10.1 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 lawful decisions of the Association. Any Owner 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, the Act or the lawful decisions of the Association, as a measure to enforce such Owner's position, or for any other reason.

10.2 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, Occupants, Related Users, 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 dollars ($20) or fifteen percent (15%) of the amount past due, for each past due charge or assessment or installment thereof, and impose interest at the highest rate permitted by law accruing beginning on the first day of the month 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 Lot 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. Subject to Section 10.3 below, impose reasonable fines, penalties or charges for each violation of the Act, the Governing Documents, the Rules and Regulations.

e. Subject to Section 10.3 below, suspend the rights of any Owner to vote and/or suspend the rights of any Owner, Occupant, Related User, and their respective guests to use any Common Element amenities when such Owner is violating the Act, the Governing Documents, Rules and Regulations, or the lawful decision of the Association; provided, that the suspension of use rights shall not apply to Limited Common Elements appurtenant to the Lot, and those portions of the Common Elements providing utilities service and access to the Lot. Such suspensions shall be limited to the period of default by such Owners, Occupants and/or Related User, plus (at the Board's discretion) up to sixty (60) days thereafter, for each violation.

f. Restore any portions of the Common Elements damaged or altered, or allowed to be damaged or altered, by any Owner, Occupant, Related User, or their guests in violation of the Governing Documents, and to assess the cost of such restoration against the responsible Owners and their Lots as contemplated in Section 6 above.

g. Enter any Lot in which, or as to which, a violation or breach of the Act, the Governing Documents, the Rules and Regulations exists which is likely to materially affect the health or safety of the other Owners, Occupants, and/or Related Users, or their guests, or the safety or soundness of any structure containing multi-family Lots or other part of the Property or the property of other Owners, Occupants, and/or Related Users, and to summarily abate and remove, at the expense of the offending Owner, Occupant, and/or Related User, any structure, thing or condition in the Lot which is causing the

violation; provided, that any improvements which are a part of a Dwelling Unit 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.

10.3 Rights to Hearing. To the extent required by the Act or other applicable laws, before the imposition of any of the remedies authorized by Section 10.2 (d) and (e) above, 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 written 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.

10.4 Lien for Charges, Penalties, Etc. Any assessments, charges, fines, expenses, penalties or interest imposed under this Section shall be a lien against the Lot of the Owner, Occupant, and/or Related User 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 is 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.

10.5 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 Lot with any expenses incurred by the Association 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 but not be limited to 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 Owner. Such collection or contingency fees or costs shall be the personal obligation of such Owner and shall be a lien against such Owner's Lot.

10.6 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, Related Users or guests in the Owner's Lot, to the extent that such expense is not covered by the proceeds of insurance carried by the Association or such Owner, Occupant, and/or Related User. However, any insurance deductible amount and/or increase in the Association’s insurance rates, resulting from the Owner's,

Occupant's or Related Users' acts or omissions may be assessed against the Owner of the Lot and against his or her Lot.

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

SECTION 11.
RIGHT TO ADD ADDITIONAL REAL ESTATE

Declarant hereby expressly reserves the right to add the Annexable Areas or any portion thereof to the Property, by unilateral action under Section 515B.2-111 of the Act, subject to the following conditions:

11.1 Time Limit. The right of Declarant to add the Annexable Areas or any portion thereof to the common interest community shall terminate ten (10) years after the date of recording of this Declaration or upon earlier express written withdrawal of such right by Declarant or a successor Declarant, unless extended by a vote of the Owners pursuant to Section 515B.2-106(2) of the Act. There are no other limitations on Declarant's rights hereunder, except as may be imposed by law.

11.2 Description. The Annexable Areas are described in Exhibit C. The Annexable Areas or portions thereof may be added to the Property in parcels consisting of one or more platted lots.

11.3 Limits on Obligation to Add. There are no assurances as to the times at which any part of the Annexable Areas will be added to the Property, the order in which it will be added, the number of parcels per phase nor the size of the parcels. Declarant is under no obligation to add the Annexable Areas to the Property, and the Annexable Areas may be developed by Declarant or its successors in interest for other purposes, subject only to approval by the appropriate governmental authorities.

11.4 Maximum Lots. The maximum number of Lots that may be created within the Annexable Areas on the date of this Declaration is forty-eight (48). In addition, certain portions of the Annexable Areas may be used for other purposes if not incorporated into the Association. All Lots created on the Annexable Areas shall be restricted exclusively to residential use or for use as Common Elements.

11.5 Architectural Compatibility. Any improvements, Dwelling Units and other structures, erected upon the Lots within Annexable Areas shall be compatible with the other improvements, Dwelling Units and other structures which are part of the Property in terms of architectural style, quality of construction, principal materials employed in construction and size; subject (i) to any changes required by governmental authorities or lenders, and (ii) to any interior and minor exterior changes made by Declarant to meet changes in the market.

11.6 Application of Covenants. All covenants and restrictions contained in this Declaration affecting the use, occupancy and alienation of Lots shall apply to all lots created on the Annexable Areas. If Lots are added to the Association pursuant to this Section, voting power

and Common Expenses shall be allocated amongst all Lots, including those developed on the Annexable Areas, pursuant to the terms and conditions of this Declaration.

11.7 Effect on Excluded Property. The statements made in Sections 11.1 through 11.6 shall not apply to any Annexable Areas, which is not added to the Property.

