BY-LAWS

OF

HIGHLANDS

TOWNHOME ASSOCIATION

HIGHLANDS TOWNHOME ASSOCIATION
BYLAWS

SECTION 1
GENERAL

This document constitutes the Bylaws of Highlands Townhome Association, Inc., a Minnesota nonprofit corporation (the "Association") organized under Minnesota Statutes, Chapter 317A, the Minnesota Nonprofit Corporation Act, for the purpose of operating and managing Dodd Marsh Highlands Townhomes, a planned community.

The terms used in these Bylaws shall have the same meaning as they have in the Declaration of Covenants, Conditions, and Restrictions of Dodd Marsh Highlands Townhomes (the "Declaration"), if not defined hereafter.

SECTION 2
MEMBERSHIP

2.1 **Owners**. All Persons described in Section 4 of the Declaration as Owners shall be members of the Association. A Person shall cease to be a member at such time as that Person is no longer an Owner. No Person shall be a member solely by virtue of holding a security interest in a Unit.

2.2 **Registration**. Each Owner shall register with the Secretary of the Association, in writing, within thirty (30) days of taking title to a Unit, (i) the names and addresses of each Owner of the Unit; (ii) the nature of such Owner's interest or estate in each Unit owned; and (iii) the address at which the Owner desires to receive notice of any meeting of the Owners, if other than the Unit address. Each Owner shall have a continuing obligation to advise the Association in writing of any changes in the foregoing information, and shall be obligated to provide the names of the Occupants of the Unit upon request of the Association.

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

SECTION 3
VOTING

3.1 **Voting**. Votes shall be allocated to each Unit as provided in the Declaration. However, no vote shall be exercised as to a Unit while the Unit is owned by the Association.

3.2 **Authority**. At any meeting of the Owners, an Owner included on the voting register presented by the Secretary in accordance with Section 4.6, or the holder of such Owner's proxy, shall be entitled to cast the vote allocated to the Unit owned by the Owner. If there is more than one (1) Owner of a Unit, only one (1) of the Owners may cast the vote. If the Owners of the Unit fail to agree as to how to cast the vote, or fail to register pursuant to Section 2.2, the vote shall not be cast.

3.3 **Proxies**. An Owner may cast the vote which is allocated to the Owner's Unit and be counted as present at any meeting of the Owners by executing a written proxy naming another Person entitled to act on that Owner's behalf, and delivering the same to the Secretary before the commencement of any such meeting. All proxies granted by an Owner shall be effective until the earliest of the following events: (i) revocation by the granting Owner by written notice or by personally attending and voting at the meeting for which the proxy is effective, (ii) the adjournment of the meeting for which the proxy is given, (iii) the time at which the granting Owner is no longer an Owner, or (iv) any other applicable event specified in Minnesota Statutes Section 317A.453.

3.4 **Voting by Mail Ballot**. Any action taken at a meeting of the Association, except for the election or removal of Directors, may be determined by mailed ballots, subject to the following requirements.

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

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

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

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

3.5 **<u>Vote required</u>**. A majority of the votes cast at any properly constituted meeting of the Owners, or cast by mail in accordance with Bylaw 3.4, shall decide all matters properly brought before the Owners, except where a different vote or voting procedure is required by the Governing Documents or by law. The term "majority" as used herein shall mean in excess of fifty percent (50%) of the votes cast at a meeting, in person or by proxy, or voting by mail, in accordance with the allocation of voting power set forth in the Declaration. Cumulative voting shall not be permitted.

SECTION 4
MEETINGS OF OWNERS

4.1 **<u>Place of Meetings</u>**. Meetings of the Owners shall be held at the office of the Association or such other suitable place within the State of Minnesota as may be designated by the Board in any notice of a meeting of the Owners.

4.2 **<u>Annual Meetings</u>**. An annual meeting of the Owners shall be held in each fiscal year on a date, and at a reasonable time and place, designated by the Board. At each annual meeting of the Owners (i) the Persons who are to constitute the Board shall be elected pursuant to Section 6, (ii) a report shall be made to the Owners on the activities and financial condition of the Association and (iii) any other matter which is included in the notice of annual meeting, and is a proper subject for discussion or decision by the Owners, shall be considered and acted upon at the meeting.

