

**BY-LAWS  
OF  
VILLAS AT NATURES EDGE  
HOMEOWNERS ASSOCIATION**

These By-laws have been adopted by **VILLAS AT NATURES EDGE HOMEOWNERS ASSOCIATION** (the Association) as of the date hereof.

**1. GENERAL PURPOSES AND POWERS**

**1.01 PURPOSES.** The Association has been organized pursuant to M.S.A. 317.001, et seq., the Minnesota Nonprofit Corporation Act, as amended, to maintain, protect and govern the roads which serve the lots in the Plat and to exercise all of the powers, rights and privileges permitted by the Act, including but not limited to determining what "common expenses" will be and to fix, collect and enforce payment of such expenses.

**1.02 POWERS.** The Association shall have all of the powers of nonprofit corporations under the laws of Minnesota necessary or desirable to effectuate its purposes, including those set forth in the Act.

**1.03 DEFINITION.** The definition of the terms referred to in these By-Laws, if not defined herein, are set forth in the Articles of Incorporation in which these By-Laws are referenced.

**2. MEMBERSHIPS**

**2.01 MEMBERSHIP.** Membership shall be created and exist as provided in the Articles of Incorporation of VILLAS AT NATURES EDGE HOMEOWNERS ASSOCIATION. Membership shall terminate and pass to the successor owner when a person ceases to be an owner. When membership passes to a successor owner, the successor owner shall promptly give notice of such change of ownership to the secretary, together with (a) the date of change, (b) the address for notice if different than the unit, and (c) the name and address for notice to any First Mortgagee of record. A member shall be entitled to the benefits and be subject to the burdens relating thereto. No person other than an owner of a lot may hold a membership in the Association.

**2.02 VOTING RIGHTS OF MEMBERS.** Each lot shall be assigned voting rights as set forth in the Articles of Incorporation. No owner shall be entitled to vote on a matter to come before the Association either as an owner or as a member of the Board of Directors if such owner is delinquent in the payment of assessments levied pursuant to these By-Laws or the Articles. No voting rights shall inure to any lot if the same is owned by the Association. Cumulative voting shall not be permitted.

### 3. ASSOCIATION MEETINGS

**3.01 PLACE.** All meetings of the Association shall be at the office of the Association or at such other place in Beltrami County, Minnesota, as may be designated by the Board in the notice.

**3.02 ANNUAL MEETING.** The first annual meeting of members shall be held thirty (30) days after the recording of a Contract for Deed or Deed conveying the first lots in the development. Thereafter, annual meetings of the members shall be held within seven (7) days of the same date in each succeeding year unless the members at any annual or special meeting designate a different date for annual meetings. At annual meetings, a Board of Directors shall be elected and such other business shall be transacted as may come before the membership.

**3.03 SPECIAL MEETINGS.** Special meetings of the membership may be called by the President. Special meetings of the membership must be called by the President or Secretary at the request, in writing, of a majority of the Board of Directors or at the request, in writing, of one-third (1/3) of the total voting membership of the Association. The request shall state the purpose of the meeting requested and business transaction at the special meeting shall be confined to the purposes stated in the notice therefore.

**3.04 NOTICE OF MEETINGS.** At least twenty-one (21) days in advance of any annual or regularly scheduled meeting and at least seven (7) days in advance of any special meeting, the Secretary shall send to each lot owner notice of the time, place and complete agenda of the meeting. The notice shall be sent by United States mail to all lot owners of record at the address of the respective lot and to such other address as any of them may have designated to the Secretary.

**3.05 QUORUM.** A majority of the total voting membership of the Association shall be necessary to constitute a quorum at all meetings of the membership for the transaction of business. Such majority may be present in person or represented by written proxy. If a quorum shall not be present or represented at any membership meeting, the meeting may be adjourned from time to time without notice other than announcement at the meeting of adjournment until a quorum shall be present or represented, at which time any business may be transacted which might have been transacted at the meeting time initially specified had a quorum then been present.

**3.06 VOTING.** When a quorum is present, a majority of such quorum shall decide all matters brought before the meeting. However, if the Act, the Articles or these By-Laws require a different vote on the matter, such other provisions shall govern the vote required. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary before the appointed time of the meeting and shall be valid until revoked in writing.

**3.07 VOTE OF ASSOCIATION.** No vote at a membership meeting shall be permitted the Association as to any lot of which the Association is the owner.