SECTION 12.
TERM/AMENDMENTS

12.1 Term. The provisions of this Declaration shall run with the Property and shall be binding upon all Owners and all persons claiming under them for a period of thirty (30) years from the date this Declaration is recorded, after which time said Declaration as amended pursuant to Section 12.2 below, shall be automatically extended for successive periods of ten (10) years each, unless the Owners elect to terminate the common interest community created by this Declaration pursuant to Section 515B.2-119 of the Act. Notwithstanding anything contained herein to the contrary, all easements created hereby shall continue in perpetuity in accordance with the respective terms thereof.

12.2 Amendments. In addition to other restrictions set forth herein, the Act specifies the requirements for Amending the Declaration.

SECTION 13.
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:

13.1 Consent to Certain Amendments. The written consent of Eligible Mortgagees representing at least fifty-one percent (51%) of the Lots 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 provisions including the following: (i) voting rights; (ii) priority of assessment liens; (iii) reallocation of interests in the Common Elements, or rights to their use except in connection with the addition of the Annexable Areas or portions thereof; (iv) convertibility of Common Elements into Lots; (v) imposition of any restrictions on an Owner's right to sell or transfer his or her Lot; or (vi) any provisions that expressly benefit mortgage holders, or insurers or guarantors of mortgages. In addition, any restoration or repair of any structure containing multi-family Dwelling Units (after hazard damage or partial condemnation) in a manner other than that specified in the Governing Documents shall require the approval of at least fifty-one percent (51%) of Eligible Mortgagees holding first mortgages on the Dwelling Units within the affected structure.

13.2 Consent to Certain Actions. The written consent of Eligible Mortgagees representing at least sixty-seven percent (67%) of the Lots that are subject to first mortgages held by Eligible Mortgagees (based upon one (1) vote per Lot financed) shall be required to abandon or terminate the common interest community, except as otherwise provided by law.

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

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

13.5 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 Lot 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 Lot and/or Common Elements. The Association shall give written notice of any condemnation or eminent domain proceeding to all Eligible Mortgagees of the affected structure and/or immediately surrounding Common Elements, promptly upon receipt of notice from the condemning authority.

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

a. a sixty (60) day delinquency in the payment of assessments or charges owed by the Owner of a Lot on which it holds a mortgage; and

b. a proposed action which requires the consent of a specified percentage of Eligible Mortgagees.

13.7 Effect of Violations on Mortgages. No violation of the provisions herein contained, or any portion thereof, shall affect the lien of any mortgage presently or hereafter placed of record or otherwise affect the rights of the mortgagee under any such mortgage, or the holder of any such lien and any such mortgage or lien may, nevertheless, be enforced in accordance with its terms, subject, nevertheless, to the provisions herein contained.

SECTION 14.
MASTER ASSOCIATION

This Association is a "Member" (as defined in the Master Association declaration) of the Master Association, a master association within the meaning of the Act. The Members are also "Owners" as defined in the Master Association declaration.

14.1 Delegation. The Master Association is hereby delegated the powers and duties to:

a. adopt, amend and revoke rules and regulations not inconsistent with the Declaration, Articles of Incorporation and Bylaws of the Master Association relating to the use, repair, replacement and maintenance of the beams, traffic islands, landscape features, monuments, ponds and trails, if any, located within the Common Elements.

b. adopt and amend budgets for revenues, expenditures and reserves and levy and collect assessments for Common Expenses relating to the Common Elements from all members of the Association in the same manner as provided in this Declaration for the levy and collection of assessments;

c. hire and discharge managing agents and other employees, agents and independent contractors;

d. institute, defend or intervene in litigation or administrative proceedings on behalf of itself or the Association affecting the Common Elements.

e. make contracts and incur liabilities

f. repair, replace, maintain and modify the Common Elements;

g. acquire, hold, encumber and convey in its own name, any right, title or interest to real estate or personal property;

h. grant public utility easements through, over or under the Common Elements and, subject to the approval of the members of the Association, grant public or private easements, leases and licenses through, over or under the Common Elements;

i. impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the rules and regulations and bylaws of the Master Association;

j. impose reasonable charges for the review, preparation and recording of resale certificates, statements of unpaid assessments and furnishing copies of Association and Master Association records;

k. provide for the indemnification of the officers and directors of the Association and Master Association and maintain officers and directors liability insurance;

l. enforce the provisions of Article IV of this Declaration, including without limitation all of the rights and powers of the Committee and the appointment of the Committee.

m. such additional powers described in the Act which maybe necessary or incidental to the exercise of any delegated powers;

14.2 Additional Delegations. In addition to the powers and duties delegated to the Master Association in Section 14.1, the Board may delegate additional powers to the Master Association not inconsistent with: (i) this Declaration, the Articles of Incorporation or the Bylaws; (ii) the Declaration, the Articles of Incorporation or Bylaws of the Master Association; or (iii) the Act.

14.3 Uniform Exercise. The powers delegated to the Master Association shall be exercised by the Master Association in a manner which is uniform and consistent with the exercise of all similar powers delegated to the Master Association.

14.4 Control Period. Upon the expiration of a control period as defined in Minn. Stat. Sec. 515B.2-121(3), the Board of the Master Association shall be elected by the members of the Master Association as provided for in the Master Association Declaration.

SECTION 15.
PARTY WALLS

15.1 General Rules of Law to Apply. Each wall which is built as a part of the original construction of the Dwelling Units upon the Property and located on the boundary line between the Lots shall constitute a party wall, and to the extent not inconsistent with the provisions of this

Declaration or the Act, the general rules of law regarding party walls and liability for property damage due to negligence or willful acts or omissions shall apply thereto.

