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BYLAWS
OF
SUNSET BAY CONDOS OF SPIRIT LAKE OWNERS ASSOCIATION

General Provisions

Section 1.1 Applicability. These Bylaws provide for the governance of the Sunset Bay Condos of Spirit Lake pursuant to the requirements of Section 499B.14 of the Act. The Property, located in Dickinson County, Iowa and more particularly described in the Declaration, has been submitted to the provisions of the Act by recordation simultaneously herewith of the Declaration among the land records of Dickinson County, Iowa.

Section 1.2 Office. The office of the Condominium, the Association, And the Board of Directors shall be located at the Property or at such other place as may be designated from time to time by the Board of Directors.

Section 1.3. Definitions. Terms used herein without definition shall have the meanings specified for such terms in the Declaration to which these Bylaws are attached as Exhibit B, or if not defined therein, the means specified for such terms in the Act. The following terms have the following meanings:

(a) "Board of Directors" or "Board" means the executive body established pursuant to Article 3 of these Bylaws.

(b) "Common Element Interest" means the number assigned to each Unit by Exhibit E to the Declaration which establishes each Unit's undivided interest in the Common Elements, common expenses and common profits in the Association.

(c) "Limited Common Expenses" means expenses separately assessed against more than one but less than all of the Units generally in accordance with the use of the services.

(d) "Majority Vote" means a vote by more than fifty percent of the Unit Owners present in person or by proxy at a duly convened meeting at which quorum is present.

(e) "Officer" means any person holding office pursuant to Article 4 of these Bylaws.

(f) "Reserved Common Element" means a common element in which the Board of Directors has granted a revocable license for exclusive use by less than all of the Unit Owners.

(g) "Rules and Regulations" means the rules and regulations promulgated by the Board of Directors pursuant to Section 3.1.

(h) "Condominium Owners Association" or "Association" means the Association in which all Unit Owners are members.

ARTICLE 2

Condominium Owners Association

Section 2.1 Composition. The Condominium Owners Association shall consist of all of the Unit Owners. The name of the Condominium Owners Association shall be the Sunset Bay Condos of Spirit Lake Owners Association. The Condominium Owners Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting assessments and charges, arranging for the management of the Condominium and performing all of the other acts that may be required or permitted to be performed by the Association by the Act and the Declaration. Except as to those matters which the Act specifically requires to be performed by the vote of the Association, the foregoing responsibilities shall be performed by the Board of Directors or managing agent as more particularly set forth in Article 3 of these Bylaws.

Section 2.2 Annual Meetings. The annual meetings of the Association shall be held at least seventy-five days before the beginning of each fiscal year, unless such date shall occur on a Saturday or Sunday or legal holiday, in which event the meeting shall be held on the succeeding Monday. At such annual meetings the Board of Directors shall be elected by ballot of the Unit Owners in accordance with the requirements of Section 3.4 of these Bylaws. During the Declarant Control Period, the Declarant shall be entitled to designate members of the Board of Directors not elected pursuant to Section 2.4(b) of these Bylaws.

Section 2.3 Place of Meetings. Meetings of the Condominium Owners Association shall be held at the principal office of the Association or at such other suitable place convenient to the Unit Owners as may be designated by the Board of Directors.

Section 2.4 Special Meetings. (a) The President shall call a special meeting of the Condominium Owners Association if so directed by resolution of the Board of Directors, or upon a petition signed and presented to the Secretary by Unit Owners of not less than 33 percent of the Units. The notice of any special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except as stated in the notice.

(b) Not later than the termination of the Declarant Control Period, a special meeting of the Condominium Owners Association shall be held at which a majority of the directors shall be elected by the Unit Owners, including the declarant if the Declarant owns one or more Units. If such election is held prior to the time required by this section, the directors elected at such election shall not take office until the earlier of the termination of the Declarant Control Period or resignation of a director appointed by the Declarant without appointment of a replacement within thirty days. The elected directors shall assume office in the order of the highest number of votes received. Any remaining directors designated by Declarant shall continue to serve until their terms expire.

Section 2.5 Notice of Meetings. The Secretary shall mail to each Unit Owner a notice to each annual or regularly scheduled meeting of the Unit Owners at least ten but not more than thirty days, and of each special meeting of the Unit Owners at least seven but not more than thirty days, prior to such meeting, stating the time, place and purpose thereof. The mailing of a notice of meeting in the manner provided in this Section and Section 10.1 of the Bylaws shall be considered service of notice.

Section 2.6 Quorum and Adjournment of Meetings. Except as otherwise provided in these Bylaws, the presence in person or by proxy of 67 percent or more of the Unit Owners shall constitute a quorum at all meetings of the Condominium Owners Association. If at any meeting of the Condominium Owners Association a quorum is not present, Unit Owners of a majority of the Units who are present at such meeting in person or by proxy may adjourn the meeting to a time not less than forty-eight hours after the time the original meeting was called.

Section 2.7. Order of Business. The order of business at all meetings of the Condominium Owners Association shall be as follows: (a) roll call (proof of quorum); (b) proof of notice of meeting; (c) reading of minutes of preceding meeting; (d) reports of Officers; (e) report of Board of Directors; (f) reports of committees; (g) election of members of the Board of Directors (when so required); (h) unfinished business; and (i) new business.

Section 2.8 Conduct of Meetings. The President shall preside over all meetings to the Condominium Owners Association and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all other matters occurring at the meeting. The President may appoint a person to serve as parliamentarian at any meeting of the Condominium Owners Association. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Condominium Owners Association when not in conflict with the Act or the Condominium Instruments. All votes shall be tallied by tellers appointed by the President or other officer presiding over the meeting.

Section 2.9. Voting. (a) Voting at all meetings of the Condominium Owners Association shall be on the basis of one vote for each Unit owned by a Unit Owner. Where the ownership of a Unit is in more than one person, the person who shall be entitled to cast the vote of such Unit shall be the person named in a certificate executed by all of the owners of such Unit and filed with the Secretary or, in the absence of such named person from the meeting, the person who shall be entitled to cast the vote of such Unit shall be the person owning such Unit who is present. If more than one person owns such Unit is present, then such vote shall be cast only in accordance with their unanimous agreement.