**3.08 ANNUAL REPORT.** Treasurer shall be required to prepare an annual report on behalf of the Association to be provided to each owner prior to the annual meeting of the membership as required in 3.02 above. The report shall contain at a minimum the following:

- a. A statement of any capital expenditures in excess of One Thousand & no/100 Dollars (\$1,000.00 anticipated by the Association during the current year or succeeding two (2) fiscal years.
- b. A statement of the status and amount of any reserve for replacement fund, if any, and any portion of the fund designated for any specified project by the Board.
- c. A copy of the statement of financial condition for the Association for the last fiscal year.
- d. A statement of the status of any pending suits or judgments in which the Association is a party.
- e. A statement of the insurance coverage provided by the Association, if any.
- f. A statement of any unpaid assessments by the Association on individual lots, identifying the lot and the amount of the unpaid assessment.

A copy of the foregoing report shall be sent by U.S. Mail to all owners of record at the address of their respective units and to such other address as any of them may have designated to the Secretary at least seven (7) days in advance of the annual meeting.

**3.09 VOTING REGISTER.** At the beginning of each meeting, the Secretary shall prepare and present a statement containing the names, lots and number of votes for each owner present in person or by proxy and entitled to vote.

**3.10 ORDER OF BUSINESS.** The order of business at annual meetings and at such other membership meetings as practical shall be as follows:

- a. Designation of the President as Chairman of the meeting.
- b. Proof of notice of the meeting as required by 3.04 above.
- c. Roll call and proxy certification.
- d. Reading of minutes of preceding meeting.
- e. Reports of officers, including specifically report of Treasurer as required by 3.08 above.
- f. Reports of committees.
- g. Election of members of the Board of Directors.
- h. Unfinished business.
- i. New business.
- j. Adjournment.

#### 4. BOARD OF DIRECTORS

**4.01 NUMBER AND QUALIFICATION.** The initial Board of Directors shall consist of the persons designated as directors in the Articles of Incorporation whose term shall be as provided in Article VII thereof. Upon the ending of the terms of the initial Board of Directors, the Board of Directors shall be composed of three (3) persons, all of whom shall be owners.

**4.02 TERM OF OFFICE.** At the first annual meeting of the members, both initial Director's terms shall expire. The members shall then elect three (3) Directors whose terms shall be one (1), two (2), and three (3) years respectively. At each annual meeting thereafter, the members shall elect one (1) Director for a term of three (3) years.

A director shall hold office until his successor has been elected and shall have been qualified or until he has been removed in accordance with the provisions of these By-laws.

**4.03 POWERS AND DUTIES.** The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all such acts and things except such acts and things as by these By-Laws may not be delegated to the Board of Directors. Such power and duties of the Board of Directors shall include, but shall not be limited to, the following:

- a. To maintain, protect and govern the roads within the Plat.
- b. Determination of what shall constitute common expenses, expenses required for the affairs of the Association, which shall include all ordinary and necessary operating expenses for the operation and maintenance of the common areas above noted.
- c. Levy and collection of common expenses from the members.
- d. Preparation and submission to the members of an annual report required by 3.08 above
- e. Making improvements, repairs and/or replacements to the property at a cost not to exceed One Thousand & no/100 Dollars (\$1,000.00), at its discretion without further approval of the members.

**4.04 MEETINGS AND NOTICE.** An annual meeting of the Board shall be held immediately following the annual meeting of the membership. Regular meetings of the Board shall be held at such places and times as may be fixed from time to time by a majority of the Board. Special meetings of the Board shall be held when called by the president of the Association or by the Secretary upon written request of any two (2) directors. Notice of any meeting must be given to each director not less than three (3)

days in advance thereof. Such notice may be waived by a director in writing or by attendance at the meeting.

**4.05 QUORUM.** A majority of the number of directors shall constitute a quorum for the transaction of business. Every resolution passed by a majority vote of the directors present at a meeting at which a quorum is present shall be regarded as an act of the Board and of the Association.

**4.06 ACTION TAKEN WITHOUT A MEETING.** Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting when authorized in writing signed by all of the directors.

**4.07 VACANCIES.** Vacancies in the Board of Directors shall be filled by a person elected by a majority vote of the remaining directors, which persons shall serve out the term vacated.

**4.08 REMOVAL.** Any director may be removed from the Board, with or without cause, by fifty-one percent (51%) of the vote of the total voting membership of the Association as that term is defined in the Articles at any annual or special meeting thereof. Notice of the meeting at which removal is to be considered shall state such purpose.

**4.09 COMPENSATION.** No director shall receive compensation for any service he/she may render as a member of the Board of Directors unless such compensation is approved at a membership meeting. However, any director may be reimbursed, by resolution of the Board of Directors, for his/her actual expenses incurred in the performance of his/her duties as a director.