4.3 **<u>Special Meetings</u>**. It shall be the duty of the President to call a special meeting of the Owners, which is necessary in the discretion of the President. Special meetings shall also be called by the President or Secretary within thirty (30) days following receipt of the written request of a majority of the members of the Board, or of Owners entitled to cast at least twenty-five percent (25%) of all votes in the Association. The meeting shall be held within ninety (90) days following receipt of the request. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice. The special meeting must be lawful and consistent with the Association's purposes and authority under the Governing Documents.

4.4 **<u>Notice of Meetings</u>**. It shall be the duty of the Secretary to send to each Member, at least twenty-one (21) days, and not more than thirty (30) days, in advance of any annual meeting of the Owners, and not less than seven (7) days and not more than thirty (30) days in advance of any special meeting, notice of the date, time, place, and complete agenda of the meeting and the procedures. The notice shall be hand-delivered or sent by United States mail, postage prepaid, to all Owners of record at the Unit address of their respective home or to such other address or addresses as any of them may have designated in writing to the Secretary. Notice of meetings to vote upon amendments to the Articles of Incorporation shall also be given separately to each Officer and Director of the Association.

4.5 **<u>Quorum/Adjournment</u>**. The presence of Owners, in person or by proxy, who have the authority to cast in excess of twenty five percent (25%) of all votes in the Association shall be necessary to constitute a quorum at all meetings of the Owners for the transaction of any business, except that of adjourning the meeting to reconvene at a subsequent time. Any meeting may be adjourned from time to time, but until no longer than fifteen (15) days later, without notice other than announcement at the meeting as initially called. Any business may be transacted at the reconvened meeting that might have been transacted at the meeting as initially called had a quorum then been present. A quorum, having once been established at a meeting, shall continue to exist for that meeting notwithstanding the departure of any Owners previously in attendance in person or by proxy. The Association may not be counted in determining a quorum as to any Unit owned by the Association.

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

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

SECTION 5
BOARD OF DIRECTORS

5.1 **<u>Numbers and Qualification</u>**. The affairs of the Association shall be governed by the Board of Directors. The first Board shall consist of the persons appointed by the incorporator as Directors subject to the rights of the rights of the Owners to elect Directors as set forth below. Upon the expiration of the terms of the members of the first Board, the Board shall be composed of five (5) Directors, a majority of whom shall be Owners, or a duly authorized representative of the Owner if the Owner is a Person other than a natural person.

5.2 **<u>Nomination</u>**. Except for Directors appointed by the Declarant, nominations for election to the Board at the annual meetings shall be made by a Nominating Committee, or made from the floor at the meeting. Nominations may be submitted only by Owners (including nominations submitted by the Board), and may not be made without the prior consent of the person nominated. The nominating committee shall consist of Owners who are representative of the general membership of the Association and shall establish fair and reasonable procedures for the submission of nominations.

5.3 **Terms of Office**. The term of office of the Members of the Board shall be as follows:

a. The terms of all Directors appointed by the Declarant as authorized by the Declaration shall terminate upon the earliest of (i) voluntary surrender of control by the Declarant, (ii) an Association meeting which shall be held within sixty (60) days after conveyance to Owners other than Declarant of seventy-five percent (75%) of the total number of Units authorized to be included in the Association or (iii) the date five (5) years following the date of the first conveyance of a Unit to an Owner other than Declarant.

b. Following the expiration of the terms of the Directors appointed by the Declarant, the terms of office of the Directors elected immediately thereafter shall be one (1) year for two (2) of the Directors and two (2) years for two (2) Directors and three (3) years for one of the Directors. Each term of office thereafter shall be three (3) years and shall expire upon the election of a successor at the appropriate annual meeting of the Owners; provided that a Director shall continue in office until a successor is elected. A number of nominees equal to the number of vacancies, and receiving the greatest number of votes, shall be elected, notwithstanding that one or more of them do not receive a majority of the votes cast. The nominee or nominees receiving the greatest number of votes shall fill the longer terms. A Director elected or appointed to fill a vacancy, or the position of a removed Director, shall serve out the natural termination of that term, unless removed in accordance with these Bylaws. There shall be no cumulative voting for Directors.

