

Liberty

DECLARATION

LIFESTYLE VILLAGE

Exhibit A
to
Lifestyle Disclosure Statement

(Above Space Reserved for Recording Data)

COMMON INTEREST COMMUNITY NO. 133
Planned Community

LIFESTYLE VILLAGE

DECLARATION

This Declaration is made in the County of Washington, State of Minnesota, on this ____ day of _____, 2000, by McDonald Homebuilding Collaborative, Inc., a Minnesota corporation (the "Declarant"), pursuant to the provisions of Minnesota Statutes Chapter 515B, known as the Minnesota Common Interest Ownership Act ("MCIOA"), for the purpose of creating the Lifestyle Village as a planned community under MCIOA.

WHEREAS, Declarant owns certain real property located in Washington County, Minnesota, legally described in Exhibit A attached hereto, and desires to subject said real property and all improvements thereon (collectively the "Property") to MCIOA as a planned community, and,

WHEREAS, Declarant also owns the real property legally described in Exhibit B attached hereto (the "Additional Real Estate"), and has the option to add all or a part of the Additional Real Estate to the Property, and

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

WHEREAS, the Property and the Association are subject to the Master Governing Documents of Liberty on the Lake Homeowners' Association, Inc., a master association as defined in Section 515B.2-121 of MCIOA, and

WHEREAS, the Property is not subject to an ordinance referred to in Section 515B.1-106 of MCIOA, governing conversions to common interest ownership.

THEREFORE, Declarant makes this Declaration and submits the Property to MCIOA as a planned community under the name "Lifestyle Village," initially consisting of the Units referred to in Section 2, declaring that this Declaration shall constitute covenants to run with the Property, and that the Property, and all Additional Real Estate added thereto, shall be owned, used, occupied and conveyed subject to the covenants, restrictions, easements, charges and liens set forth herein and in the Master Declaration, all of which shall be binding upon all Persons owning or acquiring any right, title or interest therein, and their heirs, personal representatives, successors and assigns.

SECTION 1

DEFINITIONS

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

1.1 "Act" means the Minnesota Nonprofit Corporation Act, Minnesota Statutes Chapter 317A, as amended.

1.2 "Additional Real Estate" means the real property legally described in Exhibit B attached hereto, including all improvements located thereon now or in the future, and all easements and rights appurtenant thereto, which property Declarant may add to the Property.

1.3 "Architectural Review Committee" or "A.R.C." means that permanent committee of the Master Association, created for the purpose of establishing and enforcing criteria for the construction and modification of improvements on the Property, as provided in the Declaration.

1.4 "Assessment" means, depending on context, an Assessment levied by the (i) Master Association pursuant to the Master Governing Documents or (ii) the Association pursuant to the Governing Documents.

1.5 "Association" means the Lifestyle Village Homeowners Association, a Minnesota nonprofit corporation created pursuant to Minnesota Statutes, Chapter 317A, whose members consist of all Owners.

1.6 "Board" means the Board of Directors of the Association as provided for in the Bylaws.

1.7 "Bylaws" means the Bylaws governing the operation of the Association, as amended from time to time.

1.8 "Common Elements" means any parts of the Property except the Units, including all Improvements thereon, owned by the Association for the common benefit of the Owners and Occupants. As of the date of this Declaration there are no Common Elements, but Common Elements may be added pursuant to Section 3 of this Declaration.

1.9 "Common Expenses" means all expenditures made or liabilities incurred by or on behalf of the Association and incident to its operation, including Assessments and items otherwise identified as Common Expenses in the Declaration or Bylaws.

1.10 "Declarant Control Period" means the time period during which Declarant has the exclusive right to appoint the members of the Board, as provided in Section 17 of this Declaration.

1.11 "Declarant Rights" means those exclusive rights reserved to Declarant as described in Section 17.

1.12 "Development Area" means all real estate subject to development by the Master Developer as part of Liberty on the Lake, as described in the Master Declaration.

1.13 "Dwelling" means a building consisting of one or more floors, designed and intended for occupancy as a single family residence, and comprising or located within the boundaries of a Unit. The Dwelling includes any garage located within the Unit.

1.14 "Eligible Mortgagee" means any Person owning a mortgage on any Unit, which mortgage is first in priority upon foreclosure to all other mortgages that encumber such Unit, and which has requested the Association, in writing, to notify it regarding any proposed action which requires approval by a specified percentage of Eligible Mortgagees.

1.15 "Governing Documents" means this Declaration, and the Articles of Incorporation and Bylaws of the Association, as amended from time to time, all of which shall govern the use and operation of the Property.

1.16 "Master Association" means Liberty on the Lake Homeowners Association, Inc., a nonprofit corporation created pursuant to Minnesota Statutes Chapter 317A and Minnesota Statutes Section 515B.2-121, and its successors and assigns. The Master Association is a "master association" as defined in MCIOA.

1.17 "Master Board" means the board of directors of the Master Association, which is the governing body of the Master Association.

1.18 "Master Declaration" means the Amended and Restated Declaration of Covenants, Conditions, Restrictions and Easements of Liberty on the Lake, which is recorded in the office of the Washington County Recorder as Document No. 3069023, as amended and/or supplemented from time to time.

1.19 "Master Developer" means, collectively, the Master Developer, as defined in the Master Declaration, and its successors and assigns, and any Person who succeeds to any Master Developer Rights as defined in the Master Declaration.

1.20 "Master Developer Control Period" means and refer to the Master Developer Control Period described in the Master Declaration.

1.21 "Master Developer Rights" means the exclusive rights reserved to Master Developer to control the Master Association and complete the development of the Development Area, as described in the Master Declaration.

1.22 "Master Governing Documents" means the Master Declaration, and the Articles of Incorporation and Bylaws of the Master Association, as amended from time to time, all of which shall govern the use and operation of the Property.

1.23 "Master Rules" means the Rules of the Master Association, as approved from time to time by the Master Board.

1.24 "MCIOA" means the Minnesota Common Interest Ownership Act, Minnesota Statutes Chapter 515B, as amended.

1.25 "Member" means a Person entitled to membership in the Association pursuant to the provisions of Section 4.

1.26 "Occupant" means any person or persons, other than an Owner, in possession of or residing in a Unit.

1.27 "Owner" means a Person who owns a Unit, but excluding contract for deed vendors, mortgagees and other parties holding a security interest in a Unit, and Persons holding a remainder interest in a life estate. The term "Owner" includes, without limitation, contract for deed vendees and holders of life estates.

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

1.29 "Plat" means the recorded plat or part thereof depicting the Property pursuant to the requirements of Minnesota Statutes Chapter 505, 508 or 508A, as applicable, including any amended Plat or replat recorded from time to time.

