

SAUNDERS LAKE SOUTH HOMEOWNERS ASSOCIATION

BYLAWS

SECTION 1 GENERAL

The following are the Bylaws of Saunders Lake South Homeowners Association, a Minnesota nonprofit corporation (the "**Association**"). The Association is organized pursuant to Minnesota Statutes Chapter 317A (the "**Act**"), for the purpose of operating and managing Saunders Lake South Homeowners Association. The terms used in these Bylaws shall have the meaning assigned to them in the Declaration of Saunders Lake South Homeowners Association dated January 7, 2000, and filed for record in the Office of the Hennepin County Registrar of Titles on February 1, 2000, as Document No. 1040659, and the Office of the Hennepin County Recorder on January 31, 2000, as Document No. 3249713, as may have been, or be, amended (the "**Declaration**"). References to section numbers in these Bylaws shall refer to sections of these Bylaws, unless otherwise indicated. The Articles of Incorporation, the Bylaws and the Declaration may hereinafter be referred to as the "**Governing Documents**."

SECTION 2 MEMBERSHIP

2.1 Owners Defined. All Persons described as Owners in Section 1.13 of the Declaration shall be Members. No Person shall be a Member solely by reason of holding a security interest in a Lot. 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, (i) the name and address of each Owner and each Occupant of the Owner's Lot, (ii) the nature of such Owner's interest or estate in the Lot; (iii) the address at which the Owner desires to receive notice of any meeting of the Owners, if other than the Lot address; and (iv) the name of the Owner entitled to cast the vote allocated to the Owner's Lot. Each 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. Each Owner, as defined in the Declaration, shall be entitled to one vote. Votes shall be allocated to each Lot as provided in the Declaration.

3.2 Authority to Cast Vote. At any meeting of the Owners, an Owner included on the voting register presented by the Secretary of the Association (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 allocated to that Lot. If the Owners of a Lot fail to agree as to who shall cast the vote allocated to that Lot, or fail to register pursuant to Section 2.2, the vote shall not be cast.

3.3 Voting by Proxy. An Owner may cast the vote which is allocated to the Owner's Lot, and be counted as present at any meeting of the Owners, by executing a written proxy naming another Person entitled to act on that Owner's behalf, and delivering the same to the Secretary before the commencement of any such meeting. Each proxy granted by an Owner shall be effective until the earliest of the following events: (i) revocation by the granting Owner by written notice or by personally attending and voting at the meeting for which the proxy is effective, (ii) the date specified in the proxy, if any, or (iii) the time at which the granting Owner is no longer an Owner. The form of a proxy, and the proxy rules, may be established by the Board at its discretion, but shall be consistent with this Section 3.3.

3.4 Voting by Written Ballot. The entire vote on any issue, except the election or removal of directors, may be determined by written ballots mailed to the Owners along with a notice of the vote, 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 or removal 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 shall set the time for the return of ballots, which shall not be less than ten nor more than forty-five days after the date of mailing of the ballots to the Owners. The Board shall provide notice of the results of the vote to the Owners within ten days after the expiration of the voting period.
- d. Approval by written ballot under this Section is valid only if (i) the number of votes cast by ballot equals or exceeds the quorum that would otherwise be required to be present at a meeting authorizing the action, and (ii) the number of approval votes equals or exceeds the number of votes that would otherwise 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 written ballot in accordance with Section 3.4, shall decide all matters properly brought before the Owners, except where a different vote or voting procedure is required by the Governing Documents or the Act. Unless otherwise expressly indicated herein, the term "majority," as used in these Bylaws, shall mean in excess of fifty percent of the votes cast by the Owners voting in accordance with the voting procedures set forth in Section 3 and 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 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. At each annual meeting of the Owners, (i) a report shall be made to the Owners on the activities and financial condition of the Association, and (ii) 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 of the Association (the "**President**") as a matter of discretion. Special meetings of the Owners shall be called by the President or Secretary within thirty days following receipt of the written request of a majority of the members of the Board or of Owners entitled to cast at least twenty-five percent of all the votes in the Association. The meeting shall be held within sixty days following receipt of the request. The request shall state the purpose of the meeting, and the business transacted at the meeting shall be confined to the purposes stated in the notice. The purpose for which the meeting is requested and held must be lawful, and consistent with the Association's purposes and authority under the Governing Documents.