(b) Except where a greater number is required by the Act or the Condominium Instruments, a Majority Vote is required to adopt decisions at any meeting of the Condominium Owners Association. If the Declarant owns or holds title to one or more Units, the Declarant shall have the right at any meeting of the Condominium Owners Association to cast one vote for each such Unit. There shall be no cumulative voting.

(c) No Unit Owner may vote at any meeting of the Condominium Owners Association or be elected to or serve on the Board of Directors if payment of the assessment on his Unit is delinquent more than thirty days and the amount necessary to bring his account current has not been paid at the time of such meeting or election.

Section 2.10. Proxies. A vote may be cast in person or by proxy. Such proxy may be granted by any Unit Owner in favor of only another Unit Owner or the Declarant, or in the case of a non-resident Unit Owner, the lessee of such Unit Owner's Unit, his attorney or management agent; provided, however, that no person other than the Declarant, the managing agent or an Officer of the Condominium shall cast votes as a proxy for more than one Unit not owned by such person. Proxies shall be duly executed in writing, shall be witnessed, shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Unit. No proxy shall in any event be valid for a period in excess of eleven months after the execution thereof.

ARTICLE 3 **Board of Directors**

Section 3.1. Powers and Duties. The Board of Directors shall have all of the powers and duties necessary for the administration of the affairs of the Condominium Owners Association and may do all such acts and things not otherwise reserved by the Condominium Instruments to the Association. The Board of Directors shall have the power from time to time to adopt any Rules and Regulations deemed necessary for the benefit and enjoyment of the Condominium; provided, however, that such Rules and Regulations shall not be in conflict with the Act or the Condominium Instruments. The Board of Directors may delegate to one of its members or to a person employed for such purpose the authority to act on behalf of the Board on such matters relating to the duties of the managing agent (as defined in Section 3.2 hereof) if any, which may arise between meetings of the Board as the Board deems appropriate. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may hereafter be adopted, the Board shall on behalf of the Association:

(a) Prepare and adopt an annual budget, in which there shall be expressed the assessments of each Unit Owner for the common expenses. The Developer shall set the initial monthly assessments, and shall continue to do so until two of the three units have been sold, at which time the Owner's Association shall set monthly assessments.

(b) Make assessments against Unit Owners to defray the costs and expenses of the Condominium, establish the means and methods of collecting such assessments from the Unit Owners and establish the period of the installment payment of the annual assessment for common expenses.

(c) Provide for the operation, care, use and maintenance of all of the Property and services of the Condominium.

(d) Designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Elements and provide services for the Property and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the Property.

(e) Collect the assessments against the Unit Owners, deposit the proceeds thereof in bank depositories designated by the Board of Directors and use the proceeds to carry out the administration of the Property.

(f) Make and amend the Rules and Regulations.

(g) Open bank accounts on behalf of the Condominium Owners Association and designate the signatories thereon.

(h) Make, or contract for the making of, repairs, additions and improvements to or alterations of the Property, and repairs to and restoration of the Property, in accordance with these Bylaws, after damage or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings.

(i) Enforce by legal means the provisions of the declaration, these Bylaws and the Rules and Regulations, act on behalf of the Unit Owners with respect to all matters arising out of any eminent domain proceeding, and notify the Unit Owners of any litigation against the Condominium Owners Association involving a claim in excess of ten percent of the amount of the annual budget.

(j) Obtain and carry insurance against casualties and liabilities, as provided in Article 6 of these Bylaws, pay the premiums therefore and adjust and settle any claims thereunder.

(k) Pay the cost of all authorized services rendered to the Condominium Owners Association and not billed to Unit Owners of individual Units or otherwise provided for in Sections 5.1 and 5.2 of these Bylaws.

(l) Keep books with detailed accounts in chronological order of the receipts and expenditures affecting the Property, and the administration of the Condominium, specifying the expenses of maintenance and repair of the elements and any other expenses incurred. Such books and vouchers accrediting the entries therein shall be available for examination by the Unit Owners, their attorneys, accountants, and authorized agents during general business hours on business days at the times and in the manner set and announced by the Board of Directors for the general knowledge of the Unit Owners. All books and records shall be kept in accordance with generally accepted accounting principles, and reviewed at least once each year by an independent accounting firm retained by the Board of Directors who shall not be a resident of the Condominium or a Unit Owner. The cost of such accounting work shall be a common expense.

(m) Borrow money on behalf of the Condominium when required in connection with any instance relating to the operation, care, upkeep and maintenance of the Common Elements; provided, however, that the consent of at least two-thirds in number of all Unit Owners, obtained either in writing or at a meeting duly called and held for such purpose in accordance with the provisions of these Bylaws, shall be required to borrow any sum in excess of ten thousand dollars. If any sum borrowed by the Board of Directors on behalf of the Condominium pursuant to the authority contained in this subsection (m) is not repaid by the Condominium Owners Association, a Unit Owner who pays to the creditor a percentage of the total amount due equal to his Common Element Interest in the Condominium shall be entitled to obtain from the creditor a release of any judgment or other lien which such creditor shall have filed or shall have the right to file against such Unit Owner's Unit pursuant to Section 499B.12 of the Act, and the Association shall not be entitled to assess his Unit for payment of the remaining amount due such creditor.

(n) Acquire, hold and dispose of Units and mortgage the same if such expenditures and hypothecations are included in the budget adopted by the Condominium Owners Association.

(o) In its sole discretion, from time to time to designate certain Common Elements as Reserved Common Elements and impose such restrictions and conditions on the use thereof as the Board of Directors deems appropriate.

(p) Do such other things and acts not inconsistent with the Act or the Condominium Instruments which the Board of Directors may be authorized to do by a resolution of the Condominium Owners Association.

