

COMMON INTEREST COMMUNITY NUMBER 19
Planned Community

NORTH COUNTRY RENDEZVOUS
DECLARATION

**NORTH COUNTY RENDEZVOUS
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**DECLARATION OF COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS**

**COMMON INTEREST COMMUNITY NUMBER 19
PLANNED COMMUNITY**

NORTH COUNTRY RENDEZVOUS

DECLARATION

This Declaration of covenants, conditions, restrictions and easements (the "Declaration") is made on _____, 2005, by North Country Rendezvous LLC, a Limited Liability Company organized under the Laws of the State of Minnesota (the "Declarant"), pursuant to the provisions of Minnesota Statutes Chapter 515B, known as the Minnesota Common Interest Ownership Act (the "Act"), for the purpose of creating North Country Rendezvous.

R E C I T A L S

A. Declarant are the owners of certain real property located in Lake County, Minnesota, legally described in **Exhibit A** attached hereto, and Declarant desire to submit said real property and all improvements thereon (collectively the "Property") to the Act.

B. It is Declarant' intention that North Country Rendezvous will be a "planned community" as that term is defined in the Act.

C. Declarant desire to establish on the Property a plan for a permanent residential community to be owned, occupied and operated for the use, health, safety and welfare of its Owners and Occupants, and for the purpose of preserving the value, the amenities, the structural quality, and the original architectural and aesthetic character, of the Property.

D. Declarant have incorporated North Country Rendezvous Homeowners' Association, Inc., under the laws of State of Minnesota as a non-profit corporation for the purpose of acting as the Association, with the duty and power of maintaining, administering and enforcing the covenants and restrictions, and collecting and enforcing the assessments and charges hereinafter created and imposed.

E. The Property is not subject to an ordinance referred to in Section 515B.1-106 of the Act, governing conversions to common interest ownership, and is not subject to a master association as defined in the Act.

THEREFORE, Declarant make this Declaration and submit the Property to the Act as a planned community, initially consisting of the Units referred to in Section II, and declare 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, 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. "Association" means North Country Rendezvous Homeowners' Association, Inc., a nonprofit corporation which has been created pursuant to Chapter 317A of the laws of the State of Minnesota and Minnesota Statutes Section 515B.3-101, whose members consist of all Owners as defined herein.

1.2. "Board" means the Board of Directors of the Association as provided for in the By-Laws.

1.3. "By-Laws" means the By-Laws governing the operation of the Association, as amended from time to time.

1.4. "Common Elements" means all parts of the Property except the Units, including all improvements thereon, owned by the Association for the common benefit of the Owners and Occupants.

1.5. "Common Expenses" means and includes all expenditures made or liabilities incurred by or on behalf of the Association, including without limitation, allocations to reserves and those items specifically identified as Common Expenses in the Declaration or By-Laws.

1.6. "Declarant" means North Country Rendezvous, LLC, a Minnesota Limited Liability Company.

1.7. "Declaration" means this Declaration of Covenants, Conditions, Restrictions and Easements for Common Interest Community No.19 for North Country Rendezvous.

1.8. "Dwelling" means a building consisting of one or more floors, designed and intended for occupancy as a single family residence, and located within the boundaries of a Unit and the Limited Common Elements assigned to the Unit. The Dwelling includes any garage or other outbuilding associated therewith or otherwise included within the boundaries of the Unit in which the Dwelling is located.

1.9. "Eligible Mortgagee" means any Person owning a recorded 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 a writing which includes such Person's address and an identification of the mortgage owned, to notify it regarding any proposed action which requires approval by a specified percentage of Eligible Mortgagees. As used herein, the term "mortgage" includes contracts for deed, and the term "Eligible Mortgagee" includes a Person owning the record title to a Unit as a vendor under a contract for deed.

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

1.11. "Limited Common Elements" means those parts of the Common Elements reserved for the exclusive use of the Owners and Occupants of the Units to which they are allocated.

1.12. "Limited Unit Elements" means those of the areas of the Units reserved for the exclusive use of the Owners and Occupants of the Units to which they are allocated; however, containing restrictions on the use by the owners and occupants.

1.13. "Majority" means (for voting purposes) the holders of more than fifty percent (50%) of the votes present and entitled to vote in accordance with the provisions of the Declaration or the By-Laws.

1.14. "Member" means all persons who are members of the Association by virtue of being Owners as defined in this Declaration. The words "Owner" and "Member" may be used interchangeably in the Governing Documents.

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

1.16. "Owner" means a Person who owns a Unit, but excluding contract for deed vendors, mortgagees and other secured parties within the meaning of Section 515B.1-103(30) of the Act. The term "Owner" includes, without limitation, contract for deed vendees and holders of a life estate.

1.17. "Person" means a natural individual, corporation, Limited Liability Company, Partnership, Trustee, or other legal entity capable of holding title to real property.

1.18. "Plat" means the recorded plat depicting the Property pursuant to the requirements of Section 515B.2-110, including any amended or supplemental Plat recorded from time to time in accordance with the Act.

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

1.20. "Resort Managing Agent" means the managing agent hired by the Association to conduct the day-to-day management and maintenance activities of North Country Rendezvous. Such activities shall include, but are not limited to, maintenance of the Common Elements and provision of business and accounting services for the Association.

1.21. "Rules and Regulations" means the Rules and Regulations of the Association as approved from time to time pursuant to Section 5.6.

1.22. "Unit" means any platted lot subject to this Declaration upon which a Dwelling is located or intended to be located, as shown on the Plat, including all improvements thereon, but excluding the Common Elements.

Any terms used in the Governing Documents, and defined in the Act and not in this Section, shall have the meaning set forth in the Act.

SECTION 2 DESCRIPTION OF UNITS AND APPURTENANCES

2.1. Units. There are fourteen (14) Units. All Units shall be used for both single-family residential dwellings in accordance with the regulations set forth in Section 7 of the Rules and Regulations. 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 the Act. The Unit identifiers and locations of the Units are as shown on the Plat. Additionally, the Limited Unit Elements are shown and identified on the Plat.

2.2. Unit Boundaries. The boundaries of each Unit shall be the boundary lines of the 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. Subject to this Section 2 and to Section 3 of this Declaration, all spaces, walls, and other improvements within the boundaries of a Unit are a part of the Unit.

2.3. Each Unit will share a dock with the adjoining Unit as indicated on the Plat. Additionally, the dock on the West side of Unit 13 will be shared with property outside the plat. Maintenance of the docks will be borne equally by the Unit owners sharing each dock. Docks must be maintained in a reasonably good and serviceable condition by said Unit owners.

2.4. Access Easements. Each Unit shall be the beneficiary of an appurtenant easement for access to a public street, highway, or access easement appurtenant to the Property, on or across the Common Elements as shown on the Plat, subject to any restrictions set forth in this Declaration.

2.5. Use and Enjoyment Easements. Each Unit shall be the beneficiary of appurtenant easements for use and enjoyment on and across the Common Elements, and for use and enjoyment of any Limited Common Elements allocated to the Unit, subject to any restrictions authorized by the Declaration.

a. Specifically the owners of Unit 15 shall have a appurtenant easement across the west 10 feet of Unit 13 for a walking path access to the lake and may maintain one (1) four foot wide dock to be shared with the owners of the duplex to the South not located on the Plat.

b. The owners of Unit 9 shall be granted a 10 foot wide appurtenant easement over and across the west 5 feet of Unit 7 and the East 5 feet of Unit 8 or access to the lake. This easement shall include the right to construct one 4 foot wide. The seasonal storage on the easement of a non-motorized water craft the size of an 18 foot canoe or smaller shall be permitted.