4.4 Notice of Meetings. Not less than twenty-one nor more than thirty days in advance of any annual meeting of the Owners, and at least seven, but no more than thirty, 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. The notice shall be sent 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.

4.5 Quorum/Adjournment. The presence of Owners, in person or by proxy, who have the authority to cast at least forty percent of the total votes in the Association shall be necessary to constitute a quorum at all meetings of the Owners for the transaction of any business, except that of adjourning the meeting to reconvene at a subsequent time. Any meeting may be adjourned from time to time, but until no longer than fifteen 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. A 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 originally in attendance in person or by proxy.

4.6 Voting Register. The Secretary shall have available at the meeting a list of the Lots, 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.

4.7 Agenda. The agenda for meetings of the Owners shall be established by the Board, 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 shall prepare an annual report, a copy of which shall be provided to each Owner at or prior to the annual meeting. The report shall contain, at a minimum:

5.1 Capital Expenditures. A statement of any capital expenditures in excess of two percent of the Association's current budget or five thousand dollars, whichever is greater, approved by the Association for the current year or succeeding two fiscal years.

5.2 Reserve Funds. A statement of the balance in any reserve or replacement fund.

5.3 Financial Statements. 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.

5.4 Litigation and Judgments. A statement of the status of any pending litigation or judgments to which the Association is a party.

5.5 Insurance. A detailed description of any insurance coverage provided by the Association.

5.6 Status of Assessments. A statement of the total past due Assessments on all Lots, current as of not more than sixty 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. The Board shall consist of no less than five and no more than nine persons elected by the Members. Board members must be Owners.

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

- a. Each term of office shall be two years and shall expire upon the election of a successor at the appropriate annual meeting of the Board; provided, that a director shall continue in office until a successor is elected. 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 Bylaws. There is no cumulative voting for directors.

6.3 Nominations. Nominations for election to the Board at the appropriate annual meeting shall be made by the Board.

6.4 Powers. The Board shall have all powers necessary for the administration of the affairs of the Association, and shall exercise for the Association all powers and authority vested in or delegated to the Association (and not expressly prohibited or reserved to the Owners) by law or by the Governing Documents. The powers of the Board shall include, without limitation, the power to adopt, amend, and revoke Rules not inconsistent with the Governing Documents, as follows: (i) enforcing the Declaration; (ii) serving as the Architectural Review Committee as set forth in the Declaration; (iii) implementing the Governing Documents, and exercising the powers granted by this Section; and (vi) otherwise facilitating the operation of the Association and Community.

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

- a. Regular meetings of the Board 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 voting directors. A schedule, or any amended schedule, of the regular meetings shall be provided to the directors, and posted or published for the information of Owners, to the extent required by Section 6.5.e.
- b. Special meetings of the Board shall be held when called (i) by the President, or (ii) by the Secretary within ten days following the written request of a majority of the voting directors. Notice of any special meeting shall be given to each director not less than three days in advance thereof, subject to Section 6.5.c. Notice to a director shall be deemed to be given when deposited in the United States mail postage prepaid to the Lot address of such director, or when personally delivered, verbally or in writing, by a representative of the Board.

- c. Any director may at any time waive notice of any meeting of the Board verbally, in writing, or by attendance at the meeting. If all the directors are present at a meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.
- d. A conference among directors by a means of communication through which all directors can simultaneously hear each other during the conference is a Board meeting, if (i) the same notice is given for the conference as would be required for a meeting, and (ii) the number of directors participating in the conference is a quorum. Participation in a meeting by this means is deemed personal presence at the meeting.