Section 3.2. Managing Agent. The Board of Directors may employ for the Condominium a "managing agent" at a compensation to be established by the Board.

(a) Requirements. The managing agent must be able to advise the Board of Directors regarding the administrative operation of the Condominium and shall employ personnel knowledgeable in the areas of condominium insurance, accounting, contract negotiation, labor relations and condominium regulation.

(b) Duties. The managing agent shall perform such duties and services as the Board of Directors shall direct other than the powers set forth in subsections 3.1(b), (f), (g), (m), (n) and (o). The managing agent shall perform the obligations, duties and services relating to the management of the Property and the maintenance of reserve funds in compliance with the provisions of these Bylaws.

Section 3.3. Number and Term of Office.

(a) Designated Members. The initial Board of Directors shall consist of three persons, all of whom shall expire at the third annual meeting; the term of office of one additional director shall expire at the second annual meeting; and the term of office of the other director shall expire at the first annual meeting. The term of each designee shall be fixed by the

Declarant. At the special meeting required by subsection 2.4(b), a number of the directors designated by the Declarant shall resign if necessary so that a majority of the directors shall have been elected in accordance with subsection 2.4(b). The persons elected shall serve for the remainder of the terms of office of the resigning directors who such persons replace, or if no resignation was required, for the terms of office necessary so that the term of office of one director shall expire at each of the first three annual meetings after their election. The directors receiving the greatest vote shall be elected for the longest available terms. At the expiration of the term of office of all directors designated by the Declarant or elected at the special meeting held pursuant to subsection 2.4(b), all successor directors shall be elected to serve for a term of three years.

(b) Elected Members. No later than the first annual meeting of the Condominium Owners Association, the Board of Directors shall be composed of three persons, all of whom shall be Unit Owners or designees of the Declarant. Except for resignation or removal, the directors shall hold office until their respective successors shall have been elected by the Condominium Owners Association.

Section 3.4. Election of Directors.

(a) Elections Committee. At least ninety days prior to the special meeting required by subsection 2.4(b) of these Bylaws and each annual meeting of the Condominium Owners Association, the Board of Directors shall appoint an Elections Committee consisting of a member of the Board whose term is not then expiring and at least three other Unit Owners. The elections Committee shall develop election procedures and administer such procedures as are approved by the Board.

(b) Nominations. Persons qualified to be directors may be nominated for election only by a nominating petition submitted to the chairman of the Elections Committee at least thirty-five days before the meetings at which the election is to be held signed by Unit Owners representing at least ten percent of Units and either indicating the willingness to serve as a director; provided, however, that additional nominations may be made from the floor at the meeting at which the election is held for each vacancy on the Board of Directors for which no more than one person has been nominated by petition. The nominee must either be present and consent to the nomination or have indicated in writing the willingness to serve. This subsection (b) does not apply to persons appointed to the Board by the Declarant.

(c) Qualifications. No person shall be eligible for election as a member of the Board of Directors unless such person is (alone or together with one or more other persons) a Unit Owner. No person shall be elected as a director or continue to serve as a director if he is more than thirty days delinquent in financial obligations to the Condominium Owners Association and a lien has been filed against such person's Unit.

Section 3.5. Removal or resignation of Directors. Except with respect to directors designated by the Declarant, at any regular or special meeting duly called, any one or more of the directors may be removed with or without cause by a Majority Vote and a successor may then

and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Unit Owners shall be given at least seven days notice of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. A director may resign at any time and, except for a director designated by the Declarant, shall be deemed to have resigned upon either disposition of such director's Unit, or failure to attend three consecutive regular meetings of the Board, unless the minutes reflect consent to such absence.

Section 3.6. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a director by a vote of the Condominium Owners Association shall be filled by a vote of a majority of the remaining directors at a special meeting of the Board held for such purpose promptly after the occurrence of any such vacancy, even though the directors present at such meeting may constitute less than a quorum. Each person so elected shall be a director until a successor shall be elected at the next annual meeting of the Association. During the Declarant Control Period, the Declarant shall designate the successor to any director previously designated by the Declarant who resigns or is removed.

Section 3.7 Organization Meetings. The first meeting of the Board of Directors following the annual meeting of the Condominium Owners Association shall be held within thirty days thereafter at such time and place as shall be fixed by the Association at the meeting at which such Board of Directors shall have been elected, and no notice shall be necessary to the newly-elected directors in order legally to constitute such meeting.

Section 3.8 Regular Meetings. Regular meetings of the Board of Directors may be held at such a time and place as shall be determined from time to time by a majority of the directors, but such meetings shall be held at least once every four months during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each director, personally or by mail, facsimile or telephone, at least three business days prior to the day named for such meeting.

Section 3.9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three business days notice to each director, given personally or by mail, facsimile or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least three directors.

Section 3.10. Waiver of Notice. Any director may at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director, in person or by telephone communication, at any meeting of the Board of Directors shall constitute a waiver of notice by him of the time, place and purpose of such meeting. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meetings.

Section 3.11 Quorum of Board of Directors. At all meeting of the Board of directors a majority of the directors (2) shall constitute a quorum for the transaction of business, and the votes of a majority of the directors present at a meeting at which a quorum is present shall

constitute the decision of the Board of Directors. If at any meeting of the Board of Directors there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice. A director who participates in a meeting by means of telephone communication shall be deemed present at the meeting for all purposes.

Section 3.12. Compensation. No director shall receive any compensation from the Condominium for acting as a director.

Section 3.13 Conduct of Meetings. The President shall preside over all meetings of the Board of Directors and the Secretary shall keep a minute book of the Board recording therein all resolutions adopted by the Board and a record of all transactions and proceedings occurring at such meetings. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Board of Directors when not in conflict with the Act or the Condominium Instruments.

Section 3.14 Action without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if evidenced by one or more written consents describing the action taken and signed and dated by each director. Any such written consent shall be effective when the last director signs the consent, unless the consent specifies a different effective date. Any such written consent shall be filed with the records of the Board of Directors.