15.2 Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use, provided that (i) any maintenance, repair or replacement necessary because of the acts or omissions of an Owner or occupant sharing a party wall shall be paid for by such Owner, and (ii) 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.

15.3 Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, an Owner who has used the wall may restore it to its original condition, and if the other Owner thereafter makes use of the wall, they shall contribute to the cost of the restoration thereof in proportion to such use without prejudice to the right of any such Owner to call for a larger contribution from the others under this Declaration or any rule or law regarding liability for negligent or willful acts or omissions.

15.4 Weatherproofing. Notwithstanding any other provision of this Declaration, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

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

SECTION 16.
MISCELLANEOUS

16.1 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.

16.2 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 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.

16.3 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.

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 Section 2.2 of the By-Laws shall be effective upon receipt by the Association.

16.5 Conflicts Among Authorities. In the event of any conflict among the provisions of the Act, the Declaration, the By-Laws or any Rules and Regulations approved by the Association, the Act shall control. As among the Declaration, By-Laws and Rules and Regulations, the Declaration shall control. As between the By-Laws and the Rules and Regulations, the By-Laws shall control.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand as of this 24 day of December, 2002.

THE RESIDENCES AT THE JEWEL, LLC

By: _____
Mark L. Fayette, Chief Manager

STATE OF MINNESOTA

COUNTY OF WABASHA

This instrument was acknowledged before me on the 24 day of December, 2002, by Mark L. Fayette, Chief Manager of The Residences at the Jewel, LLC on behalf of said corporation and in the capacity therein stated.

_____
Notary Public

PATRICK A. LOWTHER
NOTARY PUBLIC-MINNESOTA
MY COMMISSION EXPIRES 1-31-2005

This document was drafted by:
Pat Lowther Law Firm, PLC
Patrick A. Lowther (#125222)
134 2nd Avenue SE/P.O. Box 366
Sleepy Eye, MN 56085
507-794-5711

CONSENT

Michael, G. Lowther, being first duly sworn, states as follows:

1. I am the Chief Manager of LowtherBrothers, LLC, a limited liability company, located in Lake City, Minnesota. I have authority to enter into this Consent on behalf of said company.

2. LowtherBrothers, LLC hereby consents and agrees that this Declaration of the SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC. shall apply to the Property described in Exhibit A attached.

STATE OF MINNESOTA

COUNTY OF WABASHA

This instrument was acknowledged before me on the 24 day of December, 2002, by Michael G. Lowther, Chief Manager of LowtherBrothers, LLC on behalf of said company and in the capacity therein stated.

Notary Public

PATRICK A. LOWTHER
NOTARY PUBLIC-MINNESOTA
MY COMMISSION EXPIRES 1-31-2005

COMMON INTEREST COMMUNITY NUMBER 16

SCOTTISH VILLAGE AT THE JEWEL
ALSO KNOWN AS
THE JEWEL:
A GOLF COMMUNITY
MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

EXHIBIT A TO DECLARATION

LEGAL DESCRIPTION OF PROPERTY

The legal description of the Property as of the recording of this Declaration is as follows:

Lots 1-12, Block 1 and Lots 1-6, Block 2, The Scottish Village at the Jewel – Phase 1, Wabasha County, Minnesota

COMMON INTEREST COMMUNITY NUMBER 16

SCOTTISH VILLAGE AT THE JEWEL
ALSO KNOWN AS
THE JEWEL:
A GOLF COMMUNITY
MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

EXHIBIT B TO DECLARATION

LEGAL DESCRIPTION OF COMMON ELEMENTS

Lot 13, Block 1 and Lot 7, Block 2, The Scottish Village at the Jewel- Phase 1, Wabasha County, Minnesota

COMMON INTEREST COMMUNITY NUMBER 16

SCOTTISH VILLAGE AT THE JEWEL
ALSO KNOWN AS
THE JEWEL:
A GOLF COMMUNITY
MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

EXHIBIT C TO DECLARATION

LEGAL DESCRIPTION OF ADDITIONAL REAL ESTATE

Outlot A of The Scottish Village at the Jewel – Phase 1 and The Scottish Village at the Jewel, Phase 2, Wabasha County, Minnesota

RECEIVED
FEB 20 2003
BY: TW

254432

STATE OF MINNESOTA
County of Wabasha
Office of County Recorder
This is to certify that the within instrument was filed for record in this office at Wabasha, on the 12th day of February A.D. 2003 at 4 o'clock P. .m. and that the same was duly recorded in Wabasha County Records.
JEFFERY R. AITKEN
County Recorder
By

FIRST AMENDMENT

TO THE

DECLARATION OF THE SCOTTISH VILLAGE AT THE JEWEL

ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

Re #5998

Jeffery R. Aitken Wabasha Co. Recorder
Date Received 2-12-03 5699
Amount Paid Cash Ck No Chg
Well Certificate Amt. Pd.
Return To 20.00
The Residences at the Jewel, LLC

This First Amendment is made and entered into effective December 24, 2002, to the Declaration of the Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No. 1, Inc ("Scottish Village Association") dated December 24, 2002, and recorded December 31, 2002, as document number 253301 in the Wabasha County Recorder's office ("Scottish Village Association Declaration").