1.30 "Property" means all of the real property now or hereafter subjected to this Declaration, including the Dwellings and all other structures and improvements located thereon now or in the future. The Property is legally described in Exhibit A attached hereto.

1.31 "Rules" means the Rules of the Association as approved from time to time pursuant to Section 5.

1.32 "Unit" means any platted lot subject to this Declaration upon which a Dwelling is located or intended to be located, as described in Section 2.1 and shown on the Plat, including all improvements thereon, but excluding Common Elements (if any).

Terms defined in the Master Declaration, and not in this Section, shall have the meaning set forth in the Master Declaration.

SECTION 2

DESCRIPTION OF UNITS, BOUNDARIES AND RELATED EASEMENTS

2.1 Units. There is one Unit, subject to the right of the Declarant to add additional Units pursuant to Section 18. All Units are restricted to residential use. Each Unit constitutes a separate parcel of real estate. No additional Units may be created by the subdivision or conversion of Units pursuant to Section 515B.2-112 of MCIOA. The Unit identifiers and locations of the Units are as shown on the Plat, which is incorporated herein by reference, and a schedule of Units is set forth on Exhibit A attached hereto. The Unit identifier for a Unit is its lot and block numbers and the subdivision name.

2.2 Unit Boundaries. The front, rear and side boundaries of each Unit are the boundary lines of the platted lot upon which the Dwelling is located or intended to be located as shown on the Plat. The Units shall have no upper or lower boundaries. All spaces, walls, and other Improvements within the boundaries of a Unit are a part of the Unit.

2.3 Access Easements. Each Unit, including each Unit added from the Additional Real Estate, is the beneficiary of a perpetual appurtenant easement for access to a public street or highway on or across those portions of the Master Common Area (if any) designated for use as streets or trails, as shown on the Plat or otherwise designated by the Master Association, subject to any restrictions imposed pursuant to the Master Governing Documents or the Master Rules.

2.4 Use and Enjoyment Easements. Each Unit is the beneficiary of a perpetual appurtenant easement for use and enjoyment on and across the Master Common Area (if any), subject to any restrictions authorized or imposed pursuant to the Master Governing Documents or the Master Rules.

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

2.6 Encroachment Easements. Each Unit is subject to and is the beneficiary of a perpetual appurtenant easement for encroachments as described in Section 13.

2.7 Trail Easements. Certain of the Units are subject to trail easements as described in the Master Declaration, in Section 13 of this Declaration and in other recorded easement instruments.

2.8 Declarant and Master Developer's Easements. Declarant shall have and be the beneficiary of easements for the exercise of its Declarant Rights, and the Master Developer shall have easements as described in the Master Governing Documents.

2.9 Other Easements. The Property is subject to such other easements as may be recorded against it or otherwise shown on the Plat.

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

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

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

SECTION 3

COMMON ELEMENTS AND OTHER PROPERTY

3.1 Common Elements. Common Elements (if any) annexed to the Property and their characteristics are as follows:

3.1.1 Any Additional Real Estate annexed by Declarant pursuant to Section 18 or otherwise annexed pursuant to Section 3.2, and not designated as a Unit, constitutes Common Elements. Any Common Elements are owned for the benefit of the Owners and Occupants.

3.1.2 Any Common Elements are subject to (i) easements as described in this Declaration, the Master Governing Documents and any other easements recorded against them and (ii) the right of the Association to establish reasonable Rules governing the use of the Property.

3.1.3 Except as otherwise expressly provided in the Governing Documents or the Master Governing Documents, or as agreed in writing by the Board and the Master Board, all maintenance, repair, replacement, management and operation of any Common Elements shall be the responsibility of the Association.

3.1.4 Common Expenses for the maintenance, repair, replacement, management and operation of the Common Elements shall be assessed and collected from the Owners in accordance with Section 6.

3.2 Annexation of Real Property. The Declarant shall have the exclusive right to annex Additional Real Estate to the Property pursuant to Section 18. Other real property may also be annexed to the Property as Units or Common Elements, or any combination thereof, and subjected to this Declaration, with the approval of (i) Owners (other than Declarant) of Units to which are allocated at least sixty-seven percent of the votes in the Association, (ii) Declarant so long as Declarant owns any unsold Unit for sale or has the unexpired right to add additional real estate, (iii) the Master Board and (iv) Master Developer, so long as Master Developer owns any unsold Unit for sale or has the unexpired right to add Additional Real Estate. Following the required approvals, the Association shall be authorized to take all actions necessary to complete the annexation, including without limitation the execution and recording of an amendment to this Declaration reflecting the annexation.

3.3 Dedication and Deannexation of Property. Declarant, and the Association with the written consent of the Declarant so long as Declarant owns an unsold Unit for sale or has the unexpired right to add Additional Real Estate, shall have the power to dedicate or convey reasonable portions of the Property owned by it to any governmental entity for roads, right of way, utilities corridors, and similar public or quasi-public purposes. The portion of the Property in question shall be automatically released from this Declaration, effective upon such dedication or conveyance, unless otherwise agreed by Declarant, Master Developer, and the governmental entity in question in the recorded instrument of conveyance.

SECTION 4

ASSOCIATION MEMBERSHIP: RIGHTS AND OBLIGATIONS

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

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

4.2 Voting and Common Expenses. Voting rights and Common Expense obligations are allocated equally among the Units, subject to the qualifications set forth in Section 6.4. Such rights and obligations shall be reallocated on the same basis among all Units as additional Units are annexed to the Property.

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

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

4.5 Membership in Master Association. The Association is a member of the Master Association, as described in the Master Governing Documents. Membership in the Master Association shall be governed by the following qualifications:

4.5.1 The Association shall have one membership in the Master Association, subject to the qualifications set forth in this Section 4.5. If at any time for any reason the Association is no longer subject to the Master Governing Documents, then the Association's membership shall terminate.

4.5.2 The Property and any real property annexed thereto pursuant to Section 3.2 or Section 18 shall constitute all or part of a Village.

4.5.3 Rights with respect to the Association's membership in the Master Association shall be exercised by the Board, and the members of the Master Board appointed by the Board, on behalf of the Owners.

4.5.4 Except as expressly provided in the Master Declaration, the Association's membership in the Master Association shall be appurtenant to and shall not be separated from the Association, and shall be automatically transferred to any successor entity.

4.5.5 No Person holding a security interest in any part of the Property shall be a member of the Master Association solely by reason of such interest.

4.5.6 The Association and its Members shall be represented on the Master Board as provided in the Bylaws and the Master Governing Documents.

SECTION 5

ADMINISTRATION

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

5.1 General. The operation and administration of the Association and the Property shall be governed by the Governing Documents, the Rules, and MCIOA. The Association shall, subject to the rights of the Owners set forth in the Governing Documents and MCIOA, be responsible for the operation, management and control of the Property. The Association shall have all powers described in the Governing Documents and MCIOA, subject to the exercise of certain powers by the Master Association pursuant to Section 5.2. All power and authority of the Association shall be vested in the Board, unless action or approval by the individual Owners is specifically required by the Governing Documents or MCIOA. All references to the Association shall mean the Association acting through the Board unless specifically stated to the contrary.