Section 3.15 Board of Directors as Attorney-in-Fact. The Board of Directors is hereby irrevocably appointed as agent and attorney-in-fact for the Unit Owners of all of the Units and for each of them, to manage, control and deal with the interests of such Unit Owners in the Common Elements of the Condominium to permit the Board of Directors to fulfill all of its powers, rights, functions and duties. The Board of Directors is hereby irrevocably appointed as agent and attorney-in-fact for each Unit Owner, other named insureds and their beneficiaries and any other holder of a lien or other interest in the Condominium or the Property to: (i) adjust and settle all claims arising under insurance policies purchased by the Board of Directors, (ii) execute and deliver releases upon the payment of claims and (iii) act on their behalf in any condemnation proceeding or action of eminent domain.

Section 3.16 Liability of the Board of Directors, Officers, Unit Owners and Condominium Owners Association. (a) The Officers, directors and members of the Covenants Committee shall not be liable to the Condominium Owners Association or any Unit Owner for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Condominium Owners Association shall indemnify and hold harmless each of the Officers and directors from and against all contractual liability to others arising out of contracts made by the Officers or the Board of Directors on or contrary to the provisions of the Act or the Condominium Instruments, except to the extent that such liability is satisfied by directors and Officers liability insurance. Officers and directors shall have no personal liability with respect to any contract made by them on behalf of the Condominium

Owners Association. The liability of any Unit Owner arising out of any contract made by the Officers or Board of Directors, or out of the indemnification of the Officers or directors, or for damages as a result of injuries arising in connection with the Common Elements solely by virtue of his ownership of a Common Element Interest therein or for liabilities incurred by the Condominium Owners Association, shall be limited to the total liability multiplied by his Common Element Interest. The Condominium Owners Association shall indemnify and hold harmless each of the members of the Covenants Committee from and against all liability to others arising out of the due exercise of their responsibilities unless their action shall have been taken in bad faith or contrary to the provisions of the Act or the Condominium Instruments. The Condominium Owners Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he is or was an Officer or director of the Association or a member of the Covenants Committee against expenses (including attorneys' fees), judgments, fines and amounts said in settlement incurred by him in connection with such action, suit or proceedings if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Condominium.

(b) The Condominium Owners Association shall not be liable for any failure of water supply or other services to be obtained by the Association or paid for as a common expense, or for injury or damage to person or property caused by the elements or by the Unit Owner of any Unit, or any other person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Common Elements or from any pipe, drain, conduit, appliance or equipment. The Condominium Owners Association shall not be liable to any Unit Owner for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Common Elements. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Common Elements or from any action taken by the Condominium Owners Association to comply with any law, ordinance or with the order or directive of any governmental authority.

Section 3.17. Common or Interested Directors. Each director shall exercise his[®] powers and duties in good faith and with a view to the interests of the condominium. No contract or other transaction between the Condominium Owners Association and any of its directors, or between the Association and any corporation, firm or association (including the Declarant) in which any of the directors of the Association are directors or officers or are pecuniarily or otherwise interested, is either void or voidable because any such director is present at the meeting of the Board of Directors or any committee thereof which authorizes or approves the contract or transaction, or because his vote is counted for such purpose, if any of the conditions specified in any of the following subsections exist:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or a majority thereof or noted in the minutes, and the Board authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

(b) The fact of the common directorate or interest is disclosed or known to at least a majority of the Unit Owners, and the Unit Owners approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) The contract or transaction is commercially reasonable to the Condominium Owners Association at the time it is authorized, ratified, approved or executed.

Any common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote at the meeting to authorize any contract or transaction with like force and effect as if such director of the Condominium Owners Association were not an officer or director of such other corporation, firm or association or not so interested.

Section 3.18. Covenants Committee.

(a) Purpose. The Board of Directors shall establish a Covenants Committee, consisting of three members appointed by the Board, each to serve for a term of two years, in order to assure that the Condominium shall always be maintained in a manner: (1) providing for visual harmony and soundness of repair; (2) avoiding activities deleterious to the aesthetic or property values of the Condominium; (3) furthering the comfort of the Unit Owners, their guests and tenants; and (4) promoting the general welfare and safety of the Condominium community.

(b) Powers. The Covenants Committee shall regulate the external design, appearance, use and maintenance of the Common Elements. The Covenants Committee shall have the power to impose reasonable application fees as well as the costs of reports, analyses, or consultations required in connection with improvements or charges proposed by a Unit Owner. The Covenants Committee shall have the power to impose reasonable fines (pursuant to subsection 8.1(g) hereof) upon, and issue a cease and desist request to, a Unit Owner, his guests, invitees, or lessees whose actions are inconsistent with the provisions of the Condominium Instruments, the Rules and Regulations or resolutions of the Board of Directors (upon petition of any Unit Owner or upon its own motion). The Covenants Committee shall from time to time, as required, provide interpretations of the Condominium Instruments, Rules and Regulations and resolutions regarding the intents, provisions and qualifications thereof when requested to do so by a Unit Owner or the Board of Directors. Any action, ruling or decision of the Covenants Committee may be appealed to the Board of Directors by any party deemed by the Board to have standing as an aggrieved party and the Board may modify or reverse any such action, ruling or decision.

(c) Authority. The Covenants Committee shall have such additional duties, power and authority as the Board of Directors may from time to time provide by resolution. The Board of Directors may relieve the Covenants Committee of any of its duties, powers and authority either generally or on a case-by-case basis. The Covenants Committee shall carry out its duties and exercise its powers and authority in the manner provided for in the Rules and Regulations or by resolution of the Board of Directors.

ARTICLE 4
Officers

Section 4.1. Designation. The principal Officers of the Condominium Owners Association shall be the President, the Vice President, the Secretary/Treasurer, all of whom shall be elected by the Board of Directors. The Board of Directors may appoint an assistant treasurer, an assistant secretary and such other Officers as in its judgment may be necessary. The President and Vice President shall be residents of the Condominium (except for those appointed by the Declarant) and members of the Board of Directors.