**4.10 FIDELITY BONDS.** At the discretion of the Board of Directors, any Board member, officer or employee may be required to furnish a fidelity bond, the premium for which shall be paid by the Association and shall be a common expense.

## 5. COMMON EXPENSE

**5.01 DEFINITION.** Common expenses shall mean and include, without limiting the authority of the Board of Directors to designate other items as common expenses, all expenses incurred by the Board of Directors or by officers of the corporation pursuant to authority given to the Board of Directors by law, and the performance of the powers and duties of the Board of Directors.

## 6. OFFICERS

**6.01 PRINCIPAL OFFICERS.** The principal officers of the Association shall be a President, a Secretary and a Treasurer, all of whom shall be elected by the Board. The Treasurer need not be a member of the Association. 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 Secretary and Treasurer may be held by the same person.

**6.02 ELECTION OF OFFICERS.** The officers of the Association shall be elected annually by the Board at its annual meeting and shall hold office at the pleasure of the Board.

**6.03 REMOVAL OF OFFICERS.** Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, with or without cause, and his/her successor elected at any regular meeting of the Board, or at any special meeting of the Board called for that purpose.

**6.04 PRESIDENT.** The President shall be the chief executive officer of the Association. He/She shall preside at all meetings of the Association and of the Board. He/She shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including, without limitation, the duty to supervise all other officers, to preside at all member and Board meetings and to execute all contacts and similar obligations on behalf of the Association. He/She shall have such other duties as may from time to time be prescribed by the Board.

**6.05 SECRETARY.** The Secretary shall keep the minutes of all meetings of the Board and the members. He/She shall keep and have charge of the books and records of the Board and the Association. He/She shall give all notices required. He/She shall, in general, perform all the duties incident to the office of secretary of a corporation, including giving notice at least twenty-one (21) days in advance of any annual or regularly scheduled meeting and at least seven (7) days in advance of any other meeting as required by 3.04 above.

**6.06 TREASURER.** The Treasurer shall have custody of all intangible property of the Association, including funds, securities and evidences of indebtedness and shall give bond in such sum and with such sureties as the Board may require. He/She shall keep the assessment rolls and accounts of the owners. He/She shall keep the books of the Association in accordance with generally acceptable accounting principles and shall submit them to the Board for its examination upon request. He/She shall deposit all moneys and other valuable effects in the name of or to the credit of the Association in such depositories as may be designated by the Board and shall disburse the funds of the Association as ordered by the Board and shall perform all other duties incident to the office of the Treasurer. If a managing agent or manager be employed, the Board may designate some or all of the foregoing functions to be entrusted to him/her, subject to bonding and subject to the Treasurer's supervision. The Treasurer shall prepare and distribute an annual report as required by 3.08 above.

**6.07 COMPENSATION.** Officers of the corporation shall receive no compensation from the Association for their services in such capacity, but may be reimbursed for out-of-pocket expenses incurred in the performance of their duties. In the event the Treasurer

is a non-member of the Association, the Board shall have the power to provide such Treasurer with reasonable compensation for services performed.

## **7. OPERATION OF THE PROPERTY.**

**7.01 BUDGET-LEVY.** The Board shall, from time to time, and at least annually, prepare a budget of common expense for the Association and allocate, assess and levy such common expenses among the owners as set out in more detail in Paragraph 7.02. The levy shall be deemed to occur upon the vote of adoption of the resolution which sets forth the common expense among the owners. The levy shall be deemed to occur upon the vote of adoption of the resolution which sets forth the common expense and the allocation to the owners. The common expenses shall include those common expenses set forth in these By-laws and may include such other amounts as the Board may deem proper for the operation and maintenance of the property. The Board shall fix the amount of the annual assessment against each lot prior to the last day of December preceding the year for which the assessment is made, and shall advise all members in writing, prior to the tenth day of December, of the amount of the assessment payable by each of them. The Board shall, upon request by the member, furnish copies of each budget on which such common expenses and the assessment are based to such member and to his First Mortgage.

**7.02 PAYMENT OF COMMON EXPENSES.** All owners shall be obligated to pay the common expenses assessed and levied by the Board pursuant to 7.01 above. Such assessment shall be due in an annual installment on the first day of February of the year for which the assessments are made. If an annual assessment proves to be insufficient, the budget and assessment therefore may be amended at any time by the Board. Any mortgage acquiring a first mortgage interest from an owner of a lot may, as a condition of the loan, include in the mortgage note or deed a requirement that the mortgagor, upon execution of the mortgage deed, make a monthly deposit with the mortgagee of all common expenses. The mortgage note or deed may further provide that a default in making such deposit shall be default under the terms of the mortgage deed. If that mortgagee collects the monthly installments, such mortgagee may remit the installments quarterly instead of monthly to the Association.