2.6. Utility and Maintenance Easements. Each Unit shall be subject to and shall be the beneficiary of appurtenant easements for all services and utilities serving the Units and the Common Elements, and for maintenance, repair and replacements as described in Section 14.

2.7. Encroachment Easements. Each Unit shall be subject to and shall be the beneficiary of the appurtenant easements for encroachments as described in Section 14.

2.8. Declarant' Easements. Declarant shall have and be the beneficiary of easements for construction and sales activities as described in Section 16, and to any other easement reserved to Declarant in this Declaration. Further, Declarant shall have and be the beneficiary of easements over and across (and, with respect to utilities, over, across, or under) the Common Elements to access Moose Lake and adjoining property in which Declarant, or Declarant's successors in interest, may hold an interest.

2.9. Recorded and Non-Owner Easements. The Property shall be subject to such other easements as may be recorded against it or as may otherwise be 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 be appurtenant thereto, and shall be perpetual, subject only to termination in accordance with the Act 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.

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 Association to establish and enforce reasonable Rules and Regulations governing the use of the Property.

SECTION 3 COMMON ELEMENTS AND LIMITED COMMON ELEMENTS

3.1. Common Elements. The Common Elements and the characteristics of the Common Elements are as follows:

- a. All of the Property not included within the Units constitutes Common Elements. The Common Elements include those parts of the Property designated as Common Elements on the Plat or in the Act. The Common Elements are owned by the Association for the benefit of the Owners and Occupants, and are hereby granted and conveyed to the Association without the need for any other act by or instrument from Declarant.
- b. The Common Elements shall be subject to certain easements as described in Section 2, and to the rights of Owners and Occupants in Limited Common Elements appurtenant to their Units.
- c. Subject to Sections 5, 6 and 9, all maintenance, repair, replacement, management and operation of the Common Elements shall be the responsibility of the Association.
- d. 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.
- e. ~~Additionally, designated as a Common Element shall be a building for water utilities, toilet, shower, and storm shelter a shower house located on the common Elements near Units 3, 4, and 5. Said shower structure house shall be for the exclusive use of the Unit Owners and their.~~
- e. ~~Additionally, designated as a Common Element shall be a shower house located on the common Elements near Units 3, 4, and 5. Said shower house shall be for the exclusive use of the Unit Owners and their guests at such times of the year when the water systems in the Units are not useable.~~

3.2. Limited Common Elements. The Limited Common Elements are those parts of the Common Elements reserved or designed for the exclusive use of the Owners and Occupants of the Units to which they are allocated, and the rights to the use and enjoyment thereof are automatically conveyed with the conveyance of such Units. The Limited Common Elements are described and allocated to the Units as follows:

- a. Chutes, flues, ducts, pipes, wires, conduit or other utility installations, bearing walls, bearing columns, or any other components or fixtures lying partially within and partially outside the boundaries of a Unit, and serving only that Unit, are allocated to the Unit they serve. Any portion of such installations serving or affecting the function of more than one Unit or any portion of the Common Elements is a part of the Common Elements, but is not a Limited Common Element.
- b. Improvements such as decks, patios, balconies, shutters, awnings, window boxes, doorsteps, stoops, perimeter doors and windows, constructed as part of the original construction to serve a single Unit, and authorized replacements and modifications

thereof, if located outside the Unit's boundaries, are Limited Common Elements allocated exclusively to that Unit.

- c. For all Units with lakeshore frontage, such lakeshore frontages located within the Shore Impact Zone are Limited Unit Elements of the applicable Units as so designated in the Plat.
- d. Any wells located on a unit which service another Unit shall be deemed a Limited Common Element as relates to only those Units serviced by said well and maintenance of said well shall be the responsibility of the Units serviced by said well in equal shares.

3.3 Limited Unit Elements. Each Unit shall contain a quantity of open space of limited use within the Unit boundaries. This area constitutes areas of open space is delineated on the Plat and so labeled as Limited Unit Elements. This does not provide use of said areas to the other unit owners without the permission of the Limited Unit Element owner.

- a. The owner of each Unit shall keep said designated area open and free from any buildings, structures, clothesline poles, swing sets, or other erected objects of any kind, fastened to ground in any manner. The owner may leave said open space in a natural not groomed condition; provided that the owner shall maintain said open space in a clean and free of trash or litter.
- b. Unless otherwise agreed to by the Unit owner and the Association, the Association shall not be responsible for any costs of upkeep or maintenance of said Limited Unit Elements.
- b. Other than the above restrictions the Unit owners shall possess complete and exclusive ownership, possession, and control over said Limited Unit Elements.

3.4. Road Maintenance Outside the Property. Such costs shall be designated as a Common Expense obligation and allocated among Owners in accordance with Section 4.3 of this Declaration.

SECTION 4 ASSOCIATION MEMBERSHIP: RIGHTS AND OBLIGATIONS

Membership in the Association, 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 virtue 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. Voting rights are allocated as One (1) vote per Unit irrespective of size, location or number of owners of any given Unit. In the case of multiple Owners of Unit, if the owners cannot agree on any particular issue being voted on by the Association then said Unit will not have any vote.

4.3 Common Expenses. Common Expense obligations are allocated equally among all the Units; except that special allocations of Common Expenses shall be permitted as provided in Section 6.

4.4. Appurtenant Rights and Obligations. The ownership of a Unit shall include the voting rights and Common Expense obligations described in this Section 4. Said rights, obligations and interests, and the title to the Units, shall not be separated or conveyed separately. The allocation of the rights, obligations and interests described in this Section may not be changed, except in accordance with the Governing Documents and the Act.

4.5. Authority to Vote. The Owner, or some natural person designated to act as proxy on behalf of the Owner, and who must be an Owner, may cast the vote allocated to such Unit at meetings of the Association; provided, that if there are multiple Owners of a Unit, only the Owner or other Person designated pursuant to the provisions of the By-Laws or such Owner or other person's proxy may cast such vote. The voting rights of Owners are more fully described in the By-Laws.

SECTION 5 ADMINISTRATION

The administration and operation of the Association and the Property, including but not limited to the acts 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 Regulations, and the Act. The Association shall, subject to the rights of the Owners set forth in the Governing Documents and the Act, be responsible for the operation, management and control of the Property. The Association shall have all powers described in the Governing Documents, the Act and Minn. Stat. § 317A. 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 the Act. All references to the Association shall mean the Association acting through the Board unless specifically stated to the contrary.

5.2. Operational Purposes. The Association shall manage the Property for the purposes of (i) administering and enforcing the covenants, restrictions, easements, charges and liens set forth in the Governing Documents and the Rules and Regulations and (ii) preserving the value and architectural uniformity and character of the Property. The Association may appoint a Managing Agent to manage the day-to-day operations of North Country Rendezvous . The Association shall enter a Management

Agreement with the Managing Agent, which shall set forth the terms of the parties' relationship, including, but not limited to the Managing Agent's duties and compensation, if any.

5.3. Binding Effect of Actions. All agreements and determinations made by the Association in accordance with the powers and voting rights established by the Governing Documents or the Act 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 the Act.