Section 4.2. Election of Officers. The Officers of the Condominium Owners Association shall be elected annually by the Board of Directors at the organization meeting of each new board and shall hold office at the pleasure of the Board.

Section 4.3 Removal of Officers. Upon the affirmative vote of a majority of all members of the Board of Directors any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 4.4. President. The President shall be the chief executive officer of the Condominium Owners Association; preside at all meetings of the Association and of the Board of Directors; have general and active management of the business of the Association subject to the control of the Board; see that all orders and resolutions of the Board are carried into effect; and appoint committees from among the Unit Owners from time to time as the President may in his discretion decide is appropriate to assist in the conduct of the affairs of the Association.

Section 4.5 Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other director to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Board of Directors or by the President.

Section 4.6 Secretary. The Secretary shall keep the minutes of all meetings of the Condominium Owners Association and of the Board of Directors; have charge of such books and papers as the Board may direct; give or cause to be given all notices required to be given by the Association; maintain a register setting forth the place to which all notices to Unit Owners shall be delivered; and, in general, perform all the duties incident to the office of secretary.

Section 4.7. Treasurer. The Treasurer shall (together with the managing agent, if any) be responsible for Condominium Owners Association funds and securities; keep full and accurate financial records and books of account showing all receipts and disbursements; prepare all required financial data; deposit all monies and other valuable effects in the name of the Board of Directors, the Association or the managing agent, in such depositories as may from time to

time be designated by the Board; and, in general, perform all the duties incident to the office of treasurer.

Section 4.8. Execution of Documents. All agreements, contracts, deed, leases, checks and other instruments of the Condominium Owners Association for expenditures or obligations in excess of one thousand dollars, and all checks drawn upon reserve accounts, shall be executed by any two persons designated by the Board of Directors. All such instruments for expenditures or obligations of one thousand dollars or less, except from reserve accounts, may be executed by any one person designated by the Board of Directors.

Section 4.9. Compensation of Officers. No Officer who is also a director shall receive any compensation from the Condominium Owners Association for acting as such Officer.

ARTICLE 5 **Operation of the Property**

Section 5.1. Determination of Common Expenses and Assessments Against Unit Owners.

(a) **Fiscal Year.** The fiscal year of the Unit Owners Association shall be January 1 through December 31 unless otherwise determined by the Board of Directors.

(b) **Preparation and Approval of Budget.**

(1) At least ninety days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Condominium Owners Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements and those parts of the Units as to which it is the responsibility of the Association to maintain, repair and replace, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be common expenses by the Condominium Instruments or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Property and the rendering to the Unit Owners of all related services. The budget shall reflect the separate assessment of Limited Common Expenses.

(2) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements. At least thirty days before the beginning of each fiscal year, the Board of Directors shall send to each Unit Owner a copy of the budget in a reasonably itemized form which sets forth the amount of the common expenses and any special assessment payable by each Unit Owner. Such budget shall constitute the basis for determining each Unit Owner's assessment for the common expenses of the Condominium.

(c) Assessment and Payment of Common Expenses. Subject to the provisions of subsection 8.1(a) hereof, the total amount of the estimated funds required from assessments for the operation of the Property set forth in the budget adopted by the Board of Directors shall be assessed against each Unit Owner in proportion to his respective Common Element Interest, except for Limited Common Expenses which shall be assessed against each Unit Owner benefited in proportion to the relative Common Element Interest of such Units inter se, and shall be a lien against each Unit Owner's Unit as provided in section 8.2 of these Bylaws. On or before the first day of each fiscal year, and the first day of each of the succeeding eleven months in such fiscal year, each Unit Owner shall be obligated to pay to the Board of Directors or the managing agent (as determined by the Board), one-twelfth of such assessment. Within ninety days after the end of each fiscal year, the Board of Directors shall supply to all Unit Owners an itemized accounting of the common expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Board of Directors be placed in reserve accounts, be placed in a special account to be expended solely for the general welfare of the Unit Owners, or be credited according to each Unit Owner's Common Element Interest to the next monthly installments due from Unit Owners under the current fiscal year's budget, until exhausted. Any net shortage shall be assessed promptly against the Unit Owners in accordance with their Common Element Interests and shall be payable either: (1) in full with payment of the next monthly assessment due; or (2) in not more than six equal monthly installments, as the Board of Directors may determine.

(d) Reserves. The Board of Directors shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year shall be charged first against such reserves. If the reserves are inadequate for any reason, including non-payment of any Unit Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Unit Owners according to their respective Common Element Interests, and which may be payable in a lump sum or in installments as the Board may determine. The Board of Directors shall serve notice of any such further assessment on Unit Owners by a statement in writing giving the amount and reasons therefore, and such further assessment shall, unless otherwise specified in the notice, become effective with the next monthly payment which is due more than ten days after the delivery of such notice of further assessment. All Unit Owners so notified shall be obligated to pay the adjusted monthly amount or, if such further assessment is not payable in installments, the amount of such assessment. Such assessment shall be a lien as of the effective date as set forth in subsection (c).

(e) Initial Capital Payment. (i) Upon taking office, the first Board of Directors elected or designated pursuant to these Bylaws shall determine the budget, as defined in this section, for the period commencing thirty days after such election and ending of the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Unit Owners during such period as provided in subsection (c).

(ii) The Declarant, as the agent of the Board of Directors, will collect from each initial purchaser at the closing an "initial capital payment" equivalent to twice the estimated monthly assessment for common expenses for such purchaser's Unit. The Declarant will deliver the funds so collected to the Board of Directors to provide the necessary working capital for the Condominium Owners Association. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start-up costs, and for such other purposes as the Board of Directors may determine.

(f) Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay his allocable share of the common expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Unit Owner shall continue to pay each monthly installment at the monthly rate established for the previous fiscal year until notice of the monthly payment which is due more than ten days after such new annual or adjusted budget shall have been delivered.