5.4 **Powers and Duties**. The powers of the Association include, without limitation, all powers necessary for the administration of the affairs of the Association, including all powers and authority vested in or delegated to the Association (and not expressly prohibited or reserved to the Owners) by law or by the Governing Documents. The powers of the Association are vested in the Board, unless expressly reserved to the Owners by the Governing Documents or by law. The Association's powers shall include, without limitation, the power to:

a. Adopt, amend and revoke reasonable Rules consistent with the Governing Documents, as follows: (i) regulate the use of Common Elements, (ii) regulate the use of Units, and the conduct of Owners and Occupants, which may jeopardize the health, safety, or welfare of other Owners and Occupants, which involves noise or other disturbing activity, or which may damage the Common Elements, or other Units; (iii) regulate or prohibit animals; (iv) regulate changes in the appearance of the Common Elements and conduct which may damage the Property; (v) regulating the exterior appearance of the Property, including, for example, signs and other displays, regardless of whether inside a Dwelling; (vi) implement the Governing Documents, and exercising the powers granted by this Section; and (vii) otherwise facilitating the operation of the Property.

b. Adopt and amend budgets for revenues, expenditures and reserves, and levy and collect Assessments for Common Expenses, and foreclose Assessment liens incidental to its collection efforts.

c. Hire and discharge managing agents and other employees, agents, and independent contractors.

d. Institute, defend, or intervene in litigation or administrative proceedings (i) in its own name on behalf of itself, or two or more Owners on matters affecting the Common Elements, or other matters affecting the Property or the Association, or (ii) with the consent of the Owners of the affected Units on matters affecting only those Units.

e. Make contracts and incur liabilities.

f. Regulate the use, maintenance, repair, replacement and modification of the Common Elements, and the Units.

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

h. Grant easements as follows: (i) public utility and cable communications easements through, over or under the Common Elements, may be granted by the Board, subject to any restrictions contained in the Governing Documents; and (ii) other public or private easements, leases and licenses through, over or under the Common Elements, may be granted only by the approval of the Board, and by the Owners, other than Declarant, voting in an Association meeting, unless such easement is expressly authorized by the Declaration or another previously recorded instrument, subject to any restrictions contained in the Governing Documents.

i. Impose and receive payments, fees, or charges for services provided to Owners.

j. Impose charges for late payment of Assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Governing Documents or the Rules.

k. Borrow money, and encumber or pledge the assets of the Association as security therefor; provided that any borrowings in any twelve (12) month period which exceed, in aggregate ten percent (10%) of the Association's current annual budget, shall require approval by the Owners voting in an Association meeting.

l. Impose reasonable charges for the review, preparation and recording of amendments to the Governing Documents, resale certificates required by law, statements of unpaid Assessments, or furnishing copies of Association records.

m. Provide for the indemnification of its Officers, Directors, and committee members, and maintain Directors' and Officers' liability insurance.

n. Provide for reasonable procedures governing the conduct of Owners and Directors' meetings, and the election of Directors.

o. Appoint, regulate and dissolve committees to assist it in Board duties.

p. Exercise any other powers conferred by law or by the Governing Documents, which are necessary for the governance and operation of the Association.

5.5 **Meetings and Notices**. An annual meeting of the Board shall be held promptly following each annual meeting of the Owners. At each annual meeting of the Board (i) the Officers of the Association shall be elected, and (ii) any other business required by these Bylaws, the Declaration or which has been properly noticed to the Members.

5.6 **Regular Meetings**. Regular meetings of the Board shall be held at such times as may be fixed from time to time by a majority of the members of the Board, or, in the absence of such action, by the President. A schedule, or any amended schedule, of the regular meetings shall be provided to the Directors, and posted or published for the information of Owners, as provided in Section 5.10.

5.7 **Special Meetings**. Special meetings of the Board shall be called by the President on not less than three (3) days notice to each Director, or by the Secretary within ten (10) days following the written request of a majority of Directors. Notice to a Director shall be deemed to given when it is deposited in the United States mail postage prepaid to the home address of such Director, or when personally delivered, orally, in writing, or by facsimile by a representative of the Board.

5.8 **Waived Meetings**. Any Director may at any time waive notice of any meeting of the Board orally, in writing, or by attendance at the meeting. If all the Directors are present at a meeting of the Board, no notice shall be required, and any business may be transacted at such meeting.