1. The Scottish Village Association hereby consents to the governance of The Jewel: A Golf Community Master Association, Inc ("Master Association") and shall be bound by the homeowners association documents thereof including, without limitation, The Declaration of The Jewel: A Golf Community Master Association, Inc. dated 1.2.02 and recorded 1.2.02 as document # 246229 in the Wabasha County Recorder's office. The property included in the Scottish Village Association which shall be subject to the Master Association is described in Exhibits A, B and C attached to the Scottish Village Association Declaration, as amended herein.

2. The term "The Scottish Village at the Jewel – Phase 1" shall be deleted wherever it appears in the Scottish Village Association Declaration and shall be replaced with the term "The Scottish Village at the Jewel."

3. The legal description of additional real estate in Exhibit C in the Scottish Village Association Declaration shall be deleted in its entirety and replaced with the following:

Outlot A of The Scottish Village at the Jewel and Outlot F, Jewel Planning Plat, Wabasha County Minnesota.

4. This First Amendment shall be retroactive to the date of the Scottish Village Association Declaration, December 24, 2002.

5. Except as so amended, the Scottish Village Association Declaration shall remain in full force and effect.

IN WITNESS WHEREOF, the undersigned, being the Declarant herein, has hereunto set its hand as of this 12 day of February, 2003.

THE RESIDENCES AT THE JEWEL, LLC,
a Minnesota limited liability company

By: _____
Mark L. Fayette, President

STATE OF MINNESOTA)
) ss
COUNTY OF WABASHA)

This instrument was acknowledged before me on the 12 day of February, 2003, by Mark L. Fayette, President of THE RESIDENCES AT THE JEWEL, LLC, a Minnesota limited liability company and in the capacity therein stated.

PATRICK A. LOWTHER
NOTARY PUBLIC-MINNESOTA
MY COMMISSION EXPIRES 1-31-2005

_____
Notary Public

CONSENT

At a duly called meeting of the Board of Directors of the Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No. 1, Inc ("Scottish Village Association") the Scottish Village Association voted to, and hereby does, consent to the above First Amendment to the Declaration of the Scottish Village Association.

SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC

By: _____
Mark L. Fayette, Director

STATE OF MINNESOTA)
) ss
COUNTY OF WABASHA)

This instrument was acknowledged before me on the 12 day of February, 2003, by Mark L. Fayette, Director of the Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No. 1, Inc and in the capacity therein stated.

_____
Notary Public

PATRICK A. LOWTHER
NOTARY PUBLIC-MINNESOTA
MY COMMISSION EXPIRES 1-31-2005

This document was drafted by:
Patrick A. Lowther
Pat Lowther Law Firm, PLC
134 2nd Avenue SE
P.O. Box 366
Sleepy Eye, MN 56085-0366
Telephone: (507) 794-5711
Facsimile: (507) 794-3400

DOCUMENT NO. A 277031

Certified, Filed and or Recorded on
MAY 04, 2006 AT 01:53PM

JEFFERY R. AITKEN
WABASHA COUNTY RECORDER
STATE OF MINNESOTA
Fee Amount: $46.00

AFFIDAVIT OF PATRICK A. LOWTHER CONCERNING SECOND AMENDMENT TO THE DECLARATION OF SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI -FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.,

STATE OF MINNESOTA)
) ss
COUNTY OF WABASHA)

I, Patrick A. Lowther being first duly sworn state:

1. I am Secretary of Scottish Village at The Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No. 1, Inc. ("Association") and I make this affidavit on behalf of the Association.

2. I have reviewed the vote count received by the Association concerning the Second Amendment ("Second Amendment") to the Declaration of The Jewel: A Golf Community Multi -Family Homeowners Association No. 1, Inc. dated December 24, 2002, and recorded December 31, 2002, as document number 253301 in the Wabasha County Recorder's office ("Declaration") and find the following:

A. The vote was conducted by mail in accordance with the Declaration;

B. A quorum of affected lot owners voted –9 votes were required (50% of 18 lots); 16 votes were cast; and

C. The Second Amendment passed – 13 votes were required (67%); 16 affirmative votes were cast.

3. Based on the foregoing, the Association has voted to adopt the Second Amendment by written vote of at least 67 percent of the unit owners.

IN WITNESS WHEREOF, the undersigned has hereunto set its hand as of this 25 day of April, 2006.

SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC

By: Pat Lowther
Patrick A. Lowther, Secretary

STATE OF MINNESOTA)
ss
COUNTY OF WABASHA)

This instrument was acknowledged before me on the 25th day of April, 2006, by Patrick A. Lowther, Secretary of Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No. 1, Inc and in the capacity therein stated.

Bonnie Jean Dwelle
Notary Public

BONNIE JEAN DWELLE
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2007

This document was drafted by:

The Residences at The Jewel, LLC
102 West Center Street
Lake City, MN 55041

Jeffery R. Aitken Wabasha Co. Recorder
Date Received 5-4-06
Amount Paid Cash Ck No 10565 Chg
Well Certificate Amt. Pd. 46.00
Return To The Residences at Jewel, LLC
Torrens Abstract ✓

DOCUMENT NO. A 277032

Certified, Filed and or Recorded on
MAY 04, 2006 AT 01:53PM

JEFFERY R. AITKEN
WABASHA COUNTY RECORDER
STATE OF MINNESOTA
Fee Amount: $46.00

SECOND AMENDMENT
TO THE
DECLARATION
OF THE SCOTTISH VILLAGE AT THE JEWEL
ALSO KNOWN AS
THE JEWEL: A GOLF COMMUNITY
MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

This Second Amendment is made and entered into effective April 25, 2006, to the Declaration of the Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No. 1, Inc ("Scottish Village Association") dated December 24, 2002, and recorded December 31, 2002, as document number 253301 in the Wabasha County Recorder's office ("Scottish Village Association Declaration").