5.2 Powers of Master Association. The Association is a member of the Master Association, which is authorized to exercise certain limited powers on behalf of the Association. Notwithstanding anything to the contrary in the Governing Documents, the following powers shall be exercised by the Master Association:

5.2.1 To maintain (i) any Master Common Area, (ii) certain open spaces, median areas and boundary landscaping in certain public lands located adjacent to the Property, as agreed with the City, (iii) certain common signs and entrance monuments identifying the project, and (iv) Boat Docks and Boat Slips as defined in the Master Declaration;

5.2.2 To control, preserve and enhance the architectural and environmental character of the Property;

5.2.3 To administer and enforce the covenants, conditions, restrictions, and other obligations set forth in the Master Governing Documents and the Master Rules.

The directors elected to the Master Board by the Board shall act as liaisons between the Master Association and the Association, and shall cooperate to ensure that decisions of the Master Board are properly communicated to the Owners and Occupants, and implemented.

5.3 Operational Purposes. The Property shall be managed for the purposes of (i) administering and enforcing the covenants, restrictions, easements, charges and liens imposed under the Governing Documents and Master Governing Documents, (ii) maintaining, repairing and replacing those portions of the Property for which the Association is responsible and (iii) preserving the value and the architectural character of the Property.

5.4 Binding Effect of Actions. All agreements and determinations made by the Master Association, or the Association if authorized, shall be binding upon all Owners and Occupants,

and their lessees, guests, heirs, personal representatives, successors and assigns, and all secured parties as defined in MCIOA.

5.5 Bylaws. The Association shall have Bylaws. The Bylaws shall govern the operation and administration of the Association, and shall be binding on all Owners, Occupants and other Persons owning or acquiring any interest in the Property.

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

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

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

SECTION 6

ASSESSMENTS

6.1 General. Assessments shall be assessed and levied against the Units subject to the requirements and procedures set forth in this Section 6, the Master Governing Documents and the Bylaws. Assessments shall include annual Assessments under Section 6.2, and may include special Assessments under Section 6.3 and limited Assessments under Section 6.4. Annual and special Assessments shall be allocated among the Units equally, in accordance with the allocation formula set forth in Section 4.2; provided, that the Board may allocate a reduced share of an annual or special assessment against those Units which are unoccupied and which are not receiving full services from the Association or Master Association. Limited Assessments under Section 6.4 shall be allocated to Units as set forth in that Section. Master Assessments shall be added to and included in the appropriate Assessments levied by the Association.

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, and the Association's share of Master

Assessments for that year, which are to be shared equally by all Units in accordance with the allocation set forth in Section 4.2. Annual Assessments shall be payable in equal monthly, quarterly or annual installments, as directed by the Board.

6.3 Special Assessments. In addition to annual Assessments, and subject to the limitations set forth hereafter, the Board may levy in any Assessment year a special Assessment against all Units equally in accordance with the allocation formula set forth in Section 4.2, and for the purposes described in this Declaration. Among other things, special Assessments shall be used for the purpose of defraying in whole or in part the cost of any unforeseen and unbudgeted Common Expense. Any Master Special Assessment or Village Assessment shall be levied against the Units promptly following the levy by the Master Association.

6.4 Limited Assessments. In addition to annual Assessments and special Assessments, the Board has authority to levy and allocate limited Assessments among only certain Units in accordance with the following requirements and procedures:

6.4.1 Any Common Expense or portion thereof benefiting fewer than all of the Units may be assessed exclusively against the Unit or Units benefited. Assessments relating to the maintenance, repair or replacement of Limited Common Elements shall be assessed based upon the "benefit" theory as described in the preceding sentence.

6.4.2 The costs of insurance may be assessed equally, or in proportion to the square footage, value or actual cost per Unit; the costs of common utilities may be assessed in proportion to usage; and fees for the use of common amenities (if any) may be assessed equally or in proportion to use.

6.4.3 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, MCIOA or the Rules, against an Owner or Occupant or their guests, may be assessed against the Owner's Unit.

6.4.4 Late charges, fines and interest may be assessed as provided in Section 13.

6.4.5 Assessments levied to pay a judgment against the Association may be levied only against the Units existing at the time the judgment was entered, in proportion to those Units' Common Expense liabilities.

6.4.6 If any damage to the Common Elements (if any) or another Unit is caused by the act or omission of any Owner or Occupant, or their guests, the Association may assess the costs of repairing the damage exclusively against the Owner's Unit to the extent not covered by insurance.

6.4.7 If any Assessment or installment of an Assessment becomes more than thirty days past due, then the Association may, upon ten days written notice to the Owner, declare the entire amount of the Assessment immediately due and payable in full.

6.4.8 If Common Expense liabilities are reallocated for any purpose, Assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Common Expense liabilities.

Assessments levied under Sections 6.4.1 through 6.4.6 may, at the Board's discretion, be assessed as a part of, or in addition to, other Assessments levied under this Section 6.

6.5 Village Assessments. In addition to General Assessments, special Assessments and limited Assessments, the Master Board may, at its discretion, levy a Village Assessment against only a certain Village or Villages for Common Expenses relating to such Villages, under Section 6.5 of the Master Declaration.

6.6 Working Capital Fund. There shall be established a working capital fund to meet unforeseen expenditures or to purchase additional equipment or services during the Association's beginning years of operation. The Board shall include in each subsequent annual budget a reasonable amount of working capital, based upon the anticipated needs of the Association for the year in question. There shall be contributed on a one-time basis for each Unit sold an amount equal to two months installments of the estimated Common Expense Assessment for the Unit. The contribution shall be paid at the earlier of the time of closing of sale of the Unit or the time of termination of the Declarant Control Period. The contributions to this fund are in addition to the regular installments of Assessments. The funds shall be deposited into a segregated Association account no later than the termination of the Declarant Control Period. However, upon the closing of the sale of an unsold Unit, Declarant may reimburse itself from funds collected from the purchaser at the closing for any payments made by Declarant to the working capital fund with respect to that Unit. Declarant shall not use the funds to defray any of its expenses, reserve contributions or construction costs, or to make up any budget deficit during the Declarant Control Period.

6.7 Liability of Owners for Assessments/Declarant Exemption. Subject to the exemptions in Section 6.8, the obligation of an Owner to pay Assessments shall be as follows:

6.7.1 The Owner's obligation shall commence with respect to a Unit at the time at which the Owner acquires title to the Unit.