(g) Accounts. All sums collected by the Board of Directors with respect to assessments against the Unit Owners or from any other source may be commingled into a single fund or held for each Unit Owner in accordance with his Common Element Interest.

Section 5.2 Payment of Common Expenses. Each Unit Owner shall pay the common expenses, including Limited Common Expenses, assessed by the Board of Directors pursuant to the provisions of Section 5.1 hereof. No Unit Owner may be exempted from liability for the assessment of common expenses by waiver of the use or enjoyment of any of the Common Elements or by abandonment of his Unit. No Unit Owner shall be liable for the payment of any part of the common expenses assessed against his Unit subsequent to the date of recordation of a conveyance by him in fee of such Unit. Prior to or at the time of any such conveyance, all liens, unpaid charges and assessments shall be paid in full and discharged. The purchaser of a Unit shall be jointly and severally liable with the selling Unit Owner for all unpaid assessments against the latter for his proportionate share of the common expenses up to the time of such recordation, without prejudice to the purchaser's right to recover from the selling Unit Owner amounts paid by the purchaser therefore; provided, however, that any such purchaser shall be entitled to a statement setting forth the amount of the unpaid assessments against the selling Unit Owner within five business days following a written request therefore to the Board of Directors or managing agent and such purchaser shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments in excess of the amount therein set forth; and provided, further, that each mortgagee who comes into possession of a Unit by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Unit free of any claims for unpaid assessments or charges against such Unit which accrue prior to the time such person comes into possession thereof, except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Units including the mortgaged Unit.

Section 5.3. Collection of Assessments. The Board of Directors, or the managing agent at the request of the Board, shall take prompt action to collect any assessments for common expenses due from any Unit Owner which remain unpaid for more than thirty days from the due date for payment thereof. Any assessment, or installment thereof, not paid within ten days after due shall accrue a late charge in the amount of fifty dollars, or such other amount as may be established from time to time by the Board of Directors.

Section 5.4. Statement of Common Expenses. The Board of Directors shall promptly provide any Unit Owner, contract purchaser or mortgagee so requesting the same a written statement of all unpaid assessments for common expenses due from such Unit Owner. The Board of Directors may impose a reasonable charge for the preparation of such statement to cover the cost of preparation.

Section 5.5. Maintenance, Repair, Replacement and Other Common Expenses.

(a) By the Condominium Owners Association: The Condominium Owners Association shall be responsible for the maintenance, repair and replacement (unless, if in the opinion of not less than two-thirds of the Board of Directors such expense was necessitated by the negligence, misuse or neglect of a Unit Owner) of all of the Common Elements as defined herein or in the Declaration, whether located inside or outside of the Units, the cost of which shall be charged to all Unit Owners as a common expense; provided, however, that each Unit Owner shall perform normal maintenance on the Limited Common Elements appurtenant to his Unit and any portion of the remaining Common Elements which the Board of Directors pursuant to the Rules and Regulations has given him permission to utilize, including without limitation the items enumerated in subsection (b).

(b) By the Unit Owner.

(1) Each Unit Owner shall keep his Unit and its equipment, appliances and appurtenances in good order, condition and repair and in a clean and sanitary condition, and shall do all redecorating, painting and varnishing which may at any time be necessary to maintain the good appearance and condition of his Unit. In addition, each Unit Owner shall be responsible for all damage to any other Units or to the Common Elements resulting from his failure or negligence to make any of the repairs required by this Section. Each Unit Owner shall perform his responsibility in such manner as shall not unreasonably disturb or interfere with the other Unit Owners. Each Unit Owner shall promptly report to the Board of Directors or the managing agent any defect or need for repairs for which the Condominium Owners Association is responsible.

(2) The Unit Owner of any Unit to which a Limited Common Element balcony or terrace is appurtenant shall perform the normal maintenance for such Limited Common Element, including keeping it in a clean and sanitary condition, free and clear of snow, ice and any accumulation of water and shall also make all repairs thereto caused or permitted by his negligence, misuse or neglect. All structural repair or replacement shall be made by the Condominium Owners Association as a common expense, as provided in subsection (a).

(3) Any Unit Owner permitted by the Board of Directors to use a specific portion of the Common Elements for storage is responsible for the maintenance and care of such portion and shall use such portion in a safe and sanitary manner.

(c) Manner of Repair and Replacement. All repairs and replacements shall be substantially similar to the original construction and installation and shall be of first-class quality, but may be done with contemporary building materials and equipment. The method of approving payment vouchers for all repairs and replacements shall be determined by the Board of Directors.

Section 5.6. Additions, Alterations or Improvements by the Board of Directors. Except during the Declarant Control Period, whenever in the judgment of the Board of Directors the Common Elements shall require additions, alterations or improvements costing in excess of ten thousand dollars during any period of twelve consecutive months, the making of such additions, alterations or improvements shall be approved by a Majority Vote, and the Board of Directors shall proceed with such additions, alterations or improvements and shall assess all Unit Owners benefited for the cost thereof as a common expense or Limited Common Expense. Any additions, alterations or improvements costing ten thousand dollars or less during any period of twelve consecutive months may be made by the Board of Directors without approval of the Unit Owners and the cost thereof shall constitute a common expense or Limited Common Expense, depending on the nature of the additions, alterations or improvements. The ten thousand dollar limitation shall be increased annually by the percentage equal to the percentage increase in the annual budget of the Condominium. Notwithstanding the foregoing, if, in the opinion of not less than two-thirds of the Members of the Board of Directors, such additions, alterations or improvements are exclusively or substantially exclusively for the benefit of the Unit Owners requesting the same, such requesting Unit Owners shall be assessed therefore in such proportion as they jointly approve or, if they are unable to agree thereon, in such proportion as may be determined by the Board of Directors.