RECITALS

A. Minnesota Statutes, 515B.2-118 permits amendment of the Declaration by a vote or written agreement of at least 67 percent of the unit owners in the Association.

B. The Association has voted to adopt this SECOND AMENDMENT by written vote of at least 67 percent of the unit owners.

Jeffery R. Aitken Wabasha Co. Recorder
Date Received 5-4-06
Amount Paid Cash Ck No 10579 Chg
Well Certificate Amt. Pd. 46.00
Return To The Residences at the Jewel, LLC
Torrens Abstract

AMENDMENT

Pursuant to the vote of at least 67 percent of the unit owners, the Association hereby amends the Declaration as follows:

1. Paragraph 3.4 of the Declaration shall be amended and replaced in its entirety with the following:

3.4 Construction of Dwelling. Subject to waiver by the Association (at the Association's sole discretion): (i) construction of a Dwelling shall be completed within one (1) year after footings are poured for such Dwelling; and (ii) construction of the Dwelling on each Lot shall be commenced within **Sixty (60) months** from the later of (i) the time the first lift of blacktop is installed on the roads in Scottish Village, or (ii) the date the Lot is closed to Buyer.

2. Insurance. Paragraph 8.b of the Declaration shall be amended and replaced in its entirety with the following:

b. By Owners. Except for casualty insurance coverage on the Common Elements and on the Dwelling Units as required of the Scottish Village Association by Section 515B.3-113 (because Dwelling Units in this common interest community share contiguous walls, siding and roofs), and except to the extent that the Scottish Village Association in its discretion provides blanket coverage for some or all such items set forth below, each Owner shall carry insurance for his or her own benefit insuring such Owner's personal liability, and all portions, parts and components of the Dwelling Unit, including without limitations floor coverings, ceiling or wall finishing materials, cabinetry, finished millwork , electrical and plumbing fixtures, appliances, furniture, furnishings, and other personal property and fixtures, and other property supplied or installed by Owner or a previous Owner or tenant; and

each Unit Owner shall obtain and pay the cost of a Homeowners 3 policy of insurance covering the Unit structure, among other things. A sample of said policy is available at the office of the Scottish Village Association; and

all such Owner's policies shall contain waivers of subrogation and provide that the Owner's policies shall be "without contribution" against the Association's policies (i.e. the liability of the carriers issuing insurance obtained by the Scottish Village Association shall not be affected or diminished by reason of any such additional insurance carried by any Owner.)

3. Except as so amended, the Declaration shall remain in full force and effect.

4. This Second Amendment is applicable to, and shall be recorded against, the following real property:

- Lots 1-12, Block 1 and Lots 1-6, Block 2, Scottish Village at the Jewel, Wabasha County, Minnesota, according to the plat thereof on file and of record in the office of the Wabasha County recorder

IN WITNESS WHEREOF, the undersigned has hereunto set its hand as of this 25 day of April, 2006.

SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC

By: _____
Patrick A. Lowther, Secretary

STATE OF MINNESOTA)
ss
COUNTY OF WABASHA)

This instrument was acknowledged before me on the 25th day of April, 2006, by Patrick A. Lowther, Secretary of Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No. 1, Inc and in the capacity therein stated.

_____
Notary Public

BONNIE JEAN DWELLE
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2007

CONSENT

The Residences at The Jewel, LLC, as the Declarant of the Association, hereby consents to this Second Amendment.

THE RESIDENCES AT THE JEWEL, LLC,
a Minnesota limited liability company

By: _____
Sharon O'Reilly, Chief Manager

BONNIE JEAN DWELLE
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2007

STATE OF MINNESOTA)
) ss
COUNTY OF WABASHA)

This instrument was acknowledged before me on the 25 day of April, 2006, by Sharon O'Reilly, Chief Manager of THE RESIDENCES AT THE JEWEL, LLC, a Minnesota limited liability company and in the capacity therein stated.

_____
Notary Public

This document was drafted by:

The Residences at The Jewel, LLC
102 West Center Street
Lake City, MN 55041

DOCUMENT NO. A 278005

Certified, Filed and or Recorded on
JULY 12, 2006 AT 01:03PM

JEFFERY R. AITKEN
WABASHA COUNTY RECORDER
STATE OF MINNESOTA
Fee Amount: $46.00

THIRD AMENDMENT
TO THE
DECLARATION
OF THE SCOTTISH VILLAGE AT THE JEWEL
ALSO KNOWN AS
THE JEWEL: A GOLF COMMUNITY
MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

This Third Amendment is made and entered into effective July 6, 2006, to the Declaration of the Scottish Village at the Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No. 1, Inc ("Scottish Village Association") dated December 24, 2002, and recorded December 31, 2002, as document number 253301 in the Wabasha County Recorder's office ("Scottish Village Association Declaration").

RECITALS

A. Minnesota Statutes, 515B.2-118 permits amendment of the Declaration by a vote or written agreement of at least 67 percent of the unit owners in the Association.