6.7.2 The Owner at the time an Assessment is payable with respect to that Owner's Unit shall be personally liable for the share of the Common Expenses assessed against such Unit. Such liability shall be joint and several where there are multiple Owners of the Unit.

6.7.3 The Owner's liability is absolute and unconditional, unless otherwise modified by law or this Declaration. Except as provided in this Section 6, no Owner is exempt from liability for payment of Assessments by right of set-off, by waiver of use or enjoyment of any part of the Property, by absence from or abandonment of the Unit, by the waiver of any other rights, or by reason of any claim against the Master Association,

the Association or their officers, directors or agents, or for their failure to fulfill any duties under the Master Governing Documents, the Governing Documents or MCIOA.

6.7.4 The liability of Declarant for Assessments is set forth in Section 6.8.

6.8 Declarant and Master Developer Assessment Exemptions. The Master Developer, and any Unit owned by it, shall not be subject to assessment until a municipal certificate of occupancy or similar approval has been issued for a Dwelling within the Unit. Pursuant to Section 515B.3-115(a)(2) of MCIOA, if a Common Expense Assessment has been levied, any Unit owned by Declarant shall be assessed, and the Assessment lien shall attach, at the rate of twenty-five percent of the Assessments levied on other Units of the same type until a municipal certificate of occupancy or similar approval has been issued for a Dwelling within the Unit. This reduced Assessment shall apply to each Unit owned by Declarant at the time that the Unit is created, and shall terminate with respect to each such Unit upon the issuance of the certificate of occupancy for the Unit. 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.

6.9 Assessment Lien. The Association has a lien on a Unit for any Assessment levied against that Unit from the time the Assessment becomes due. If an Assessment is payable in installments, the full amount of the Assessment is a lien from the time the first installment thereof becomes due. Fees, charges, late charges, fines and interest charges imposed by the Association pursuant to Section 515B.3-102(a)(10), (11) and (12) of MCIOA 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.

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

6.11 Lien Priority: Foreclosure. A lien under this Section is prior to all other liens and encumbrances on a Unit except (i) liens and encumbrances recorded before the Declaration, (ii) any first mortgage on the Unit, and (iii) liens for real estate taxes and other governmental Assessments or charges against the Unit. Notwithstanding the foregoing, if (1) a first mortgage on a Unit is foreclosed, (2) the first mortgage was recorded on or after June 1, 1994, and (3) no Owner redeems during the Owner's period of redemption provided by Minnesota Statutes Chapters 580, 581, or 582, then the holder of the sheriff's certificate of sale from the foreclosure of the first mortgage shall take title to the Unit subject to unpaid Assessments for Common

Expenses levied pursuant to Sections 515B.3-115(a), (e)(1) to (3), (f), and (i) of MCIOA which became due, without acceleration, during the six months immediately preceding the first day following the end of the Owner's period of redemption.

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

SECTION 7

RESTRICTIONS ON USE OF PROPERTY

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

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

7.2 Subdivision Prohibited. No Unit nor any part of the Common Elements (if any) may be subdivided or partitioned without the prior written approval of the Master Board, the Owners at an Association meeting, any governmental authorities having jurisdiction over the Property, and any secured parties holding first mortgages on any Units affected. The dedication or de-annexation of a portion of the Property pursuant to Section 3 shall not be deemed a subdivision or partition.

7.3 Residential Use: Delegation. Except as provided in Section 7.4, the Units shall be used by Owners and Occupants and their guests exclusively as private, single family residential Units. An Owner may delegate, in accordance with the Master Governing Documents and the Governing Documents, the Owner's right of use and enjoyment of the Unit to persons living in the Unit pursuant to a legal right of possession; provided, that such persons shall be subject to the Master Governing Documents, the Governing Documents, the Master Rules and the Rules.

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

7.4.1 An Owner or Occupant may maintain a home occupation in a Unit and handle matters relating to such home occupation by telecommunications or correspondence therefrom, but only if the use (i) is incidental to the residential use of the Unit, (ii) does not involve physical alteration of the Unit visible from the exterior of the Unit, (iii) does not involve any observable business activity such as signs, advertising displays, frequent deliveries, or use of the Unit by customers or employees, and (iv) complies with any additional requirements contained in the Rules and the Governing Documents, or in any governmental laws, codes, rules, statutes or ordinances.

7.4.2 The Association may maintain offices on the Property for management and related purposes.

7.4.3 Declarant or Master Developer, or a builder authorized by one of them, may maintain offices, sales facilities, model homes and other business facilities on the Property in connection with the exercise of its construction or sales activities.

7.5 Leasing. Leasing of Units shall be allowed, subject to reasonable regulation by the Association, and subject to the following conditions: (i) that no Unit shall be leased for transient or hotel purposes, (ii) that no Unit may be subleased, (iii) that a Unit must be leased in its entirety, not by room or other part, (iv) that all leases shall be in writing, and (v) that all leases shall provide that they are subject to the Governing Documents, the Rules and MCIOA, and that any failure of the lessee to comply with the terms of such documents shall be a default under the lease. The Master Association may impose such reasonable Rules as may be necessary to implement procedures for the leasing of Units, consistent with this Section.

7.6 Vehicles, Trailers, Watercraft and Other Personal Property. The outside storage, parking, repair or restoration of passenger vehicles, trucks, trailers, motor homes, watercraft, snowmobiles, recreational vehicles and other personal property is subject to regulation by the Master Board and the Master Board. Notwithstanding the foregoing, no commercial vehicle, trailer or related equipment shall be parked, stored or kept outside any Dwelling, except for temporary parking by construction vehicles or delivery vehicles.

7.7 Traffic Regulations. All vehicular traffic on the Property shall be subject to federal, state and local laws and regulations. All vehicles operated on the Property shall be operated in a careful, prudent, and safe manner; and with due consideration for the rights of all Owners and Occupants.

7.8 Pets. Only dogs, cats, small birds and fish, and other animals generally recognized as domestic household pets (collectively referred to as "animals") may be kept on the Property, subject to the conditions set forth in this Section.

7.8.1 Rules may be adopted by the Association to regulate pets on the Property.

7.8.2 Animals shall be kept solely as domestic household pets and/or as statutorily authorized "service animals" used by handicapped persons, and not for any other purpose. No animal of any kind shall be raised or bred, or kept for business or commercial purposes by any Person upon any part of the Property.

7.8.3 No animal shall be allowed to make an unreasonable amount of noise, nor to become a nuisance or a threat to the safety of others.

7.8.4 Animals may be housed only within the Dwellings. No structure, fence or enclosure for the care, housing or confinement of any animal shall be constructed or maintained on any part of the Property, except as approved pursuant to Section 8.

7.8.5 Animals shall be under control at all times when outside the Dwelling.

7.8.6 An Owner shall be liable to the Association for the cost of repair of any damage to the Property, or the expenses associated with any personal injury, caused by an animal kept within that Owner's Unit.