**7.03 DEFAULT IN PAYMENT OF COMMON EXPENSES.** Payment of assessments made on or before thirty (30) days after the date when due shall not bear interest. In the event any owner does not make payment on or before thirty (30) days after the date when due, such owners shall be obligated to pay interest at the rate of eight per cent (8%) per annum on such assessment from the date due, together with all expense, including reasonable attorney's fees incurred by the Board in any proceeding brought to collect any such unpaid assessment. In the event of a default of more than thirty (30) days in payment of any assessment or installment of assessment, the Board may accelerate the remaining installments of the assessment upon notice thereof to the owner. The entire unpaid balance of the assessment with all accrued interest shall then become due and payable upon the date stated in the notice. The Board shall have the right and duty to attempt to recover all assessments for common expenses, together with

interest thereon, together with the expenses of the proceeding, including reasonable attorney's fees, in an action to recover the same brought against any owner or by foreclosure of the lien on a lot. Upon written request of a first mortgagee, notice of a default of more than thirty (30) days in payment of any assessment or installment of an assessment for common expenses or any other default in the performance of obligations by any owners shall be given in writing to the first mortgagee by the Secretary of the Association.

**7.04 FORECLOSURE OF LIENS FOR UNPAID ASSESSMENTS.** In any action brought by the Association to foreclose a lien on a lot because of any unpaid assessments or installments of assessments, the owner may be required by the Board to pay a reasonable rental for the use of the lot and the Association shall be entitled to the appointment of a receiver to collect the same.

**7.05 RULES AND REGULATIONS.** Rules and regulations concerning the use of the property in this plat may be promulgated and amended from time to time by the Board. Copies of such rules and regulations and amendments thereto shall be furnished by the Board to all owners by U.S. Mail.

**7.06 RECORDS.** The Board shall cause to be kept at the registered office of the Association or at such other place as is agreed from time to time, records of the actions of the Board, minutes of the meetings of the Board, minutes of the meetings of the Members of the Association, names of the owners and mortgagees and detailed and accurate records in chronological order, of the receipts and expenditures affecting the common areas and facilities. Such records of receipts and expenditures and the vouchers authorizing payments shall be available for examination by the owners or mortgagees at convenient hours of weekdays. Separate accounts of each lot containing the amount of the assessments against the lot, the date when due the amount paid thereon and the balance remaining unpaid shall be kept.

## **8. AMENDMENT TO BY-LAWS**

**8.01 CONDITIONS OF AMENDMENT.** These By-Laws may be amended only by complying with the following two conditions:

- a. By approval of a majority vote of the first Board of Directors in writing or at a duly held meeting of the Board of Directors.
- b. After election of the second Board of Directors the By-Laws may be amended only by approval of the members entitled to cast at least seventy-five per cent (75%) of the votes in the Association in writing, or at a duly held meeting of the members called for the purpose of amending the By-Laws.

## 9. INDEMNIFICATION OF OFFICERS AND DIRECTORS

**9.01 CONDITIONS.** The Association shall indemnify every director and officer, his/her heirs, executors, and administrators against all loss, cost, and expense, including attorney's fees, reasonably incurred by him/her in connection with any action, suit or proceeding to which he/she may be made a party by reason of his/her being or having been a director or officer of the Association, except as to matters as to which he/she be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of his/her duty as such director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such director or officer may be entitled. All liability, loss, damage, costs and expenses incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as a common expense. However, nothing in this 9.01 shall be deemed to obligate the Association to indemnify any owner who is or has been a director or officer of the Association with respect to any duties or obligations assumed or damage or liabilities incurred by him solely in his capacity as an owner.

## 10. MISCELLANEOUS

**10.01 NOTICES.** All notices required hereunder shall be sent by regular mail to the Board at the corporate office in Bemidji, Minnesota, or at such other address as the Board may hereafter designate from time to time by resolution duly adopted. All notices to any owner shall be sent by regular mail to the address of his/her lots or to such other address as may have been designated by him/her in writing from time to time to the Board. All notices to First Mortgagees of lots shall be sent by certified mail to the respective addresses as designated by them from time to time in writing to the Board. All notices shall be deemed to have been given when mailed.

**10.02 FISCAL YEAR.** The fiscal year of the corporation shall be the calendar year.

**ADOPTED** this \_\_\_\_ day of \_\_\_\_\_, 2006, by the Board of Directors specified in the Articles of Incorporation.

**VILLAS AT NATURES EDGE  
HOMEOWNERS ASSOCIATION**

\_\_\_\_\_  
Director and President

\_\_\_\_\_  
Director and Secretary