B. The Association has voted to adopt this THIRD AMENDMENT by written vote of at least 67 percent of the unit owners.

AMENDMENT

Pursuant to the vote of at least 67 percent of the unit owners, the Association hereby amends the Declaration as follows:

2. Insurance. Paragraph 8.b of the Declaration, as amended by the SECOND AMENDMENT shall be amended and replaced in its entirety with the following:

"b. By Owners. Except to the extent that the Association in its discretion provides blanket coverage for some or all such items, each Owner should carry insurance for his or her own benefit insuring such Owner's personal liability, and all portions, parts and components of the Dwelling Unit, including without limitation floor coverings, ceiling or wall finishing materials, cabinetry, finished millwork, electrical and plumbing fixtures, appliances, furniture, furnishings, and other personal property and fixtures, and other property supplied or installed by Owner or a previous Owner or tenant; provided that all such Owner's policies shall contain waivers of subrogation, and further provided that the liability of the carriers issuing insurance obtained by the Association shall not be affected or diminished be reason of any such additional insurance carried by any Owner, that, is, Owner's policies shall be "without contribution" against the Association's policies.

3. Except as so amended, the Declaration shall remain in full force and effect.

4. This Third Amendment is applicable to, and shall be recorded against, the following real property:

- Lots 1-12, Block 1 and Lots 1-6, Block 2, Scottish Village at the Jewel, Wabasha County, Minnesota, according to the plat thereof on file and of record in the office of the Wabasha County recorder

IN WITNESS WHEREOF, the undersigned has hereunto set its hand as of this 6th day of July, 2006.

SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC

By: _____
Patrick A. Lowther, Secretary

STATE OF MINNESOTA)

BONNIE JEAN DWELLE
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2007

ss

COUNTY OF WABASHA)

This instrument was acknowledged before me on the 6th day of July, 2006, by Patrick A. Lowther, a Director of Scottish Village at The Jewel also known as The Jewel: A Golf Community Multi-Family Homeowners Association No. 1, Inc and in the capacity therein stated.

_____
Notary Public

CONSENT

The Residences at The Jewel, LLC, as the Declarant of the Association, hereby consents to this Second Amendment.

THE RESIDENCES AT THE JEWEL, LLC,
a Minnesota limited liability company

By: _____
Douglas Wallerich, Chief Manager

BONNIE JEAN DWELLE
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2007

STATE OF MINNESOTA)
) ss
COUNTY OF WABASHA)

This instrument was acknowledged before me on the 6th day of July, 2006, by Douglas Wallerich, Chief Manager of THE RESIDENCES AT THE JEWEL, LLC, a Minnesota limited liability company and in the capacity therein stated.

Bonnie Jean Dwelle
Notary Public

This document was drafted by:

The Residences at The Jewel, LLC
102 West Center Street
Lake City, MN 55041

Jeffery R. Aitken Wabasha Co. Recorder
Date Received 7/12/06 10813
Amount Paid Cash Ck No Chg
Well Certificate Amt. Pd. 46.00
Return To Residences @ the Jewel
Torrens Abstract

ARTICLES OF INCORPORATION

OF

SCOTTISH VILLAGE AT THE JEWEL

ALSO KNOWN AS

THE JEWEL:

A GOLF COMMUNITY

MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

We, the undersigned, for the purpose of forming a corporation under Chapter 317A, Minnesota Statutes, known as the Minnesota Non-Profit Corporation Act, do hereby associate ourselves together as a body corporate and adopt the following Articles of Incorporation.

ARTICLE 1.

The name of the corporation is **SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL™: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.,** hereafter called the "Association."

ARTICLE 2.

The address of the registered office of this corporation in this state shall be: 102 West Center Street, Lake City, MN 55041.

ARTICLE 3.

Patrick A. Lowther, General Counsel, Jewel of the Mississippi, LLP, 102 West Center Street, Lake City, MN 55041, is hereby appointed the initial registered agent of this Association.

ARTICLE 4.

PURPOSE AND POWERS OF THE ASSOCIATION

This Association does not contemplate pecuniary gain or profit to the member thereof, and the specific purposes for which it is formed are to provide for maintenance, preservation and architectural control of the residence Lots and Common Area within that certain tract of property legally described on the Plat attached hereto and incorporated herein by reference; and to promote the health, safety and welfare of the residents within the above-described property and any additions thereto as may hereafter be brought within the jurisdiction of this Association for this purpose to:

(a) exercise all of the powers and privileges and to perform all of the duties and obligations of the Association as set forth in the Minnesota Common Interest Ownership Act, that certain Declaration of Covenants, Conditions, Restrictions and Grant of Easements hereinafter called the "Declaration," applicable to the property and recorded or to be recorded in the Office of the Wabasha County Recorder as Document Number 253301, and the Bylaws of the corporation, and as the same may be amended or supplements thereto from time to time as therein provided, said Act and documents being incorporated herein as if set forth at length;

(b) To maintain, manage, and administer the affairs and property of the Corporation and of the common interest community;

(c) To exercise such other powers which are consistent with the foregoing purposes and which are afforded to the Corporation by the Minnesota Nonprofit Corporation Act and any further laws amendatory thereof and supplementary thereto; and

(d) To act as a “residential real estate management association” within the meaning of Section 528 of the Internal Revenue Code of 1986, as amended.

ARTICLE 5.

MEMBERSHIP AND VOTING RIGHTS

The Association may have members, which members, if any, may be divided into one or more classes as determined by the Declaration and the Bylaws of the Association. The Association membership, rights and obligations are set forth in the Declaration and the Bylaws.

ARTICLE 6.