The word "animal" shall be construed in its broadest sense and shall include all living creatures except humans.

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

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

7.11 Improvements. Except for those made by Declarant or authorized builders in connection with the sale of a Unit or construction of the first Dwelling thereon, no Improvements (as defined in Section 8) shall be made, or caused or allowed to be made, in any part of the Common Elements (if any), or in any part of a Unit which is visible from the exterior of the Unit, without approval pursuant to Section 8.

7.12 Ponds, Wetlands and Trees. Ponds, marshes, wetland areas, vegetation and trees, whether located on a Unit or on Common Elements (if any), and whether natural or otherwise, shall be maintained in substantially the same condition as originally established, subject only to (i) changes authorized by the Master Association consistent with all statutes, requirements, rules

and regulations imposed on such areas and items by governmental authorities having jurisdiction over the Property and (ii) the prior approval of any such governmental authorities, if required. No cutting, mowing, trimming, draining, dredging or other alteration of such areas and items shall be permitted, except as authorized by this Section 7.12, it being the intention that such areas and items remain and be maintained in a substantially natural condition, and subject to natural changes. Any wetlands which the Master Association is obligated to maintain pursuant to the Master Declaration shall be subject to the exclusive control of the Master Association.

7.13 Time Share Ownership. No Unit may be sold under or subjected to any time-sharing, time-interval or similar right-to-use plans, unless approved in writing by (i) the Board and (ii) the Master Board.

7.14 Access to Units. In case of emergency, all Units are subject to entry, without notice and at any time, by an officer or member of the Board, by the management agent of the Association, or by any public safety personnel. Reasonable access is also authorized for maintenance purposes under Sections 9 and 12, and for enforcement purposes under Section 13.

SECTION 8

ARCHITECTURAL STANDARDS

One of the purposes of this Declaration is to ensure that the Units and exteriors of the Dwellings located thereon be kept architecturally attractive and compatible in appearance. Therefore, except as expressly provided in Section 8 of this Declaration or Section 8 of the Master Declaration, no Dwelling, addition, out-building or other structure, enclosure, fence, wall or other visible exterior improvement to a Unit (collectively referred to as "Improvements"), shall be commenced, erected or maintained, unless and until the plans and specifications showing the nature, kind, shape, height, color, materials and locations of the Improvements shall have been approved in writing by the Architectural Review Committee ("A.R.C.") established and administered pursuant to Section 8 of the Master Declaration. Applications for approval of Improvements shall be submitted to the A.R.C. in accordance with the procedures established by Section 8 of the Master Declaration. Notwithstanding the foregoing, Master Developer's written consent shall also be required for Improvements so long as Master Developer owns a Unit for sale, or has the unexpired right to subject Additional Real Estate to the Master Declaration.

SECTION 9

MAINTENANCE

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

9.1.1 paint, repair and replace roofs, gutters, downspouts, garage doors and exterior entry doors (except hardware), driveways, sidewalks, exterior siding and other building surfaces, driveways, and

9.1.2 provide for lawn maintenance on the yard areas of the Units and watering of lawns.

The Association's maintenance obligations shall, without limitation, exclude footings, foundations and foundation walls, Dwelling walls, floors and ceilings, structural components, interior parts of the Dwellings, door hardware, mechanical, electrical, heating, air conditioning and plumbing systems, glass, and any other items not specifically required to be maintained by the Association, unless otherwise approved under Section 9.2. The costs of maintenance may be funded by annual Assessments, or by limited Assessments as the work is performed. The Association has easements as described in Section 13 to perform its obligations under this Section 9.

9.2 Optional Maintenance by Association. In addition to the maintenance described in Section 9.1 or 9.2, the Association may, with approval by a majority vote of the Owners, undertake to provide additional exterior maintenance to the Units or Dwellings.

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

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

SECTION 10

INSURANCE

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

10.1.1 Property insurance in broad form covering all risks of physical loss in an amount equal to one hundred percent of the insurable "replacement cost" of the Property; less deductibles, and exclusive of land, footings, excavation and other items normally excluded from coverage (but including any building service equipment and machinery), or in accordance with such other requirements as may be authorized by MCIOA. The policy or policies shall cover personal property owned by the Association. The policy or policies shall also contain "Inflation Guard" and "Agreed Amount" endorsements, if reasonably available. Such policy or policies may include such additional endorsements, coverages and limits with respect to the foregoing and other hazards as may be required from time to time by the regulations of the Federal Housing Administration ("FHA"), the U.S. Department of Veterans' Affairs ("VA") or the Federal National Mortgage Association ("FNMA") as a precondition to their insuring, purchasing or financing a mortgage on a Unit. The Association shall have authority to enter into binding written agreements with a mortgagee, insurer or servicer, including without limitation the FHA, VA or FNMA, obligating the Association to keep certain specified coverages or endorsements in effect.

10.1.2 Comprehensive public liability insurance covering the use, operation and maintenance of any Common Elements, with minimum limits of one million dollars per occurrence, against claims for death, bodily injury and property damage, and such other risks as are customarily covered by such policies for projects similar in construction, location and use to the Property. The policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner or Occupant because of negligent acts of the Association or other Owners or Occupants. The policy shall include such additional endorsements, coverages and limits with respect to such hazards as may be required by the regulations of the FHA, VA or FNMA as a precondition to their insuring, purchasing or financing a mortgage on a Unit.

10.1.3 Insurance coverage against dishonest acts on the part of directors, officers, managers, trustees, employees or other persons responsible for handling funds belonging to or administered by the Association, if deemed to be advisable by the Board or required by the regulations of the FHA or FNMA as a precondition to the purchase or financing of a mortgage on a Unit. The insurance may, if required by the regulations of the FHA or FNMA as a precondition to their insuring, purchasing or financing of a mortgage on a Unit, be written in an amount equal to the greater of (i) the estimated maximum of Association funds, including reserves, in the custody of the Association or management agent at any given time while the bond is in force, or (ii) a sum equal to three months

aggregate Assessments on all Units plus reserves. An appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.

10.1.4 Workers' Compensation insurance as required by law.

10.1.5 Directors and officers liability insurance with such reasonable limits and coverages as the Board shall determine from time to time.

10.1.6 Such other insurance as the Board may determine from time to time to be in the best interests of the Association and the Owners.

10.2 Premiums; Improvements; Deductibles. All insurance premiums shall be assessed and paid as a Common Expense, and allocated among the Units as determined by the Board consistent with the Governing Documents. The insurance need not cover improvements and betterments to the Units installed by Owners, but if improvements and betterments are covered, any increased cost may be assessed against the Units affected. The Association may, in the case of a claim for damage to a Unit or Units, (i) pay the deductible amount as a Common Expense, (ii) assess the deductible amount against a Unit affected in any reasonable manner, or (iii) require the Owners of a Unit affected to pay the deductible amount directly.