6.6 Quorum and Voting. A majority of the directors constitutes a quorum for the transaction of business at any meeting of the Board. A quorum, once established, continues to exist, regardless of the subsequent departure of any director. Each director has one vote. The vote of a majority of the directors present at any meeting at which a quorum is present is sufficient to adopt any action. Proxies are not permitted.

6.7 Action Taken Without a Meeting. The Board shall have the right to take any action in the absence of a meeting which it could take at a meeting when authorized in a writing signed by all the directors; provided, that a copy of the proposed written action is given to all directors for review prior to its signing.

6.8 Vacancies. A vacancy on the Board due to resignation, or death or some other involuntary event which renders a director physically or mentally unable to serve, shall be filled by a person elected within thirty days following the occurrence of the vacancy by a majority vote of the remaining directors, regardless of their number. Each person so elected shall serve out the term vacated.

6.9 Removal. A director may be removed from the Board, with or without cause, by a majority vote at any annual or special meeting of the Owners; provided, (i) that the notice of the meeting at which removal is to be considered states such purpose, (ii) that the director to be removed has a right to be heard at the meeting, and (iii) that a new director is elected at the meeting by the owners to fill the vacant position caused by the removal. A director may also be removed by the Board 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 sixty days past due with respect to the payment of Assessments or any installments thereof levied against the director's Lot. Vacancies created by removal under this Section shall be filled by the vote of the Owners as previously provided in this Section.

6.10 Compensation. The directors of the Association shall receive no compensation for their services in such capacity. Directors may be reimbursed for out-of-pocket expenses incurred in the performance of their duties. A director or an entity in which the director has an interest may, upon approval by the Board, be reasonably compensated under a contract for goods and services furnished to the Association in a capacity other than as a director; provided, (i) that the contract is approved by a majority vote of the Board, excluding the interested director, and (ii) that the director's interest is disclosed to the Board prior to approval.

6.11 Standard of Responsibility. A director shall discharge his or her duties in good faith, in a manner the director reasonably believes to be in the best interest of the Association, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

SECTION 7 OFFICERS

7.1 Principal Officers. The principal officers of the Association shall be a President and a Treasurer, all of whom shall be elected by the directors and must be directors. The Board 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 not hold more than one office simultaneously.

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

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

7.5 Vice President (if added by the Board – otherwise duties assumed by the 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.

7.6 Secretary (if added by the Board – otherwise duties assumed by President). The Secretary is responsible for recording the minutes of all meetings of the Board 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. The Board may delegate the Secretary's administrative functions to a managing agent; provided, that such delegation shall not relieve the Secretary of the ultimate responsibility for the Secretary's duties.

7.7 Treasurer. The Treasurer is responsible 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 may require. The Treasurer shall (i) be responsible for keeping the Association's financial books, assessment rolls and accounts; (ii) cause an annual financial report to be prepared, subject to review by the Association's accountant(s); (iii) cause the books of the Association to be kept in accordance with generally accepted accounting practices and shall submit them to the Board for its examination upon request; (iv) 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; (v) cause the proper obligations of the Association to be paid when due; and (vi) perform all other duties incident to the office of Treasurer. The Board 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. Officers of the Association shall receive no compensation for their services in such capacity. Officers may be reimbursed for out-of-pocket expenses incurred in the performance of their duties. An officer or an entity in which the officer has an interest may be reasonably compensated under a contract for goods and services furnished to the Association in a capacity other than as an officer; provided, (i) that the contract is approved by a majority vote of the Board, excluding the interested party, and (ii) that the officer's interest is disclosed to the Board prior to approval.

7.9 Standard of Responsibilities. An officer shall discharge his or her duties in good faith, in a manner the officer reasonably believes to be in the best interest of the Association, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

SECTION 8 OPERATION OF THE PROPERTY

8.1 Assessment Procedures. The Board shall annually prepare a budget of the Association's maintenance obligations under the Declaration (the "Common Expenses") for the Association and assess such Common Expenses against the Lots according to their respective Common Expense obligations as set forth in the Declaration.