The name and address of each incorporator of this corporation is as follows:

NAME	ADDRESS
Patrick A. Lowther	134 Second Avenue SE Sleepy Eye, MN 56085

ARTICLE 7.

BOARD OF DIRECTORS

The affairs of this Association shall be managed by a Board of Directors, who need not be members of the Association. The number of directors, qualifications, term of office and all other requirements of the Board of Directors shall be established in the By-Laws of the Association, which may be amended from time to time as set forth therein. The names and addresses of the persons who are to act in the capacity of directors until the selection of their successors are:

NAME	ADDRESS
Mark D. Fayette	220 Central Point Road Lake City, MN 55041
Sharon O'Reilly	1000 Hidden Meadow Lane Lake City, MN 55041
Patrick A. Lowther	316 Walnut Street SE Sleepy Eye, MN 56085
Doug Wallerich	1014 Hidden Meadow Lane Lake City, MN 55041

ARTICLE 8.

DISSOLUTION

The Association may be dissolved as provided in the Declaration. Upon dissolution of the Association, other than incident to a merger or consolidation, the assets of the Association shall be dedicated to an appropriate public agency to be used for purposes similar to those for which this Association was created. In the event that such dedication is refused acceptance, such assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

assets shall be granted, conveyed and assigned to any nonprofit corporation, association, trust or other organization to be devoted to such similar purposes.

ARTICLE 9.

DURATION

The corporation shall exist perpetually.

ARTICLE 10.

PERSONAL LIABILITY

The members, officers, and directors of the corporation shall not be personally liable to any extent whatsoever for the debts or obligations of the corporation.

ARTICLE 11.

NO STOCK

The corporation shall have no capital stock.

IN WITNESS WHEREOF, we have executed these Articles of Incorporation this 23 day of December, 2002.

Patrick A. Lowther

STATE OF MINNESOTA)
) ss.
COUNTY OF)

CARRIE A. CRONIN
NOTARY PUBLIC - MINNESOTA
My Commission Expires Jan. 31, 2006

The foregoing instrument was acknowledged before me this 23 of December, 2002, by Pat Lowther

Notary Public

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BY-LAWS

OF

SCOTTISH VILLAGE AT THE JEWEL

ALSO KNOWN AS

THE JEWEL:

A GOLF COMMUNITY

MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

SCOTTISH VILLAGE AT THE JEWEL
ALSO KNOWN AS
THE JEWEL:
A GOLF COMMUNITY
MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

BY-LAWS

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COMMON INTEREST COMMUNITY NUMBER 16

A PLANNED COMMUNITY
SCOTTISH VILLAGE AT THE JEWEL
ALSO KNOWN AS
THE JEWEL:
A GOLF COMMUNITY
MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

BY-LAWS

SECTION 1
GENERAL

1.1 The following are the By-Laws of **SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, 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 **THE JEWEL AT LAKE CITY,** a planned community created pursuant to the Act. Unless otherwise defined herein, the terms used in these By-Laws shall have the same meaning as they have in the Declaration of the Association (the "Declaration") and the Act.

SECTION 2
MEMBERSHIP

2.1 Owners Defined. All Persons described as Owners in Section 5 of the Declaration shall be members of the Association. No Person shall be a member solely by virtue of holding a security interest in Owner or Owner's property. 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 Lot, (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 Lot owned; (iii) the address at which the Owner desires to receive notice of any meeting of the Owners, if other than the Lot address; (iv) the name and address of the secured party holding the first mortgage on the Lot, if any; and (v) the name of the Owner, if there are multiple Owners of the Lot, who shall be authorized to cast the vote with respect to the Lot. 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 Lot or as otherwise specifically authorized by the Governing Documents or by law.

SECTION 3
VOTING

3.1 Entitlement. Votes shall be allocated to each Lot as provided in the Declaration. However, no vote shall be exercised as to a Lot while the Lot 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 Lot owned by the Owner. If there is more than one Owner of a Lot, only one of the Owners may cast the vote. If the Owners of a Lot 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. The entire vote on any issue, except the removal of directors, may be determined by mailed ballots, subject to the following requirements.

3.4 Voting by Mail Ballot. Except as otherwise expressly stated to the contrary in the Declaration, the entire vote on any issue, except the removal of directors, may be determined by mailed ballots, subject to the following requirements:

a. The notice of the vote shall: (i) clearly state the proposed action; (ii) indicate the number of responses needed to meet the quorum requirements; (iii) state the percentage of approvals necessary to approve each matter other than election of directors; and (iv) specify the time by which a ballot must be received by the Association in order to be counted.

b. The ballot shall: (i) set forth each proposed action; and (ii) provide an opportunity to vote for or against each proposed action.

c. The Board of Directors shall set the time for the return of ballots, which shall not be less than 15 nor more than 30 days after the date of mailing of the ballots to the Owners. The Board of Directors shall provide notice of the results of the vote to the Owners within 10 days after the expiration of the voting period.

d. Approval by written ballot under this Section is valid only if the number of votes cast by ballot equals or exceeds the quorum required to be present at a meeting authorizing the action, and the number of approvals equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot.

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

SECTION 4
MEETINGS OF OWNERS

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

4.2 Annual Meetings. An annual meeting of the Owners shall be held in each fiscal year on a date, and at a reasonable time and place, designated by the Board of Directors. At each annual meeting of the Owners: (i) the Persons who are to constitute the Board of Directors shall be elected pursuant to Section 6; (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 Associations' purposes and authority under the Governing Documents.