5.4. By-Laws. The Association shall have By-Laws. The By-Laws and any amendments thereto shall govern the operation and administration of the Association.

5.5. Management. The Board shall delegate to the Managing Agent the management duties imposed upon the Association's officers and directors by the Governing Documents and the Act; provided, however, that 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.

5.6. Rules and Regulations. The Board shall have exclusive authority to approve and implement such reasonable Rules and Regulations as it deems necessary from time to time for the purpose of operating and administering the affairs of the Association and regulating the use of the Property; provided that the Rules and Regulations shall not be inconsistent with the Governing Documents or the Act. The inclusion in other parts of the Governing Documents of authority to approve Rules and Regulations shall be deemed to be in furtherance, and not in limitation, of the authority granted by this Section. New or amended Rules and Regulations shall be effective only after seven (7) days' written notice thereof has been given to the Owners.

5.7. 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 FOR COMMON EXPENSES

6.1. General. Assessments for Common Expenses shall be determined and assessed against the Units by the Board, in its discretion; subject to the limitations set forth in Sections 6.2 and 6.3, and the requirements of the By-Laws. Assessments for Common Expenses shall include annual assessments and may include special assessments. Assessments shall be allocated among the Units equally subject to the following qualifications.

- a. Any Common Expense associated with the maintenance, repair, or replacement of a Limited Common Element undertaken by the Association may be assessed exclusively

against the Unit or Units to which that Limited Common Element is assigned, on the basis of the actual cost incurred with respect to each Unit.

- b. Any Common Expense or portion thereof benefiting fewer than all of the Units may be assessed exclusively against the Units benefited, on the basis of the actual cost incurred with respect to each Unit.
- c. The costs of insurance may be assessed in proportion to value, risk or coverage, and the costs of utilities may be assessed in proportion to usage.
- d. Reasonable attorneys' fees and other costs incurred by the Association in connection with (i) the collection of assessments and (ii) the enforcement of the Governing Documents, the Act, or the Rules and Regulations, against an Owner or Occupant or their guests, may be assessed against the Owner's Unit.
- e. Fees, charges, late charges, fines and interest may be assessed as provided herein.
- f. Assessments levied under the Act 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 their Common Expense liabilities.
- g. If any damage to the Common Elements 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.
- h. If any installment of an assessment becomes more than 30 days past due, then the Association may, upon 10 days' written notice to the Owner, declare the entire amount of the assessment immediately due and payable in full.
- i. If Common Expense liabilities are reallocated for any purpose authorized by the Act, Common Expense assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated Common Expense liabilities.

6.2. Annual Assessments. Annual assessments shall be established and levied by the Board, subject only to the limitations set forth in Sections 6.2 and 6.3. Each annual assessment shall cover all of the anticipated Common Expenses of the Association for that year. Unless otherwise provided in the Articles or By Laws the assessment period shall commence on January 1st of each year and terminate on December 31st. Annual assessments shall provide, among other things, for contributions to a separate reserve fund sufficient to cover the periodic cost of maintenance, repair and replacement of the Common Elements and those parts of the Units for which the Association is responsible.

- a. Until a Common Expense assessment is levied, Declarant shall pay all accrued expenses of the common interest community.

- b. After a Common Expense assessment is levied, the annual assessment may be subsequently increased by the Board, subject to Section 6.2.c.
- c. The Association's Board of Directors shall set the total annual regular assessment based upon an advanced budget of the Association's requirements for the following assessment year. A summary of that budget shall be mailed by ordinary first class mail or otherwise delivered to all Owners by no later than December 1 of the current budget year (i.e. to take effect on January 1 of the next assessment year). Subject to the voting requirements for any increase in the annual regular assessment which exceeds twenty percent (20%) of the prior year's regular assessment, the budget shall take effect on January 1 of the assessment year to which it applies.
- d. The Board shall cause to be prepared, delivered, or mailed to each Owner, at least thirty (30) days in advance of the date payment is due, a payment statement setting forth the annual regular assessment. All payments of regular assessments shall be due and payable without any notice or demand, on the due dates declared by the Board. Regular assessments shall be applicable to all Units, provided that the Declarant shall have no liability for regular assessments until the transfer of control date as aforesaid. Each owner other than the Declarant shall become responsible for the regular assessment on a Unit as of the date the Unit is transferred to such owner. The first annual regular assessment for each Owner shall be adjusted according to the number of months remaining in the year.

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 for the purpose of defraying in whole or in part (i) the cost of any unforeseen or unbudgeted Common Expense, (ii) general or specific reserves for maintenance, repair or replacement, and (iii) the maintenance, repair or replacement of any part of the Property, and any fixtures or other property related thereto. Notwithstanding the foregoing, any special assessment shall be subject to approval by the vote of a majority of those Owners voting, in person or by proxy, at a meeting called for that purpose. Written notice of the meeting shall be sent to all Owners not less than twenty-one (21) days nor more than thirty (30) days in advance of the meeting.

6.4. Liability of Owners for Assessments. The obligation of an Owner to pay assessments shall commence at the later of (i) the time at which the Owner acquires title to the Unit, or (ii) the due date of the first assessment levied by the Board, subject to the alternative assessment program described herein. The Owner at the time an assessment is payable with respect to the Unit shall be personally liable for the share of the Common Expenses assessed against each Unit. Such liability shall be joint and several where there are multiple Owners of the Unit. The liability is absolute and unconditional. No Owner is exempt from liability for payment of his or her share of Common Expenses 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 Association or its officers, directors or agents, or for their failure to fulfill any duties under the

Governing Documents or the Act. The Association may invoke the charges, sanctions and remedies set forth in Section 15, in addition to any remedies provided elsewhere in the Governing Documents, the Rules and Regulations, or by law, for the purpose of enforcing its rights hereunder.

6.5. 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 the Act are liens, and are enforceable as assessments, under this Section. Recording of the Declaration constitutes record notice and perfection of any lien under this Section, and no further recordation of any notice of or claim for the lien is required.

6.6. 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 as a lien under 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, 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.

6.7. 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 (i) a first mortgage on a Unit is foreclosed, (ii) the first mortgage was recorded on or after the date of the recordation of this Declaration, and (iii) no Owner redeems during the Owner's period of redemption provided by 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 of the Act which became due, without acceleration, during the six months immediately preceding the first day following the end of the Owner's period of redemption. This provision shall not prevent the Association from redeeming as a creditor.

6.8. 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 satisfied, and may be foreclosed or otherwise enforced. 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 Act 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 and the Act, as amended from time to time. All covenants, restrictions and obligations set forth in 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 owing an interest in the Property, their heirs, personal representatives, successors and assigns.

7.2. Subdivision Prohibited. Except as permitted by the Act, no Unit nor any part of the Common Elements may be subdivided or partitioned without the prior written approval of all Owners and all secured parties holding first mortgages on the Units.

7.3. Residential Use. The Units shall be used by Owners and Occupants and their guests exclusively as private, single family residential dwellings and not for commercial, business or other non-related purposes, except as provided herein. No mobile homes shall be allowed as Dwellings on any of the Units. Rental of Units to non-Owners shall be permitted to the extent permitted by County Ordinances and Regulations.