5.9 **Electronic Conference**. A meeting of the Board may be conducted by a telephone conference or any means of communication through which the Directors may simultaneously hear each other during the meeting, if notice of the meeting has been given as would be required for a meeting and if the number of Directors participating is sufficient to constitute a quorum. Participating in a conference constitutes personal presence at the meeting.

5.10 **Open Meetings**. Except as otherwise provided in this Section, meetings of the Board must be open to the Owners. To the extent practicable, the Board shall give reasonable notice to the Owners of the date, time, and place of a Board meeting. If the date, time and place of meetings are provided for in the Governing Documents, announced at a previous meeting of the Board, posted in a location accessible to the Owners and designated by the Board from time to time, or if an emergency requires immediate consideration of a matter by the Board, notice is not required. "Notice" has the meaning given in Section 10.1, to follow. Notwithstanding the foregoing, meetings may be closed at the discretion of the Board to discuss the following:

a. Personnel matters; or

b. Pending or potential litigation, arbitration or other potentially adversarial proceedings between Owners, between the Board or Association and Owners, or other matters in which any Owner may have an adversarial interest, if the Board determines that closing the meeting is necessary to discuss strategy or to otherwise protect the position of the Board or Association or the privacy of an Owner or Occupant of a Unit; or

c. Criminal activity arising within the Property if the Board determines that closing the meeting is necessary to protect the privacy of the victim or that opening the meeting would jeopardize investigation of the activity.

Nothing in this Section imposes a duty on the Board to provide special facilities for meetings. The failure to give notice as required by this Section shall not invalidate the Board meeting or any action taken at the meeting.

5.11 **Quorum and Voting**. A majority of the members of the Board shall constitute a quorum for the transaction of business at any meeting thereof. A quorum, once established, shall continue to exist, regardless of the subsequent departure of any Directors. Each Director shall have one vote. The vote of a majority of the Directors present at any meeting at which a quorum is present shall be sufficient to adopt any action.

5.12 **No Proxies**. Directors shall not vote by proxy.

5.13 **Action Without a Meeting**. Any action that could be taken at a meeting of the Board of Directors may be taken without a meeting when authorized in a writing signed by all of the Directors.

5.14 **Vacancies**. A vacancy in the Board shall be filled by a person elected within thirty (30) days following the occurrence of the vacancy by a vote of the Owners which elected the departed Director. Each person so elected shall serve out the remainder of the term vacated.

5.15 **Removal of Directors**. A Director may be removed from the Board, with or without cause, by a majority vote at any annual or special meeting of the other Owners; provided, (i) that the notice of the meeting at which removal is to be considered states such purpose, (ii) that the Director to be removed has a right to be heard at the meeting, and (iii) that a new Director is elected at the meeting by the Owners to fill the vacant position caused by the removal. A Director may also be removed by the Board if such Director (i) has more than two (2) unexcused absences from Board meetings and/or Owners meetings during any twelve (12) month period, or (ii) is more than thirty (30) days past due with respect to the payment of Assessments or installments thereof on the Director's Unit. Such vacancies shall be filled by the vote of the Owners as previously provided in this Section.

5.16 **Compensation**. Except as authorized by a vote of the Owners at a meeting thereof, the Directors will receive no compensation for their services as Directors. However, when authorized by the Board, Directors may be reimbursed for actual expenses incurred in connection with the business of the Association. A Director or an entity in which the Director has an interest may, upon approval of the Board, be reasonably compensated under a contract for goods and services furnished to the Association in a capacity other than a Director; provided (i) that the contract is approved by a majority vote of the Board, excluding the interested Director, and (ii) that the Director's interest is disclosed to the Board prior to its approval.

5.17 **Fidelity Insurance**. Fidelity insurance coverage for unlawful taking of Association funds and other dishonest acts shall be obtained and maintained on all Directors and Officers authorized to handle the Association's funds or other monetary assets.

SECTION 6
OFFICERS

6.1 **Principal Officers Designation**. The principal officers of the Association shall be a President, a Vice President, a Secretary, and a Treasurer. All principal officers shall be elected by the Board. The Board may from time to time elect such other Officers and designate their duties as in their judgment may be necessary to manage the affairs of the Association. The offices of Treasurer and Secretary may be filled by the same person, however the Vice President and President must separate Owners and must be members of the Board.