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

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

10.4.1 Each Owner and secured party is an insured Person under the policy with respect to liability arising out of the Owner's interest in the Common Elements or membership in the Association.

10.4.2 The insurer waives its right to subrogation under the policy against any Owner or member of the Owner's household and against the Association and members of the Board.

10.4.3 No act or omission by any Owner or secured party, unless acting within the scope of authority on behalf of the Association, shall void the policy or be a condition to recovery under the policy.

10.4.4 If at the time of a loss under the policy there is other insurance in the name of an Owner covering the same property covered by the policy, the Association's policy is primary insurance.

10.5 Cancellation; Notice of Loss. All policies of property insurance and comprehensive liability insurance maintained by the Association shall provide that the policies shall not be cancelled or substantially modified, for any reason, without at least thirty days' prior written notice to the Association, to the FHA, VA or FNMA (if applicable), all of the insureds and all Eligible Mortgagees.

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

10.7 No Contribution. All policies of insurance maintained by the Association shall be the primary insurance where there is other insurance in the name of the Owner covering the same property or incident, and may not be brought into contribution with any insurance purchased by Owners or their Eligible Mortgagees.

10.8 Effect of Acts Not Within Association's Control. All policies of insurance maintained by the Association shall provide that the coverage shall not be voided by or conditioned upon (i) any act or omission of an Owner or Eligible Mortgagee, unless acting within the scope of authority on behalf of the Association, or (ii) any failure of the Association to comply with any warranty or condition regarding any portion of the Property over which the Association has no control.

10.9 Owner's Personal Insurance. Each Owner may obtain additional personal insurance coverage at his or her own expense covering fire and other casualty to the Unit, personal property or personal liability. All insurance policies maintained by Owners shall provide that they are without contribution as against the insurance purchased by the Association.

SECTION 11

PARTY WALLS

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

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

11.3 Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, and the Owners of the affected Units fail to agree on a restoration plan within thirty days following the incident, then (i) any Owner of a Unit sharing the party wall may, subject to prior approval by the Association, cause the party wall to be restored, and the other Owner shall promptly reimburse the Owner who restored the wall for his or her share of the cost of restoration, or (ii) the Association may undertake the restoration of the party wall and assess the responsible Owners for their share of the costs, without prejudice to the right of an Owner to recover a larger contribution from the other Owner. Insurance claims shall be made promptly following any casualty.

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

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

11.6 Arbitration. In the event of any dispute arising concerning a party wall, and if the same is not resolved within thirty days of the event causing the dispute, the matter shall be submitted to binding arbitration under the rules of the American Arbitration Association (or such other rules as the parties may agree), upon the written demand of the Association or any Owner whose Dwelling shares the party wall. A single arbitrator shall be used unless multiple arbitrators are agreed to by the parties. The Association shall, upon request, be made a party to the arbitration but cannot be compelled to be a party. Each party agrees that the decision of the arbitrators shall be final and conclusive of the questions involved. The fees of the arbitrators shall be shared equally by the parties, but each party shall pay its own attorneys' fees or other costs incurred in the arbitration.

SECTION 12

RECONSTRUCTION, CONDEMNATION AND EMINENT DOMAIN

12.1 Reconstruction. The obligations and procedures for the repair, reconstruction or disposition of the Property following damage or destruction thereof shall be governed by MCIOA. Any repair or reconstruction shall be substantially in accordance with the plans and specifications of the Property as initially constructed and subsequently improved. Notice of substantial damage or destruction shall be given as provided in Section 16.10.

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

12.3 Termination and Liquidation. The termination of the common interest community, and the distribution of any proceeds therefrom, shall be governed by MCIOA. Any distribution of funds shall be based upon the value of the Units as determined by their relative value for property insurance purposes, and shall be made to Owners and their mortgage holders, as their interests may appear, as provided in MCIOA.

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

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

SECTION 13

EASEMENTS

Each Unit and the Common Elements (if any), and the rights of the Owners and Occupants therein, shall be subject to the easements and rights granted and reserved in the Master Declaration, this Declaration and any recorded easement.

13.1 Easement for Encroachments. If there is a minor encroachment by a Dwelling, or other Improvement onto another Unit or the Common Elements (if any) as a result of the construction, reconstruction, repair, shifting, settlement or movement of any part of the Property, an appurtenant easement for the encroachment, for the use, enjoyment and habitation of the encroaching Dwelling or other Improvement, and for the maintenance thereof, shall exist. However, with respect to Improvements added pursuant to Section 8, no easement shall exist, unless the Improvement has been approved and constructed as required by this Declaration. Such easements shall continue for as long as the encroachment exists and shall not affect the marketability of title.

13.2 Easement for Maintenance, Repair, Replacement and Reconstruction. Each Unit, and the rights of the Owners and Occupants thereof, are subject to the rights of the Association and the Master Association to an exclusive, appurtenant easement on and over the yard areas of Units for the purposes of access to and maintenance, repair, replacement and reconstruction of the Units, utilities and other common Improvements serving more than one Unit, to the extent necessary to fulfill the Association's or Master Association's obligations.

13.3 Utility Easements. The Property is subject to non-exclusive, appurtenant easements in favor of all public utility companies and other utility providers for the installation, use, maintenance, repair and replacement of all utilities, such as natural gas, electricity, cable TV and other electronic communications, water, sewer, septic systems, wells, and similar services, and metering and control devices, which exist or are constructed as part of the development of the Property, or which are referred to in the Plat or otherwise described in this Declaration, the Master Declaration or other recorded instruments. Each Unit, and the rights of the Owners and Occupants thereof, shall also be subject to a non-exclusive, appurtenant easement in favor of the other Units for all such utilities and services. Utilities and related service systems shall be installed, used, maintained and repaired so as not to interfere with the reasonable use and quiet enjoyment of the Units by the Owners and Occupants, nor affect the structural or architectural integrity of the Units or Dwellings.

13.4 Emergency Access to Units. In case of emergency, all Units are subject to an easement for access, without notice and at any time, by officers or members of the Board and the Master Board, by the Association's management agents, or by any public safety personnel.

13.5 Project Sign Easements. Declarant and Master Developer shall have the right to erect and maintain monument signs identifying the Lifestyle Village and related decorative Improvements on certain Units, on the Common Elements (if any), and on adjoining City-owned land as agreed by the City. Those parts of the Property (if any) on which monument signs or related decorative Improvements are located are subject to appurtenant, exclusive easements in favor of the Association or Master Association for the continuing use, maintenance, repair and replacement of said signs and related Improvements. Any Person exercising the rights granted under said easements shall take reasonable care to avoid damaging the improvements to the Property and shall repair any damage caused by such actions.