- a. Subject to any limitations contained in Section 5 of the Declaration, the Board 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 days prior to the beginning of the Association's fiscal year when the first Assessment installment shall be due. The failure of the Board to timely levy an annual Assessment shall not relieve the Owners of their obligation to continue paying Assessment installments in the amount currently levied, as well as any increases subsequently levied.
- b. Subject to any limitations contained in Section 5 of the Declaration, the Board may amend the budget and Assessments, or levy a special Assessment, at any time. The levy shall be deemed to occur upon the date specified in the resolution which fixes the Assessment.
- c. The Board may (or must in certain cases as set forth in the Declaration) levy limited Assessments against only certain Lots under Section 5.4 of the Declaration. Such Assessments may be included in the annual Assessments levied against the affected Lots, or may be levied separately during the year.

Such Assessments are not annual or special Assessments within the meaning of the Declaration or of these Bylaws, and are not subject to any limitations on those Assessments.

- d. The annual budget shall include a general operating reserve, and an adequate reserve fund for any maintenance obligations by the Association on a periodic basis (if any).
- e. The Association shall furnish copies of each budget on which the Assessment is based to an Owner, upon request of such Owner.

8.2 Payment of Assessments. Annual Assessments shall be due and payable in monthly, quarterly, or annual installments, as established by the Board, in advance on the first day of each month, quarter, or year, as applicable. Special Assessments shall be due when designated by the Board. 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, late charges, interest, or costs of collection, regardless of any claims alleged against the Association or its officers or directors. Any rights or claims alleged by an Owner may be pursued only by separate action.

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

- a. If there is a default of more than thirty days in payment of any Assessment, the Board may accelerate any remaining installments of the Assessment upon prior written notice thereof to the Owner, as provided in the Declaration, and the entire unpaid balance of the assessment and late charges shall become due and payable upon the date stated in the notice unless all past due amounts, including late charges, costs of collection, and fines, are paid prior to said date.
- b. The Board shall use its best efforts to collect all Assessments for Common Expenses, together with any charges, attorneys' fees, or expenses relating to the collection thereof. In addition, the Board shall use its best efforts to recover any and all 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 unpaid Assessments.
- c. Upon written request of an Owner, notice of a default of more than thirty days in payment of any Assessment or installment of an Assessment for Common Expenses or any other default in the performance of obligations by the Owner shall be given in writing to such Owner.
- d. The rights and remedies referred to herein shall not limit the remedies available to the Association under the Declaration or by law.

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

8.5 Records. The Board shall cause to be kept at the registered office of the Association, and at such other place as the Board may determine, records of the actions of the Board, minutes of the meetings of the Board, minutes of the meetings of the Owners, names of the Owners, and detailed and accurate records of the receipts and expenditures of the Association. With the exception of records that may be privileged or private information, all Association records, including receipts and expenditures and any vouchers authorizing payments, shall be available for examination by the Owners 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 the Act. The Association may impose any or all of the charges, sanctions, and remedies authorized by the Governing Documents, the Rules, or by law to enforce and implement its rights and to otherwise enable it to manage and operate the Association.

SECTION 9 AMENDMENTS

These Bylaws 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 a two-thirds majority of the Board.

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 members of the Board authorized to cast votes.

9.3 Effective Date; Recording. The amendment shall be effective on the date of approval by the required vote of the Board and need not be recorded.

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 Section 317A.521.

**SECTION 11
MISCELLANEOUS**

11.1 Notices. Unless specifically provided otherwise in the Act, the Declaration, or these Bylaws, 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 upon 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 Bylaws shall not impair or affect in any manner the validity, enforceability, or effect of the balance of these Bylaws.

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 Bylaws or the intent of any provision of these Bylaws.

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

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

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

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

The undersigned certifies that these Bylaws were adopted by the Board of Directors of Saunders Lake South Homeowners Association, a Minnesota nonprofit corporation, effective as of the date hereof.

Dated: _____

Steven Maciosek - President
Saunders Lake South Homeowners
Association