6.2 **Election of Officers**. The Officers of the Association shall be elected annually by the Board at the annual meeting. All officers shall hold office at the pleasure of the Board.

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

6.4 **President**. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board. The President shall have all of the powers and duties which are customarily vested in the office of president of a corporation, including without limitation the duty to supervise all other Officers and to execute all contracts and similar obligations on behalf of the Association. The President shall have such other duties to the extent that the Board authorizes or mandates the delegation of such authority.

6.5 **Vice-President**. The Vice-President shall act in the place of the President and perform the President's duties whenever the President shall be absent or unable to act. The Vice-President also shall perform such other duties as shall from time to time be required by the Board.

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

6.7 **Treasurer**. The Treasurer shall have responsibility for the Association funds and securities and shall be covered by a bond or insurance in such sum and with such companies as the Board may require. The Treasures shall (i) be responsible for keeping the Association's financial books, Assessment rolls and accounts; (ii) cause an annual financial report to be prepared, subject to review by the Association's accountants; (iii) cause the books of the Association to be kept in accordance with generally accepted accounting practices and submit them to the Board for its examination upon request; (iv) cause all monies and other monetary assets of the Association to be deposited in the name of or to the credit of the Association in depositories designated by the Board; (v) cause the proper obligations of the Association to be paid when due; and (vi) perform all other duties incident to the office of the Treasurer. The Board may delegate the Treasurer's administrative functions to a managing agent; provided that such delegation shall not relieve the Treasurer of the ultimate responsibility for the Treasurer's duties.

6.8 **Compensation**. Except as authorized by a vote of the Owners at a meeting thereof, the Officers will receive no compensation for their services in such capacity. Officers may be reimbursed for actual expenses incurred in connection with the business of the Association. An Officer or an entity in which the Officer has an interest may, upon approval of the Board, be reasonably compensated under a contract for goods and services furnished to the Association in a capacity other than a Officer; provided (i) that the contract is approved by a majority vote of the Board, excluding the interested Officer, and (ii) that the Officer's interest is disclosed to the Board prior to its approval.

SECTION 7
ANNUAL REPORT

7.1 **Annual Report**. The Board shall prepare and provide to each Owner at or prior to each annual meeting a report of the affairs of the Association, including at least the following information:

(a) A copy of the statement of revenues and expense for the Association's last fiscal year, and a balance sheet as of the end of said fiscal year.

(b) A statement of the total past due Assessments on all homes, current as of not more than sixty (60) days prior to the date of the meeting.

SECTION 8
OPERATION AND ADMINISTRATION

8.1 **General**. Unless expressly reserved to the Owners, all powers and authority of the Association shall be delegated to and exercised by the Board.

8.2 **Assessment Procedures**. The Declarant shall determine when the first Assessment is levied. Thereafter, the Association shall annually prepare a budget of Common Expenses attributable to the Association and shall levy the annual Assessment against the Units as provided in the Governing Documents.

a. The annual Assessment shall be deemed to be levied against all Units effective as of the first day of the Association's fiscal year when the first Assessment is due, as determined by the Board, and notice shall be given to the Owners at least thirty days prior to the due date. The failure to timely levy an annual Assessment shall not relieve the Owners of their obligations to continue paying Assessment installments in the amount currently levied, as well as any increases subsequently levied.

b. The Board may amend the budget and Assessments, or levy a Special Assessment at any time. The levy shall be deemed to occur upon the date specified in the resolution, which fixes the Assessment.

c. The Board may levy limited Assessments against only certain Units under Section 6 of the Declaration. Such Assessments may be included in the Assessments levied annually against the affected Units or may be levied separately during the year. Such Assessments are not annual or special Assessments within the meaning of the Governing Documents.

d. The annual budget may include a general operating reserve, and an adequate reserve fund for maintenance, repair and replacement of any property, which the Association is obligated to maintain, including Common Elements, and any parts of the Units that must be maintained, repaired or replaced by the Association on a periodic basis.

e. The Association shall furnish copies of each budget on which the Assessment is based to a Member or Owner upon request.