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 in any Unit or the Common Elements; except; (i) an Owner or Occupant residing in a Unit may keep and maintain his or her business or professional records in such Unit and handle matters relating to such business by telephone or correspondence therefrom, provided that such uses are incidental to the residential use, do not involve physical alteration of the Unit and do not involve any observable business activity such as signs, advertising displays, bulk mailings, deliveries, or visitation or use of the Unit by customers or employees; (ii) the Association and/or the Managing Agent may maintain offices on the Property for management, and related purposes.

7.5. Leasing. Leasing of Units shall be allowed only for periods in excess of thirty (30) days or as otherwise prescribed by County Ordinance, subject to reasonable regulation by the Association and subject to the following conditions: (i) that no Unit may be subleased, (ii) that all leases shall be in writing, (iii) that all leases shall provide that they are subordinate and subject to the provisions of the Governing Documents, the Rules and Regulations and the Act, and (iv) that any failure of the lessee to comply with the terms of such documents shall be a default under the lease. The Association may

impose such reasonable Rules and Regulations as it may deem necessary to implement procedures for the leasing of Units, consistent with this Section.

7.6. Parking. Parking areas on the Property shall be used only for parking of vehicles owned or leased by Owners and Occupants and their guests, and such other incidental uses as may be authorized in writing by the Association. The parking of vehicles shall be restricted to the Units and such other designated parking areas as shall be established by the association. The use of, driveways and other parking areas on the Property, and the types of vehicles and personal property permitted thereon, shall be subject to regulation by the Association, including without limitation the right of the Association to tow illegally parked vehicles or to remove unauthorized personal property. No unlicensed motor vehicles shall be stored on the Property. No on-site un-housed storage shall be allowed on the Property. Storage of boats, trailers, campers, and other seasonal property shall be allowed, subject to such restrictions as may be contained in the Rules and Regulations. No disabled motor vehicles shall be stored on the Property or parked in a parking area for more than forty-eight (48) hours.

Visitors and guests may park a camper, motor home or trailer on a Lot for a reasonable term, not to exceed fourteen (14) days consecutive duration nor more than a total of thirty (30) days each calendar year. An Owner shall have the same rights, prior to the commencement of construction for a time period of sixty (60) days each calendar year.

7.7. Animals. Except for household pets, no animal, including but not limited to, livestock of any type, cattle, pigs, sheep, horses, goats and chickens, may be bred, or kept or maintained, anywhere on the Property. Pets shall be subject to the authority of the Board, which may allow, disallow, or regulate, by Rules and Regulations, the keeping of such pets.

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

7.9. Compliance with Law. No use shall be made of the Property which would violate any then existing county ordinances (including zoning 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 Association or any Owner or Occupant. Specifically, all Minnesota Health Department standards for water quality shall be implemented.

7.10. Alterations. Except for those made by Declarant in consideration of its initial sale of a Unit, no alterations, changes, improvements, repairs or replacements of any type, including out buildings and garages, temporary or permanent, structural, aesthetic or otherwise (collectively referred to as "alterations") shall be made, or caused or allowed to be made, by any Owner or Occupant, or their guests, in any part of the Common Elements or in any part of any Unit without the prior written authorization of the Board, or a committee appointed by it, as provided in Section 8. Before commencement of construction, but after Board approval has been granted for construction of

an addition, new structure, or accessory building, a land use permit for the project must be obtained from the Lake County Planning Commission.

The Board, or the appointed committee if so authorized by the Board, shall have authority to establish reasonable criteria and requirements for alterations, and shall be the sole judge of whether the criteria are satisfied. Specifically, compliance with all road and side yard setbacks and the 40% building width-to-lot area standard is required. Additionally, any cabin being built or replaced shall be replaced at the required 100-foot shore setback unless said setback would create an undo hardship. In such case the Unit Owner must obtain a variance from Lake County. Shoreland averaging is not permitted. All other setbacks shall be as the County requires. All structures erected on the Property, and all alterations, shall be constructed with new materials. New construction shall be completed within one (1) year after commencement of construction. Building exteriors shall be suitably finished, and the finishes shall be of colors that are in harmony with the colors of the natural surroundings, and match the color scheme of the other buildings on the Property.

a. Buildings which are being constructed or rebuilt may have a footprint of no larger than the original building being reconstructed or a foot print of no larger than 750 square feet, whichever is greater. In the course of reconstruction the location of the newly reconstructed building need not be located on the footprint of the original building as long as it meets set back requirements. The maximum height of any Building shall be no more than 25 feet as provided in Lake County Ordinances and a maximum of 3 bedrooms per Unit and a deck size of no more than 144 square feet. Alterations shall in no case include installation of metal siding. Siding to the Units must be comprised of log, half-log, stone, wood or such material that appears identical the natural materials. Approval of interior remodeling is not required.

b. Roofs shall be required to be of pitched design and shall be covered with non-flammable materials (e.g. non-reflective metal, tile, fiberglass shingles, fire retardant wood shingles or shakes). No galvanized metal roofs shall be allowed. Owners desiring to use non-metal roofs must demonstrate to the Architectural Control Committee that the desired material is fire resistant.

7.11. Time Shares Prohibited. The time share form of ownership, or any comparable form of lease, occupancy rights or ownership which has the effect of dividing the ownership or occupancy of a Unit into separate time periods, is prohibited.

7.12. Access to Units. In case of emergency, all Units and Limited Common Elements are subject to entry, without notice and at any time, by an officer or member of the Board of the Association, by the Association's management agents or by any public safety personnel. Entry is also authorized for maintenance purposes under Section 9 and for enforcement purposes under Section 13.

7.13. Shoreland Alterations. Any work or alterations in shoreland areas or wetlands (as defined by applicable law) shall be undertaken only after Board approval is granted and a land use permit is obtained in compliance with applicable law and Section 7.10 of this Declaration. Upon request, any member shall provide to the Association a copy of any applicable permit obtained in conjunction with such work or alteration. The Association and all Unit owners shall make all reasonable efforts to leave the shoreline in a natural unimproved condition so as to minimize the

visual impact from the lake. Fifty per cent (50%) of the shoreline with in the Shore Line Impact Zone must be kept in a natural condition.

7.14. Fencing. No fence shall be constructed or erected on the units except invisible pet fencing.

7.15. Water Usage. No Jacuzzis, Hot tubs or garbage disposals shall be allowed on or in any of the Units or Common Areas. All soaps used in the Units must be only phosphate free detergents.

7.16. Trees. The planting of trees shall not require prior approval by the Architectural Control Committee. Existing trees shall be managed according to best management silviculture practices.

No tree shall be cut or removed from the Property except (a) a dead or diseased tree may be removed; and (b) a tree may be cut or removed if necessary to allow for permitted construction of a building or septic system, conditioned upon prior written approval being obtained from the Association. If an Owner or Occupant cuts down a tree without obtaining the Association's prior written approval, the Association will replace the tree, and the cost associated with such replacement shall be the responsibility of the Unit Owner.

7.17. Chemical Fertilizer. No form of chemical fertilizer may be used upon the Property.

7.18. Septic System. The Association shall make all improvements to all on-site septic systems (including the off-site system serving Units 10 – 13) as part of its maintenance of the Common Element when so required by state or local regulatory officials. In order to preserve the efficiency and usability of the septic systems upon the Property, Owners shall not install garbage disposals in the Units and all detergents used must be phosphate free.