4.4 Notice of Meetings. Unless otherwise expressly required in the Declaration, at least 21, but no more than 30, days in advance of any annual meeting of the Owners, and 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 Lot 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, if any, at the address provided by the Eligible Mortgagee. Any Eligible Mortgagee shall, upon request, be entitled to designate a representative to be present at the 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 meeting 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 Lot owned by the Association.

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

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 Lots, 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 up to 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 the date when at least 75% of the Lots are sold to unit owners other than Declarant, or (iii) the date five (5) years following the date of the first conveyance of a Lot to a unit owner other than Declarant. The term of office of any director elected to the first Board of Directors pursuant to Subsection b shall expire at the same time as those appointed by Declarant.

b. Notwithstanding the provisions of Subsection a, the Owners other than Declarant shall have the right to nominate and elect not less than 33% 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 Lots authorized to be included in the common interest community.

c. The first terms of office of the directors elected/appointed by the Owners immediately following the expiration of the term 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 at the appropriate annual meeting of the Owners; provided, that a director shall continue in office until a successor is elected. A number of nominees equal to the number of vacancies, and receiving the greatest numbers of votes, shall be elected, notwithstanding that one or more of them does not receive a majority of the votes cast. A director appointed or elected to fill an uncompleted term shall serve until the natural termination of that term, unless removed in accordance with these By-Laws. There shall be no cumulative voting for directors.

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

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

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 Unites States mail postage prepaid to the address of such director on file with the Association, 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 a meeting when authorized in a writing signed by all the directors.

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

6.9 Removal. A director may be removed from the Board of Directors, with or without cause, by a majority vote at any annual or special meeting of the Owners; provided, (i) that the notice of the meeting at which removal is to be considered states such purpose, (ii) that the director to be removed has a right to be heard at the meeting, and (iii) that a new director is elected/appointed 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 Lot. Such vacancies shall be filled by the vote of the Owners as previously provided in this Section.

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

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

SECTION 7
OFFICERS

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

7.2 Election. The officers of the Association shall be elected annually by the Board of Directors at its annual meting 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 meting 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 ultimate responsibility for the Secretary's duties.

7.7 Treasurer. The Treasurer shall have responsibility for all financial assets of the Association, and shall be covered by a bond or insurance in such sum and with such companies as the Board of Directors may require. The Treasurer shall be responsible for keeping the Association's financial books, assessment rolls and accounts. The Treasurer shall cause the books of the Association to be kept in accordance with customary and accepted accounting practices and shall submit them to the Board of Directors for its examination upon request. The Treasurer shall cause all moneys and other monetary assets of the Association to be deposited in the name of or to the credit of the Association in depositories designated by the Board of Directors, shall cause the funds of the Association to be disbursed as ordered by the Board of Directors and shall perform all other duties incident to the office of Treasurer. The Board of Directors may delegate the Treasurer's administrative functions to a managing agent; provided

that such delegation shall not relieve the Treasurer of the ultimate responsibility for the Treasurer's duties.

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

SECTION 8
OPERATION OF THE PROPERTY

8.1 Assessment Procedures. The first Board of Directors shall annually prepare a budget of Common Expenses for the Association, but may elect not to levy a Common Expense assessments, in which case Declarant shall pay all expenses of the Association until the first assessment is levied. Following the expiration of the terms of the Board of Directors following the expiration of the period of Declarant control, the Board of Directors shall annually prepare a budget of Common Expenses for the Association and assess such Common Expenses against the Lots according to their respective Common Expense liability as set forth in the Declaration.

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

b. If an annual assessment proves to be insufficient, the Board of Directors may amend the budget and levy an additional assessment, at any time. The levy shall occur upon the date specified in the resolution which fixes the assessment.

c. The annual budget shall include a general operating reserve, and an adequate reserve fund for maintenance, repair and replacement of those Common Elements and parts of the Lots that must be maintained, repaired or replaced by the Association on a periodic basis.

d. The Association shall furnish copies of each budget on which the assessment is based to an Owner or to any Eligible Mortgagee, upon request of such person.

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

8.3 Default in Payment of Assessments. If any Owner does not make payment on or before the date when any assessment or installment thereof is due, subject to such grace periods as may be established, the Board of Directors may assess, and such Owner shall be obligated to pay, a late charge as provided in the Declaration for each such unpaid assessment or installment thereof, together with all expenses, including reasonable attorney's 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, pursuant to the terms and conditions of the Declaration, accelerate any remaining installments of the assessment, and the entire unpaid balance of the assessment and late charges shall immediately become due and payable.

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

8.4 Foreclosure of Liens for Unpaid Assessments. The Association has the right to foreclose its assessments lien against a Lot 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, 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 Lot setting forth the amount of the assessments against the Lot, 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 percent (50%) of the total votes in the Association, in writing or at a duly held meeting of the Owners, and pursuant to any approval rights of Eligible Mortgagees and Declarant as provided in the Declaration; and

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

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 Declarations 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 By-Laws 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 **SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.,** a non-profit corporation incorporated under the laws of the State of Minnesota, effective as of the date hereof.

Dated: 12-30-02, 2002

SCOTTISH VILLAGE AT THE JEWEL ALSO KNOWN AS THE JEWEL: A GOLF COMMUNITY MULTI-FAMILY HOMEOWNERS ASSOCIATION NO. 1, INC.

By Doug Wallerich
Its President

718527.1

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