8.3 __**Payment of Assessments**__. Unless otherwise designated by the Board or the Governing Documents, Annual Assessments shall be due and payable in monthly installments due in advance on the first day of the calendar month or period for which the Assessments are made. Special Assessments shall be due and payable when designated by the Board. Each Owner shall be absolutely and unconditionally obligated to pay its Assessments. No Owner or Occupant shall have any right of withholding, offset or deduction against the Association with respect to any Assessments, or late charges or costs of collection, regardless of any claims alleged against the Association or its Officers or Directors. Any such rights or claims by an Owner may be pursued only by separate action.

8.4 __**Default in Payment of Assessments**__. If an Owner does not make payment on or before the date when any Assessment or installment thereof is due, subject to such grace periods as may be established, the Board may assess, and such Owner shall be obligated to pay, a late charge for each such unpaid Assessment or installment thereof, together with all expenses, including reasonable attorneys fees, incurred by the Board in collecting any such unpaid Assessment. The Association shall have all remedies available to it under the Governing Documents or applicable law.

a. If there is a default of more than thirty (30) days in payment of any Assessment, the Board may accelerate any remaining installments of the Assessment upon prior written notice thereof to the Owner, and the entire unpaid balance of the Assessment and late charges shall become due and payable upon the date stated in the notice unless all past due amounts, including late charges, costs of collection and fines, are paid prior to said date.

b. The Board shall have the right and duty to attempt to recover all Assessments on behalf of the Association, together with any charges, attorneys' fees or expenses relating to the collection thereof. In addition, the Board shall have the right and duty to attempt to recover any and all collection or contingency fees or costs charged to the Association by a collection agency or other Person acting on behalf of the Association in collecting any delinquent amounts owed to the Association by an Owner or Occupant.

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

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

8.6 **Records**. The Board shall cause to be kept at the registered office of the Association, and such other place as the Board may determine, records of the actions of the Board, minutes of the meetings of the Board, minutes of the meetings of the Owners Association, names of the Owners, and detailed and accurate records of the receipts and expenditures of the Association. With the exception of records that may be privileged information, all Association records, including receipts and expenditures and any vouchers authorizing payments, shall be available for examination by the Owners for proper purposes, upon reasonable notice and during normal business hours. Separate accounts shall be maintained for each Unit setting forth the amount of the Assessments against the Unit, the date when due, the amount paid thereon and balance remaining unpaid.

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

SECTION 9
AMENDMENTS

9.1 These Bylaws may be amended, and the amendment shall be effective upon the satisfaction of the following conditions.

a. **Approval**. The amendment must be approved by (i) a majority of the Owners who have authority to cast in excess of fifty percent (50%) of the total votes in the Association, in writing or at a duly held meeting of the Owners, (ii) approved by the Declarant as provided in the Declaration, (iii) and the Board as to matters which affect the rights or obligations of the Association, (iv) and the Board.

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

c. **Effective Date**. The amendment shall be effective on the date that the required approvals are received. The amendment need not be recorded. If it is recorded, it should be recorded in the office of the recording office for the county in which the Property is located.

9.2 Indemnification of Officers and Directors. To the full extent permitted by Minnesota Statutes, Section 317A.521 as amended from time to time, or by other provisions of law, or insurance, each person who was or is a party or is threatened to be made a party to any proceeding by reason of a former or present official capacity in the Association shall be indemnified.

SECTION 10
MISCELLANEOUS

10.1 Notice. Unless otherwise provided specifically in the MCIOA, the Declaration or these Bylaws, all notices required to be given by or the Association, the Board, or the Association Officers 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, to the address of the intended recipient as set forth on the records of the Association; except that registrations pursuant to Section 2.2 shall be effective upon receipt by the Association.

10.2 Severability. The invalidity or unenforceability of any part of these Bylaws shall not impair or affect in any many the validity, enforceability or effect of the balance of these Bylaws.

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

10.4 Conflicts. In event of any conflict among the provisions of the Declaration, the Bylaws and Rules, the Declaration shall control. The Bylaws shall control as against the Rules.

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

10.6 Corporate Seal. The Association shall have no Corporate Seal.

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

CERTIFICATE

The undersigned certifies that these were the Bylaws adopted by the first Board of Highlands Townhome Association, a Minnesota nonprofit corporation, effective as of the date hereof.

Highlands Townhome Association, Inc..

By: Jerry J. Middlemist
Secretary
Highlands Townhome Association, Inc.