13.6 Continuation, Scope and Conflict of Easements. Notwithstanding anything in this Declaration to the contrary, no Owner or Occupant shall be denied reasonable access to his or her Unit or the right to utility services thereto. The easements set forth in this Section shall supplement and not limit any easements described elsewhere in this Declaration or the Master Declaration, or otherwise recorded, and shall include reasonable access to the easement areas through the yard areas of Units and the Common Elements (if any) for purposes of maintenance, repair, replacement and reconstruction. In the event of a conflict between the easements and rights provided by this Section and by the Master Declaration, the Master Declaration shall control.

SECTION 14

COMPLIANCE AND REMEDIES

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

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

14.2 Remedies. In addition to any other remedies or sanctions, expressed or implied, administrative or legal, the Association shall have the right, but not the obligation, to implement any one or more of the following actions against Owners and Occupants and/or their guests, who violate the provisions of the Governing Documents, the Master Governing Documents, the Master Rules or the Rules:

14.2.1 Commence legal action for damages or equitable relief in any court of competent jurisdiction.

14.2.2 Impose late charges of up to the greater of twenty dollars or fifteen percent of the amount past due, for each past due Assessment or installment thereof, and impose interest at the highest rate permitted by law accruing beginning on the first day of the month after the Assessment or installment was due .

14.2.3 In the event of default of more than thirty days in the payment of any Assessment or installment thereof, all remaining installments of Assessments assessed against the Unit owned by the defaulting Owner may be accelerated and shall then be payable in full if all delinquent Assessments or installments thereof, together with all attorneys' fees, costs of collection and late charges, are not paid in full prior to the effective date of the acceleration. Not less than ten days' advance written notice of the effective date of the acceleration shall be given to the defaulting Owner.

14.2.4 Impose reasonable fines or charges for each violation of MCIOA, the Master Governing Documents, the Governing Documents, the Master Rules or the Rules.

14.2.5 Suspend the rights of any Owner to vote when the Assessments due with respect to the Owner's Unit are past due, and suspend the rights of any Owner or Occupant and their guests to use any Common Element amenities; provided, that the suspension of use rights shall not apply to Limited Common Elements, or deck, balcony, porch or patio easements, appurtenant to the Unit, and those portions of the Common Elements providing utilities service and access to the Unit. Such suspensions shall be limited to periods of default by such Owners and Occupants and for up to thirty days thereafter, for each violation.

14.2.6 Restore any portions of any Common Elements or Unit damaged or altered, or allowed to be damaged or altered, by any Owner or Occupant or their guests in violation of the Governing Documents, and to assess the cost of such restoration against the responsible Owners and their Units.

14.2.7 Enter any Unit in which, or as to which, a violation or breach of the Master Governing Documents or Governing Documents exists which materially affects, or is likely to materially affect in the near future, the health or safety of the other Owners or Occupants, or their guests, or the safety or soundness of any Dwelling or other part of the Property or the property of the Owners or Occupants, and to summarily abate and remove, at the expense of the offending Owner or Occupant, any structure, thing or condition in the Unit which is causing the violation; provided, that any improvements which are a part of a Dwelling may be altered or removed only pursuant to a court order or with the agreement of the Owner.

14.2.8 Foreclose any lien arising under the provisions of the Governing Documents, or under law, in the manner provided by MCIOA.

14.3 Rights to Hearing. Before the imposition of any of the remedies authorized by Section 14.2.4, 14.2.5 or 14.2.7, the Board shall, upon written request of the offender, grant to the offender an opportunity for a fair and equitable hearing as contemplated by MCIOA. The offender shall be given notice of the nature of the violation and the right to a hearing, and at least ten days within which to request a hearing. The hearing shall be scheduled by the Board and held within thirty days of receipt of the hearing request by the Board, and with at least ten 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 days following the hearing, if not delivered to the offender at the hearing.

14.4 Lien for Assessment Charges, Etc. Any Assessments, charges, fines, expenses, penalties or interest imposed under this Section shall be a lien against the Unit of the Owner or Occupant against whom the same are imposed and the personal obligation of such Owner in the same manner and with the same priority and effect as Assessments under Section 6. The lien shall attach as of the date of imposition of the remedy, but shall not be final as to violations for which a hearing 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 Association's right to pursue any others.

14.5 Costs of Proceeding and Attorneys' Fees. With respect to any collection measures, or any measures or action, legal, administrative, or otherwise, which the Association takes to enforce the provisions of MCIOA, Master Governing Documents, Governing Documents, Master Rules or Rules whether or not finally determined by a court or arbitrator, the Association may assess the violator and his or her Unit with any expenses incurred in connection with such enforcement, including without limitation fines or charges previously imposed by the Association, reasonable attorneys' fees, and interest (at the highest rate allowed by law) on the delinquent amounts owed to the Association. Such expenses shall also include any collection or contingency fees or costs charged to the Association by a collection agency or other Person acting on behalf of the Association in collecting any delinquent amounts owed to the Association by an Owner or Occupant. Such collection or contingency fees or costs shall be the personal obligation of the Owner and shall be a lien against the Owner's Unit .

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

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

SECTION 15

AMENDMENTS

15.1 Approval Requirements. Except for amendments by Declarant pursuant to Section 18, this Declaration may be amended only by the approval of:

15.1.1 The Board.

15.1.2 Owners of Units to which are allocated at least sixty-seven percent of the total votes in the Association.

15.1.3 The percentage of Eligible Mortgagees (based upon one vote per Unit financed) required by Section 16 as to matters prescribed by said Section.

15.1.4 The Master Board.

15.1.5 Declarant as to certain amendments as provided in Section 17.8.

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

SECTION 16

RIGHTS OF ELIGIBLE MORTGAGEES

Notwithstanding anything to the contrary in the Governing Documents, but subject to MCIOA or other laws, Eligible Mortgagees shall have the following rights and protections:

16.1 Consent to Certain Amendments. The written consent of Eligible Mortgagees representing at least fifty-one percent of the Units that are subject to first mortgages held by Eligible Mortgagees (based upon one vote per Unit financed) shall be required for any amendment to the Governing Documents which causes any change in provisions including the following: (i) voting rights; (ii) increases in Assessments over twenty-five percent, Assessment liens, or priority of Assessment liens; (iii) reductions in reserves for maintenance, repair and replacement of Common Elements; (iv) responsibility for maintenance and repairs; (v) reallocation of interests in the Common Elements, or rights to their use; (vi) redefinition of any Unit boundaries; (vii) convertibility of Units into Common Elements or vice versa; (viii) expansion or contraction of the Property or the addition, annexation or withdrawal of property to or from the Property; (ix) hazard or fidelity insurance requirements; (x) imposition of restrictions on the leasing of

Units; (xi) imposition of any restrictions on an Owner's right to sell or transfer his or her Unit; (xii) a decision by the Association (if the project involves fifty or more Units) to establish self management when professional management is in effect as required previously by the Governing Documents or an Eligible Mortgagee; (xiii) restoration or repair of the Property (after a hazard damage or partial condemnation) in a manner other than that specified in the Governing Documents; (xiv) any action to terminate the legal status of the common interest community after substantial destruction or condemnation occurs; or (xv) any provisions that expressly benefit Eligible Mortgagees, or insurers or guarantors of mortgages.