Section 5.7. Additions, Alterations or Improvements by the Unit Owners. No Unit Owner shall make any structural addition, alteration or improvement in or to his Unit without the prior written consent of the Board of Directors or the Covenants Committee as appropriate. No Unit Owner shall paint or alter the exterior of his Unit, including the doors and windows, nor shall any Unit Owner paint or alter the exterior of any building, without the prior written consent of the Board of Directors or the Covenants Committee as appropriate. The Board of Directors or the Covenants Committee, as appropriate, shall be obligated to answer any written request by a Unit Owner for approval of a proposed structural addition, alteration or improvement in such Unit Owner's Unit within forty-five days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board of Directors or the Covenants Committee to the proposed structural addition, alteration or improvement. If any application to any governmental authority for a permit to make any such structural addition, alteration or improvement in or to any Unit requires execution by the Association, and provided consent has been given by the Board of Directors, then the application shall be executed on behalf of the Association by an authorized officer only, without however incurring any liability on the part of

the Board of Directors, the Association or any of them to any contractor, subcontractor or materialmen on account of such addition, alteration or improvement, or to any person having claim for injury to person or damage to property arising therefrom. The provisions of this Section shall not apply to Units owned by the Declarant until deeds of conveyance of such Units shall have been recorded; provided, however, that the Declarant's construction or alterations shall be architecturally compatible with existing Units. The Declarant shall have the right to make such alterations or subdivisions without the consent of the Board of Directors, and an authorized officer shall execute any such required application.

Section 5.8. Restrictions on Use of Units and Common Elements; Rules and Regulations.

(a) Restrictions. Each Unit and the Common Elements shall be occupied and used as follows:

(1) Except for the areas of the Condominium designated for recreational use and except as provided in the Declaration, no Unit shall be used for other than housing and the related common purposes for which the Property was designed. The Board of Directors may permit reasonable, temporary non-residential uses from time to time. Nothing in these Bylaws shall be construed to prohibit the Declarant from using any Unit owned by the Declarant for promotional, marketing or display purposes or from using any appropriate portion of the Common Elements for settlement of sales of Units and for customer service purposes.

(2) Nothing shall be done or kept in any Unit or in the Common Elements which will increase the rate of insurance for the Property or any part thereof applicable for residential use without the prior written consent of the Board of Directors. No waterbeds shall be permitted in any Unit. No Unit Owner shall permit anything to be done or kept in his Unit or in the Common Elements which will result in the cancellation of insurance on the Property or any part thereof or which would be in violation of any law, regulation or administrative ruling. No waste will be committed on the Common Elements.

(3) No immoral, improper, offensive or unlawful use shall be made of the Property or any part thereof, and all valid laws, zoning ordinances and regulations of all governmental agencies having jurisdiction thereof shall be observed. All laws, orders, rules, regulations or requirements of any governmental agency having jurisdiction thereof relating to any portion of the Property shall be complied with, by and at the sole expense of the Unit Owner or the Board of Directors, whichever shall have the obligation to maintain or repair such portion of the Property, and, if the latter, then the cost of such compliance shall be a common expense.

(4) No Unit Owner shall obstruct any of the Common Elements nor shall any Unit Owner place or cause or permit anything to be placed on or in any of the Common Elements (except those areas designated for such storage by the Condominium Instruments or the Board of Directors) without the approval of the Board. Nothing shall be altered or constructed in or removed from the Common Elements except with the prior written consent of the Board of Directors or the Covenants Committee, as appropriate.

(5) The Common Elements shall be used only for the furnishing of the services and facilities for which the same are reasonably suited and which are incident to the use and occupancy of the Units. The stairwells and building entrances shall be used for no purpose other than for normal transit.

(6) No Unit shall be rented for transient or hotel purposes or in any event for an initial period of less than 30 days without the prior written permission of the Board of Directors; provided. No portion of any Unit (other than the entire Unit) shall be leased for any period. No Unit Owner shall lease a Unit other than on a written form of lease: (i) requiring the lessee to comply with the Condominium Instruments and Rules and Regulations (ii) providing that failure to comply constitutes a default under the lease, and (iii) providing that the Board of Directors has the power to terminate the lease or to bring summary proceedings to evict the tenant in the name of the lessor thereunder after forty-five days prior written notice to the Unit Owner, in the event of a default by the lessee in the performance of the lease. The Board of Directors may suggest or require a standard form lease for use by Unit Owners. Each Unit Owner of a Unit shall, promptly following the execution of any lease of a Unit, forward a conformed copy thereof to the Board of Directors. The foregoing provisions of this subsection, except the restriction against use for hotel or transient purposes, of this subsection, except the restriction against use for hotel or transient purposes, shall not apply to the Declarant, or to a mortgagee in possession of a Unit as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.

(7) Trailers, campers, recreational vehicles, boats and other large vehicles may be parked on the Property only if expressly permitted by the Rules and Regulations and only in such parking areas, if any, as may be designated for such purpose by the Board of Directors. No junk or derelict vehicle or other vehicle on which current registration plates are not displayed shall be kept upon any of the Common Elements. Vehicle repairs other than ordinary light maintenance are not permitted on the Property.

(8) The maintenance, keeping, boarding and/or raising of animals, livestock, poultry or reptiles of any kind, regardless of number, shall be and is prohibited within any Unit or upon the Common Elements, except that the keeping of small, orderly domestic pets as outlined in the Declaration, subject to the Rules and Regulations adopted by the Board of Directors or as allowed or required by the Declaration of Horizontal Property Regime; provided, however, that such pets are not kept or maintained for commercial purposes or for breeding; and provided, further, that any such pet causing or creating a nuisance or unreasonable disturbance or noise may be permanently removed from the property upon ten days written notice from the Board of Directors. Such pets shall not be permitted upon the Common Elements unless accompanied by an adult and unless carried or leashed. Any Unit Owner who keeps or maintains any pet upon any portion of the Property shall be deemed to have indemnified and agreed to hold the Association, each Unit Owner and the Declarant free and harmless from any loss, claim or liability of any kind or character whatever arising by reason of keeping or maintaining such pet within the Condominium. All pets shall be registered with the Board of Directors and shall otherwise be registered and inoculated as required by law. The Board of Directors may establish

reasonable fees for registration of pets not to exceed the additional costs incurred by the Association resulting from the presence of such pets.