7.19. Association Storage. The Declarant or the Association may designate a location for a storage building and/or storage area to be constructed on the Common Area (not in the 1st tier area) for the purpose of storage for the Association or for establishing storage areas or storage units in the Common Elements for the Unit Owners. No on-site storage facilities may be located on the Units.

7.20. TV. No TV Satellite dishes larger than thirty-six inches (36") in diameter shall be allowed.

7.21. Lighting. All exterior lighting located in the Common Elements will be maintained in working order by the Association. All exterior lighting located in a Unit, and in the Limited Common Element(s) associated therewith, shall be maintained by the Owner of that particular Unit. Fixtures, standards and all exposed accessories shall be harmonious with building design, and shall be as approved by the Architectural Control Committee. Lighting shall be restrained in design, and excessive brightness shall be avoided. For instance, flood lights and other similar bright lights shall not be allowed; and all lighting shall be shielded and directed downward. Motion detection security lighting will be allowed, provided: It is located in such a manner as to prevent glare and lighting

onto properties of others or into a public right-of-way; It is set to only go on when activated and to go off within five minutes after activation has ceased; and, It shall not be triggered by activity off the property

SECTION 8 ARCHITECTURAL CONTROL

8.1. Restriction on Alterations. The following restrictions and requirements shall apply to alterations on the Property:

- a. Except as expressly provided in this Section 8, and except for alterations made by Declarant in consideration of their initial sale of a Unit, no structure, building, addition, deck, patio, fence, wall, enclosure, window, door, sign, display, decoration, color change, shrubbery, material topographical or landscaping change, nor any other exterior or interior improvements to or alteration of any Dwelling or any other part of a Unit (collectively referred to as "alterations"), shall be commenced, erected or maintained in a Unit, unless and until the plans and specifications showing the nature, kind, shape, height, color, materials and locations of the alterations shall have been approved in writing by the Board of Directors or an Architectural Review Committee appointed by it.
- b. The criteria for approval shall include and require, at a minimum, (i) substantial uniformity of color, size, location, type and design in relation to existing improvements and topography, (ii) comparable or better quality of materials as used in existing improvements, (iii) ease of maintenance and repair, (iv) adequate protection of the Property, the Association, Owners and Occupants from liability and liens arising out of the proposed alterations, (v) compliance with governmental laws, codes and regulations and (vi) compliance with the provisions of 7.10 of this Declaration.
- c. Approval of alterations which encroach upon another Unit or the Common Elements shall create an appurtenant easement for such encroachment in favor of the Unit with respect to which the alterations are approved; provided, that any easement for a deck or patio other than as originally constructed shall be approved by resolution of the Board of Directors and a file of such resolutions shall be maintained permanently as a part of the Association's records.
- d. Alterations described in Section 16 shall be governed by that Section.

8.2. Review Procedures. The following procedures shall govern requests for alterations under this Section:

- a. Detailed plans, specifications and related information regarding any proposed alteration, in form and content acceptable to the Board of Directors, shall be submitted to the Board of Directors at least sixty (60) days prior to the projected

commencement of construction. No alterations shall be commenced prior to approval. The 60-day time period may be waived or reduced by the Board in its sole discretion and on a case-by-case basis. A waiver or reduction in any one instance shall not entitle the Owner or any other Owner to a waiver or reduction in any other instance even on the same project.

- b. The Board of Directors shall give the Owner written notice of approval or disapproval. If the Board of Directors fails to approve or disapprove within sixty (60) days after receipt of said plans and specifications and all other information requested by the Board of Directors, then approval will not be required, and this Section shall be deemed to have been fully complied with so long as the alterations are done in accordance with the plans, specifications and related information which were submitted.
- c. If no request for approval is submitted, approval is denied, unless (i) the alterations are reasonably visible and (ii) no written notice of the violation has been given to the Owner in whose Unit the alterations are made, by the Association or another Owner, within six months following the date of completion of the alterations. Notice may be direct written notice or the commencement of legal action by the Association or an Owner. The Owner of the Unit in which the alterations are made shall have the burden of proof, by clear and convincing evidence that the alterations were completed and reasonably visible for at least six months following completion and that the notice was not given.

8.3. Remedies for Violations. The Association may undertake any measures, legal or administrative, to enforce compliance with this Section and shall be entitled to recover from the Owner causing or permitting the violation all attorneys' fees and costs of enforcement, whether or not a legal action is started. Such attorneys' fees and costs shall be a lien against the Owner's Unit and a personal obligation of the Owner. In addition, the Association shall have the right to enter the Owner's Unit and to restore any part of the Dwelling or Unit to its prior condition if any alterations were made in violation of this Section, and the cost of such restoration shall be a personal obligation of the Owner and a lien against the Owner's Unit.

SECTION 9 MAINTENANCE

9.1. Maintenance by Association. The Association shall provide for all maintenance of the Common Elements. The existing septic systems, located in both the Common Element and in individual Units, shall be maintained by the Association so as to comply with all applicable ordinances and codes. The Association may hire, agree with the Managing Agent to provide maintenance services, including, but not limited to, mowing, raking, tree maintenance, painting/staining cabin exteriors, road maintenance and the like.

9.2. Duty to Notify. The Owners and Occupants shall have a duty to promptly notify the Association of defects in or damage to the Property.

9.3. 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 that the Owner or Occupant has willfully or negligently allowed to exist, the cost thereof shall be assessed against the Unit of the Owner responsible for the damage. Any Unit owners or their agents who damage existing common road or other Common Elements, beyond ordinary wear and tear, during repair or construction of Units shall be responsible for repairs to said road or other Common Element, returning it to substantially the condition of the road before said construction or repairs began. If a Unit owner fails to repair said road or other common element as provided herein, the Association may make said repairs at reasonable cost and assess the subject Unit with said cost.

9.4. Allocation of Maintenance Expenses.

- a. Expenses incurred by the Association due to the maintenance of the Common Elements shall be allocated in accordance with Section 4.3 of this Declaration.
- b. Expenses incurred by the Association due to the Managing Agent's (his or her agent) maintenance of the Units shall be allocated to the Unit Owner of the Unit upon which the Managing Agent performed maintenance, except as provided in Section 9.3 of this Declaration.

SECTION 10 SPECIFIC PROPERTY PROVISIONS

Notwithstanding any contrary provision herein, the following provisions shall apply:

10.1. Unsold Units. Declarant shall not have the right to rent or lease unsold Units.

10.2. Docks. All docks serving the Property or any portion of the Property shall conform with applicable county and state ordinances, statutes, rules, and regulations. No new "crib" docks may be installed on the Property. Any new docks added to the Property shall not exceed 25 feet in length.

10.3. Electricity and Propane Gas. Each Unit shall be served with electricity. Each unit will be metered separately and each Unit shall be responsible for their own electricity charges. Common Element utility costs shall be a Common Expense obligation and shall be allocated to the Owners in accordance with Section 4.3 of this Declaration.

10.4 Water. Each Unit shall obtain water either through wells servicing the Units or through lake water systems or both. The owners of any Units which share a mutual well shall share equally in the cost of the electricity and maintenance of said well.

10.5 Common Toilet/Shower. Subject to approval of Lake County Health Department, the Association may locate a common shower and toilet facility on the Common Element near Lots 9 and 10 for the Common use of the unit Owners and their Guests which will be maintained and heated year round. The expense of utilities and maintenance of this facility shall be a common expense.