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

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

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

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

16.6 Priority of Taxes and Other Charges. All taxes, Assessments and charges which may become liens prior to the first mortgage under state law shall relate only to the individual Units and not to the Property as a whole.

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

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

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

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

16.10.1 A condemnation loss or any casualty loss which affects a material portion of the Property or the Unit securing the mortgage;

16.10.2 A sixty-day delinquency in the payment of Assessments or charges owed by the Owner of a Unit on which it holds a mortgage;

16.10.3 A lapse, cancellation or material modification of any insurance policy maintained by the Association; and

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

SECTION 17

DECLARANT RIGHTS

Declarant hereby reserves exclusive and unconditional authority to exercise the following Declarant Rights as defined in Section 515B.1-103(31) of MCIOA for as long as it owns a Unit, or for such shorter period as may be specifically indicated:

17.1 Complete Improvements. To complete all the Units and other improvements indicated on the Plat, or otherwise included in Declarant's development plans or allowed by the Declaration, and to make alterations in the Units to accommodate the exercise of any special declarant rights.

17.2 Add Additional Real Estate. To add Additional Real Estate to the Property as described in Section 18.

17.3 Relocate Boundaries and Alter Units. To relocate boundaries between Units and to otherwise alter Units owned by it, to the extent permitted by Section 18.

17.4 Sales Facilities. To construct, operate and maintain a sales office, management office, model Units and other development, sales and rental facilities within any Units owned by Declarant from time to time, located anywhere on the Property.

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

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

17.7 Control of Association. 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 MCIOA, until the earliest of: (i) voluntary surrender of control by Declarant, (ii) an Association meeting which shall be held within sixty days after conveyance to Owners other than a Declarant of seventy-five percent of the total number of Units authorized to be included in the Property or (iii) the date five years following the date of the first conveyance of a Unit to an Owner other than a Declarant. Notwithstanding the foregoing, the Owners other than a Declarant shall have the right to nominate and elect not less than thirty-three and one-third percent of the directors at a meeting of the Owners which shall be held within sixty days following the conveyance by Declarant of fifty percent of the total number of Units authorized to be included in the Property.

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

The foregoing rights are subject to and in addition to the Master Developer Rights described in the Master Declaration.

SECTION 18

RIGHTS TO ADD ADDITIONAL REAL ESTATE, RELOCATE UNIT BOUNDARIES AND ALTER UNITS

18.1 Declarant's Rights to Add Additional Real Estate. Declarant hereby expressly reserves the right to add the Additional Real Estate to the Property pursuant to Section 515B.2-111 of MCIOA, by unilaterally executing and recording an amendment to this Declaration, subject to the following conditions:

18.1.1 The right of Declarant to add the Additional Real Estate to the common interest community shall terminate ten 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 MCIOA. There are no other limitations on Declarant's rights hereunder, except as may be imposed by law.

18.1.2 The Additional Real Estate is described in Exhibit B. The Additional Real Estate may be added to the Property in parcels consisting of one or more platted lots, or portions thereof.

18.1.3 There are no assurances as to the times at which any part of the Additional Real Estate 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 has no obligation to add the Additional Real Estate to the Property. The Additional Real Estate may be developed by Declarant or its successors in interest for other purposes, subject only to approval by the appropriate governmental authorities.

18.1.4 The maximum number of Units that may be created within the Additional Real Estate described as such on the date of this Declaration is thirty-nine. All Units created on the Additional Real Estate shall be restricted exclusively to residential use.

18.1.5 Any Dwellings and other Improvements erected upon the Additional Real Estate shall be compatible with the other Dwellings and other Improvements 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 exterior changes made by Declarant to meet changes in the market.

18.1.6 All covenants and restrictions contained in this Declaration affecting the use, occupancy and alienation of Units shall apply to all Units created on the Additional Real Estate.

18.1.7 The written consent of the Master Developer shall be required.

The other statements made in this Section shall not apply to any Additional Real Estate which is not added to the Property.

18.2 Rights to Relocate Boundaries and Alter Units. Existing or future Units may be altered and Unit boundaries may be relocated only as authorized by the Master Declaration and applicable governmental authorities.

SECTION 19

MISCELLANEOUS

19.1 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 Declaration or exhibits attached hereto.

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

19.3 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 MCIOA, 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.

19.4 Notices. Unless specifically provided otherwise in the Governing Documents or MCIOA, 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 Bylaws shall be effective upon receipt by the Association.

19.5 Conflicts Among Documents. In the event of any conflict among the provisions or the Master Governing Documents, MCIOA, the Declaration, the Bylaws or Rules, MCIOA shall control unless it permits the documents to control. As among the Declaration, Bylaws, Rules and Master Governing Documents, the Master Governing Documents shall control. As among the Declaration, Bylaws and Rules, the Declaration shall control, and as between the Bylaws and the Rules, the Bylaws shall control. The Master Rules shall control as against the Rules.

19.6 Duration of Covenants. The covenants, conditions, restrictions, easements, liens and charges contained in this Declaration shall be perpetual, subject only to termination as provided in this Declaration and MCIOA.

CONSENT AND JOINDER BY MORTGAGEE

IN WITNESS WHEREOF, the Mortgagee has caused this Consent and Joinder to be executed on the ____ day of _____, 2000.

By: _____
Title: _____

The foregoing instrument was acknowledged before me this _____ day of _____, 2000, by _____, the _____ of Southview Bank, a Minnesota corporation, on behalf of said entity.

120884 1

COMMON INTEREST COMMUNITY NO. 133

LIFESTYLE VILLAGE

EXHIBIT A TO DECLARATION

LEGAL DESCRIPTION OF PROPERTY/SCHEDULE OF UNITS

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

Lot 32, Block 1; Liberty on the Lake 2nd Addition, Washington County, Minnesota.

NOTE: The Units consist of those lots upon which a dwelling is or may be constructed.

COMMON INTEREST COMMUNITY NO. 133

LIFESTYLE VILLAGE

EXHIBIT B TO DECLARATION

LEGAL DESCRIPTION OF ADDITIONAL REAL ESTATE

The legal description of the Additional Real Estate as of the recording of this Declaration is as follows:

Lots 5 through 31, Block 1, and Lots 1 through 8, Block 2, Liberty on the Lake
2nd Addition, Washington County, Minnesota.