SECTION 11 INSURANCE

11.1. 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 the Act 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:

- a. Property insurance in broad form covering all risks of physical loss in an amount equal to one hundred percent (100%) of the insurable "replacement cost" of the Property, less deductibles, exclusive of land, footings, excavation and other items normally excluded from coverage (but including all building service equipment and machinery). 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 shall 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 FHA or Federal National Mortgage Association ("FNMA") as a precondition to their insuring, purchasing or financing a mortgage on a Unit. The Board may also, on behalf of the Association, enter into binding written agreements with a mortgagee, insurer or servicer, including without limitation the FHA or FNMA, obligating the Association to keep certain specified coverages or endorsements in effect.
- b. Comprehensive public liability insurance covering the use, operation and maintenance of the Common Elements, with minimum limits of \$1,000,000 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 or FNMA as a precondition to their insuring, purchasing or financing on a Unit.
- c. Fidelity bond or insurance coverage against dishonest acts on the part of directors, officers, trustees, employees or 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 fidelity bond or insurance shall name the Association as the named insured and shall, 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 or a waiver of defense based upon the exclusion of persons serving without compensation shall be added.

- d. Workers' Compensation insurance as required by law.
- e. Directors and officers liability insurance with such reasonable limits and coverages as the Board shall determine from time to time.
- f. Such other insurance as the Board may determine from time to time to be in the best interests of the Association and the Owners.

11.2. Premiums; Improvements; Deductibles. All insurance premiums shall be assessed and paid as a Common Expense. 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, (i) pay the deductible amount as a Common Expense, (ii) assess the deductible amount against the Units affected in any reasonable manner, or (iii) require the Owners of the Units affected to pay the deductible amount directly.

11.3. 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.

11.4. Waivers of Subrogation. All policies of insurance shall contain waivers of subrogation by the insurer against the Association, or an Owner, Members of the Owner's household, officers or directors, as applicable, and, if available, waivers of any defense based on co-insurance or of invalidity from any acts of the insured.

11.5. 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 canceled or

substantially modified, for any reason, without at least 30 days prior written notice to the Association, to the FHA or FNMA (if applicable), all of the insureds and all Eligible Mortgagees.

11.6. 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 may be a party, or any requirement of law.

11.7. 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, and may not be brought into contribution with any insurance purchased by Owners or their Eligible Mortgagees.

11.8. 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.

11.9. Owner's Personal Insurance. Each Owner shall 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. Upon request, proof of such insurance and payment shall be provided to the Association.

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 the Act. Any repair or reconstruction shall be substantially in accordance with the plans and specifications of the Property as initially constructed and subsequently improved. The Association shall have all authority necessary to cause the Property to be reconstructed, including without limitation the authority (i) to require the Owners to enter into reconstruction contracts on their respective Units, or (ii) to contract for the reconstruction of the Units on behalf of the Owners. Notice of substantial damage or destruction shall be given pursuant to Section 18.10. To the fullest extent allowed by law, each Owner and each Eligible Mortgagee waives the right to vote to not reconstruct. In the event that the Association must contract for the reconstruction of a Unit on behalf of an Owner, the Association shall have a lien for the costs of reconstruction against the Owner's interest; the lien shall be foreclosed in accordance with Section 14 of this Declaration.

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 the Act shall govern; provided, that

notice shall be given pursuant to Section 18.10. Eligible Mortgagees shall be entitled to priority for condemnation awards in accordance with the priorities established by the Act and the Governing Documents, as their interests may appear.

12.3. Notice. All Eligible Mortgagees shall be entitled to receive notice of any condemnation proceedings or substantial destruction of the Property, and the Association shall give written notice thereof to an Eligible Mortgagee pursuant to Section 18.10.

SECTION 13 EASEMENTS

13.1. Easement for Encroachments. Each Unit and the Common Elements, and the rights of the Owners and Occupants therein, shall be subject to an exclusive easement for encroachments in favor of the adjoining Units for fireplaces, walls, roof overhangs, air conditioning systems, decks, balconies, porches, patios, utility installations and other appurtenances (i) which are part of the original construction of the adjoining Unit or the Property or (ii) which are added pursuant to Section 8. If there is an encroachment by a Dwelling, or other building or improvement located in a Unit, upon another Unit or Dwelling 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 any encroaching Dwelling, building or improvement, and for the maintenance thereof, shall exist; provided that with respect to improvements or alterations added pursuant to Section 8, no easement shall exist unless the same have been approved, and the proposed improvements 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, shall be subject to the rights of the Association to an exclusive, appurtenant easement on and over the Units for the purposes of maintenance, repair, replacement and reconstruction of the Units, utilities serving the Units, and well and septic systems serving the Units, to the extent necessary to fulfill the Association's obligations under the Governing Documents.

13.3. Utilities Easements. The Property shall be subject to non-exclusive, appurtenant easements for all utilities, including, without limitation, electrical lines, water, sewer, gas, storm sewer or sanitary sewer and similar services, which exist from time to time, as constructed, or as referred to in the Plat, or as otherwise described in this Declaration or any other duly recorded instrument. Each Unit, and the rights of the Owners and Occupants thereof, shall be subject to a non-exclusive easement in favor of the other Units for all such services, including without limitation any sewer or water lines servicing other Units. Each Unit shall also be subject to an exclusive easement in favor of the Association and all utility companies providing service to the Units for the installation and maintenance of any utilities.

13.4. Continuation and Scope of Easements. Notwithstanding anything in this Declaration to the contrary, in no event shall an Owner or Occupant 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 recorded, and shall include reasonable access to the easement areas through the Units and the Common Elements for purposes of maintenance, repair, replacement and reconstruction.

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 the Act, the Governing Documents, the Rules and Regulations, the decisions of the Association, and such amendments thereto as may be made from time to time. 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 the Act.

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 by an Owner against the Association or another Owner, to enforce compliance with the Governing Documents, the Rules and Regulations, the Act 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 Rules and Regulations or the Act, as a measure to enforce such Owner's position, or for any other reason.

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

- a. Commence legal action for damages or equitable relief in any court of competent jurisdiction.
- b. Impose late charges of up to the greater of \$20, or 15% of the amount due, for each past due assessment or installment thereof, and interest at up to the highest rate permitted by law.
- c. In the event of default of more than 30 days in the payment of any assessment or installment thereof, all remaining installments assessed against the Unit owned by the defaulting Owner may be accelerated and shall then be payable in full if all delinquent assessments, together with all costs of collection and late charges, are not paid in full prior to the effective date of the acceleration. At least fourteen (14) days' written notice of the effective date of the acceleration shall be given to the defaulting Owner.

- d. Impose reasonable fines, penalties or charges for each violation of the Act, the Governing Documents or the Rules and Regulations of the Association.
- e. Suspend the rights of any Owner or Occupant and their guests to use any Common Element amenities; provided, that this limitation shall not apply to Limited Common Elements 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 in their obligations under the Governing Documents, and for up to 30 days thereafter, for each violation.
- f. Restore any portions of the Common Elements, Limited Unit Elements or Limited Common Elements 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.
- g. Enter any Unit, Limited Unit Element or Limited Common Element in which, or as to which, a violation or breach of the 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, Limited Unit Element or Limited Common Elements which is causing the violation; provided, that any improvements which are a part of a Unit may be altered or demolished only pursuant to a court order or with the agreement of the Owner.
- h. Foreclose any lien arising under the provisions of the Governing Documents or under law, in the manner provided for the foreclosure of mortgages by action or under a power of sale in the state of Minnesota.

14.3. Rights to Hearing. In the case of imposition of any of the remedies authorized by Section 13, the Board of Directors shall, upon written request of the alleged offender, grant to the alleged offender a fair and equitable hearing as contemplated by the Act. The alleged offender shall be given notice of the nature of the violation and the right to a hearing, and at least 10 days within which to request a hearing. The hearing shall be scheduled by the Board of Directors and held within thirty days of receipt of the hearing request by the Board of Directors, and with at least 10 days prior written notice to the alleged offender. If the alleged offender fails to appear at the hearing, then the right to a hearing shall be waived and the Board of Directors may take such action as it deems appropriate. The decision of the Board of Directors and the rules for the conduct of hearings established by the Board of Directors shall be final and binding on all parties. The Board of Director's decision shall be delivered in writing to the alleged offender within ten days following the hearing, if not delivered to the alleged offender at the hearing. A party may be represented in any hearing by legal counsel; however, parties may not refuse to directly respond to requests for information or

questions addressed to them by members of the Board of Directors except on grounds of self-incrimination, or other grounds deemed by the Board of Directors to be appropriate. In this connection, the Board of Directors need not accept the statements of counsel as being the statements of counsel's client if the Board of Directors desires direct testimony. Formal rules of evidence and formal court-type procedures need not be followed by the Board of Directors. The Board of Directors may consider any evidence, testimony or matter it deems to be relevant.

14.4. Lien for Charges, Penalties, Etc. Any assessments, charges, fines, 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 gives written notice following the hearing. All remedies shall be cumulative, and the exercise of, or failure to exercise, any remedy shall not be deemed a waiver of the right to pursue any others.

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 the Act, Governing Documents or Rules and Regulations, whether or not finally determined by a court or arbitrator, the Association may assess the violator and his or her 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.

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 such 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 the Owner's 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 Governing Documents, the Rules and Regulations, and the Act as provided therein.

SECTION 15 SPECIAL DECLARANT' RIGHTS

Declarant hereby reserves exclusive and unconditional authority to exercise the following special Declarant' rights within the meaning of Section 515B.1-103 (32) of the Act for as long as Declarant own a Unit, or for such shorter period as may be specifically indicated:

15.1. Complete Improvements. To complete all the Units and other improvements indicated on the Plat, or otherwise included in Declarant' development plans or allowed by the Declaration, and to make alterations in the Units and Common Elements to accommodate its sales facilities.

15.2. Relocate Boundaries and Alter Units. To relocate boundaries between Units and to otherwise alter Units owned by it, to the extent permitted by Section 16.

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

15.4. 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 the Common Elements.

15.5. Easements. To have and use easements, for itself, its employees, contractors, representatives, agents and prospective purchasers through and over the Common Elements for the purpose of exercising its special Declarant' rights.

15.6. 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 the Act, until the earliest of: (i) voluntary surrender of control by Declarant, (ii) an Association meeting which shall be held within 60 days after conveyance to Owners other than Declarant of 2/3 of the total number of Units authorized to be included in the Property or (iii) the date three (3) years following the date of the first conveyance of a Unit to an Owner other than the Declarant. Notwithstanding the foregoing, the Owners other than the Declarant shall have the right to nominate and elect not less than 33% of the directors at a meeting of the Owners which shall be held within 60 days following the conveyance by Declarant of 50% of the total number of Units authorized to be included in the Property.

15.7. Consent to Certain Amendments. As long as Declarant own any Unit, Declarant' written consent shall be required for any amendment to the Governing Documents or Rules and Regulations which directly or indirectly affects or may affect Declarant' rights under the Governing Documents or the Act.

SECTION 16 RIGHTS TO RELOCATE UNIT BOUNDARIES AND ALTER UNITS

Existing or future Units may be altered and Unit boundaries may be relocated only in accordance with the following conditions:

16.1. Relocation of Boundaries. The boundaries between adjoining Units may be relocated in accordance with Section 515B.2-114 of the Act and this Section.

16.2. Subdivision or Conversion. No additional Units may be created by the subdivision or conversion of a Unit (within the meaning of the Act) into two or more Units, nor into other Units, Common Elements or Limited Common Elements.

16.3. Requirements. The alteration, relocation of boundaries or other modification of Units or Dwellings or other structures located herein (collectively referred to herein as "alteration" or "alterations") pursuant to this Section, Section 8, and the Act may be accomplished only in accordance with the following conditions:

- a. No Unit may be altered if, thereafter, the Dwelling located therein, or any other Dwelling affected by the alteration, would no longer be habitable or practicably usable for its intended purpose or would violate any law, code or ordinance of any governmental authority having jurisdiction over the Property.
- b. No alteration may be made which adversely affects the structural or functional integrity of any building system or the structural support or weather-tight integrity of any portion of any building or other structure.
- c. The prior written consent of the Association shall be required for any alteration, except alterations by Declarant. Where required, such consent shall be requested in writing by each Owner whose Unit is proposed to be altered, accompanied by such explanation, drawings and specifications relating to the proposed alterations as may be reasonably required by the Association or the first mortgagee of the Unit. The Association shall give such Owner(s) notice in an expeditious manner, granting, denying or qualifying its consent.
- d. As a precondition to consenting to alterations the Association may require, among other things, the following: (i) that all alterations will be done in a workmanlike manner and without impairing the structural, mechanical or weather-tight integrity of the Building; (ii) that the Common Elements and altered Units will be repaired and/or restored in the future as required by the Association; (iii) that the construction of the alterations will not create dangerous conditions for any Owners or Occupants; (iv) that the Property, the first mortgagees and the Owners and Occupants will be protected from liens and other liability arising from the alterations; and (v) that the alterations will be done in compliance with the applicable laws, regulations and ordinances of the governmental authorities having jurisdiction over the Property.
- e. The Association may require that the Owners of the Units to be altered pay all costs of processing and documentation for the request and the preparation and recording of any necessary amendment to the Governing Documents, including without limitation such costs as filing, architects' and attorneys' fees, incurred by the Association in connection with the alterations.

SECTION 17 AMENDMENTS

This Declaration may be amended by the consent of (i) Owners of Units to which are allocated at least sixty-seven percent (67%) of the votes in the Association, (ii) the percentage of Eligible Mortgagees (based upon one vote per first mortgage owned) required by Section 18 as to matters described by said Section and (iii) the consent of Declarant to certain amendments as provided in Section 15.7. Consent of the Owners may be obtained in writing or at a meeting of the Association duly held in accordance with the By-laws. Consents of Eligible Mortgagees and the Declarant shall be in writing. Any amendment shall be subject to any greater requirements imposed by the Act. The Amendment shall be effective when recorded as provided in the Act. 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 18 PROVISIONS FOR ELIGIBLE MORTGAGEES

Notwithstanding anything to the contrary in the Governing Documents, and subject to any greater requirements of the Act or other laws, Eligible Mortgagees shall have the following rights and protections:

18.1. Consent to Certain Amendments. The written consent of Eligible Mortgagees representing at least fifty-one percent (51%) of the Units that are subject to first mortgages held by Eligible Mortgagees (based upon one vote per first mortgage owned) shall be required for any amendment to the Governing Documents which causes any change (except pursuant to Section 16) in the following: (i) voting rights; (ii) increases in assessments that raise the previously assessed amount by more than 25%, 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 Limited 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) leasing of Units; (xi) imposition of any restrictions on the leasing of Units; (xii) restoration or repair of the Property (after a hazard damage or partial condemnation) in a manner other than that specified in the Governing Documents; (xiii) any action to terminate the legal status of the common interest community after substantial destruction or condemnation occurs; or (xiv) any provisions that expressly benefit mortgage holders, or insurers or guarantors of mortgages.

18.2. Consent to Certain Actions. The written consent of Eligible Mortgagees representing at least sixty-seven percent (67%) of the Units that are subject to first mortgages (based upon one vote per first mortgage owned) shall be required to abandon or terminate the common interest community, subject to any greater requirements contained in the Act.

18.3. 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.

18.4. Priority 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 acquisition of possession of the Unit by said first mortgage holder or purchaser; (i) except as provided in Section 6.7 and the Act and (ii) except that any unpaid assessments or charges with respect to the Unit may be reallocated among all Units in accordance with their interests in the Common Elements.

18.5. 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.

18.6. 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.

18.7. Requirements of Management Agreements. The term of any agreement for professional management of the Property may not exceed five (5) years. Any such agreement must provide at a minimum for termination without penalty or termination fee by either party, (i) with cause upon thirty (30) days' prior written notice, and (ii) without cause upon ninety (90) days' prior written notice.

18.8. 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 (120) days of the end of the Association's fiscal year. If a request is made by FNMA or any institutional guarantor or insurer of a mortgage loan against a Unit, for an audit of the Association's financial statements for the preceding year, the Association shall cause an audit to be made and deliver a copy to the requesting party.

18.9. 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:

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

- b. a 60 day delinquency in the payment of assessments or charges owed by the Owner of a Unit on which it holds a mortgage;
- c. a lapse, cancellation or material modification of any insurance policy maintained by the Association; and
- d. a proposed action which requires the consent of a specified percentage of Eligible Mortgagees.

18.10. Additional Provisions Regarding Consent. In determining the denominator for the calculation of the percentages of consents pursuant to Sections 18.1 and 18.2, only first mortgages held by Eligible Mortgagees shall be counted. Furthermore, if an Eligible Mortgagee fails to submit a response to any written proposal for an amendment within thirty (30) days after such Eligible Mortgagee receives proper notice of the proposal, the Eligible Mortgagee shall be deemed to have approved of and consented to the proposed amendment. Such notice must be delivered by certified mail with return receipt requested, and is deemed given on the date that it is postmarked. If more than one Eligible Mortgagee holds the same first mortgage, the mortgage shall only be counted once for the calculation of the percentages of consents, and consent from any one such Eligible Mortgagee shall be binding as consent from all.

SECTION 19 DECLARANT'S CONTINUING OPTION TO PURCHASE UNITS AND STRUCTURES

19.1. Units. Declarant reserve the right of first refusal to purchase any Unit in the event an Owner chooses to sell his or her Unit.

19.2. Structures. In the event a Unit Owner chooses to replace the cabin located within his or her Unit, Declarant reserves the option of purchasing the existing structure.

SECTION 20 MISCELLANEOUS

20.1. Severability. If any term, covenant, or provision of this instrument or any exhibit attached hereto is held to be invalid or unenforceable for any reason whatsoever, such determination shall not be deemed to alter, affect or impair in any manner whatsoever any other portion of this instrument or exhibits.

20.2. 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 the Act, or any section thereof, shall be deemed to include any statutes amending or replacing the Act, and the comparable sections thereof.

EXHIBIT A

Legal Description

That part of Government Lot 8, Section 29 and the Northwest Quarter of the Northeast Quarter of Section 32, all of Township 64 North, Range 09 West of the Fourth Principal Meridian, Lake County, Minnesota described as follows:

Assuming the West Line of said Northwest Quarter of the Northeast Quarter to bear South 01° 31' 17" East and from the Northwest Corner of the Northwest Quarter of the Northeast Quarter, run North 87° 20' 27" East along the North Line of the Northwest Quarter of the Northeast Quarter, being also the South Line of said Government Lot 8, Section 29, a distance of 100.19 feet to the POINT OF BEGINNING.

Thence South 67° 19' 15" East, a distance of 101.72 feet;
thence South 54° 46' 34" East, a distance of 33.75 feet;
thence South 48° 19' 46" East, a distance of 88.24 feet;
thence South 36° 02' 05" East, a distance of 81.35 feet;
thence South 15° 51' 55" West, a distance of 79.13 feet;
thence South 04° 09' 39" West, a distance of 136.64 feet;
thence South 04° 52' 57" East, a distance of 148.87 feet;
thence South 10° 57' 19" East, a distance of 137.07 feet;
thence South 04° 31' 00" East, a distance of 111.11 feet;
thence South 87° 20' 27" West, a distance of 12.54 feet;
thence South 04° 18' 29" East, a distance of 99.35 feet;
thence South 24° 59' 19" West, a distance of 345.00 feet;
thence South 66° 34' 19" West, a distance of 181.67 feet to said West line of the

Northwest Quarter of the Northeast Quarter;

thence South 01° 31' 17" East along said West Line, a distance of 24.09 feet to the southeasterly Right-of-Way of Forest Road Number 438, commonly known as the Moose Lake Road;

thence North 80° 29' 15" East along said southeasterly Right-of-Way, a distance of 30.33 feet to a tangential curve concave to the Northwest;

thence northeasterly along said southeasterly Right-of-Way on said tangential curve, a central angle of 53° 15' 14", radius of 333.00, a distance of 309.51 feet;

thence North 27° 14' 01" East along said southeasterly Right-of-Way, a distance of 354.32 feet to a tangential curve concave to the southeast;

thence northeasterly along said southeasterly Right-of-Way on said tangential curve, central angle of 12° 42' 23", radius of 267.00 feet, a distance of 59.21 feet;

thence North 39° 56' 24" East along said southeasterly Right-of-Way, a distance of 397.47 feet to a tangential curve concave to the northeast;

thence northeasterly along said southeasterly Right-of-Way on said tangential curve, central angle of 28° 38' 23", radius of 333.00 feet, a distance of 166.45 feet;

thence North 11° 18' 01" East along said southeasterly Right-of-Way, a distance of 171.12 feet to a tangential curve concave to the southeast;

thence northeasterly along said southeasterly Right-of-Way on said tangential curve,

central angle of 53° 30' 15", radius of 167.00 feet, a distance of 155.95 feet;

thence North 64° 48' 16" East along said southeasterly Right-of-Way, a distance of 137.31 feet to said North Line of the Northwest Quarter of the Northeast Quarter of Section 32 being also said South Line of Government Lot 8, Section 29;

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thence South 87° 20' 27" West along said North Line, a distance of 7.26 feet;

thence North 14° 52' 43" West, a distance of 369 feet, more or less, to the shore of Moose Lake;

thence southwesterly along said shore, a distance of 1,031 feet, more or less, to a point which bears North 00° 04' 13" West of the POINT OF BEGINNING;

thence South 00° 04' 13" East, a distance of 127 feet, more or less, to the POINT OF BEGINNING.