(9) Except for such signs as may be posted by the Declarant for promotional or marketing purposes, no signs of any character shall be erected, posted or displayed upon, in, from or about any Unit or Common Element without the prior written approval of the Board of Directors. The foregoing provisions of this subsection shall not apply to a mortgagee in possession of a Unit as a result of foreclosure, judicial sale or a proceeding in lieu of foreclosure.

(b) Changes to Rules and Regulations. Each Unit and the Common Elements shall be occupied and used in compliance with the Rules and Regulations which may be promulgated and changed by the Board of Directors. Copies of the Rules and Regulations shall be furnished by the Board of Directors to each Unit Owner. Changes to the Rules and Regulations shall be conspicuously posted prior to the time when the same shall become effective and copies thereof shall be furnished to each Unit Owner upon request.

Section 5.9 Right of Access. By acceptance of his deed of conveyance, each Unit Owner thereby grants a right of access to his Unit, as provided by Article 4 of the Declaration, to the Board of Directors or the managing agent, or any other person authorized by the Board or the managing agent, or any group of the foregoing, for the responsibilities, including without limitation making inspections, correcting any condition originating in his Unit or in a common element to which access is obtained through his Unit and threatening another Unit or the Common Elements, performing installations, alterations or repairs to the mechanical or electrical systems or the Common Elements in his Unit or elsewhere in the Property or to correct any condition which violates any mortgage; provided, however, that request for entry are made in advance and that any such entry is at a time reasonably convenient to the Unit Owner. In case of an emergency, such right of entry shall be immediate, whether or not the Unit Owner is present.

Section 5.10 Utility Charges. The cost of utilities serving the Condominium not individually metered to a Unit shall be common expenses allocated pursuant to Section 5.1 hereof.

Section 5.1. Parking Spaces. All roadways shall be used by the Unit Owners for self-service parking purposes on a "first come, first served" basis, except as the Board of Directors may otherwise determine; provided, however, that no Unit Owner shall park on the Common Element parking spaces more than one vehicle (owned or leased by such Unit Owner, a member of his family, an employee or a tenant leasing his Unit) without the prior written consent of the Board of Directors. The cost of maintenance and repair of all parking areas shall be a common expense.

ARTICLE 7

Repair and Reconstruction After Fire or Other Casualty

Section 6.1. When Repair and Reconstruction are Required. Except as otherwise provided in Section 6.4 and subject to Article XI of the Declaration, in the event of damage to or

destruction of all or any part of one or more buildings as a result of fire or other casualty, the Board of Directors shall arrange for and supervise the prompt repair and restoration thereof (including any damages Units, and the floor coverings, kitchen or bathroom fixtures and appliances initially installed therein by the Declarant, and replacements thereof installed by the Declarant, but not including any furniture, furnishings, fixtures, equipment or other personal property supplied or installed by the Unit Owners in the Units). Notwithstanding the foregoing, each Unit Owner shall have the right to supervise the redecorating of the Unit.

Section 6.2. Procedure for Reconstruction and Repair.

(a) Cost Estimates. Immediately after a fire or other casualty causing damage to any portion of a building, the Board of Directors shall obtain reliable and detailed estimates of the cost of repairing and restoring such portion (including any damaged Units and any floor coverings and kitchen and bathroom fixtures and appliances initially installed by Declarant, and the replacements thereof installed by the Declarant, but not including any other furniture, furnishings, fixtures or equipment installed by the Unit Owner in the Unit) to a condition as good as that existing before such casualty. Such costs may also include professional fees and premiums for such bonds as the insurance trustee determines to be necessary.

(b) Assessments. If the proceeds of insurance are not sufficient to defray such estimated costs of reconstruction and repair, or if upon completion of reconstruction and repair the funds for the payment of the costs thereof are insufficient, the amount necessary to complete such reconstruction and repair may be obtained from the appropriate reserve for replacement funds and/or shall be deemed a common expense and a special assessment therefore shall be levied on the Unit Owners owning Units in the affected building.

(c) Plans and Specifications. Any such reconstruction or repair shall be substantially in accordance with the original construction of the Property, subject to any modifications required by changes in applicable governmental regulations, and using contemporary building materials and technology to the extent feasible.

Section 6.3. Disbursements of Construction Funds.

(a) Construction Fund and Disbursement. The proceeds of insurance collected on account of casualty, and the sums received by the insurance trustee from collections of assessments against Unit Owners on account of such casualty, shall constitute a construction fund which shall be disbursed in payment of the costs of reconstruction and repair upon order of the Board of Directors.

(b) Surplus. The first monies disbursed in payment of the cost of reconstruction and repair shall be from insurance proceeds and, if there is a balance in the construction fund after the payment of all of the costs of the reconstruction and repair for which the fund is established, such balance shall be divided among all affected Unit Owners in proportion to their Common Element Interests and shall be distributed in accordance with the priority of interests at law or in equity in each Unit.

(c) Common Elements. When the damage is to both Common Elements and Units, the insurance proceeds shall be applied first to the cost of repairing those portions of the Common Elements which enclose and service to the Units, then to the cost of repairing the other Common Elements and thereafter to the cost of repairing the Units.

(d) Certificate. The insurance trustee shall be entitled to rely upon a certificate executed by the President or Vice President, and the Secretary certifying: (i) whether the damaged property is required to be reconstructed and repaired (ii) the name of the payee and the amount to be paid with respect to disbursement from any construction fund; and (iii) all other matters concerning the holding and disbursing of any construction fund. Any such certificate shall be delivered to the insurance trustee promptly after request.

Section 6.4. When Reconstruction Is Not Required. (i) If the Board of Directors elects not to repair insubstantial damage to the Common Elements, the Board of Directors shall remove all remains of the damaged improvements and restore the site thereof to an acceptable condition compatible with the remainder of the Condominium and the balance of any insurance proceeds received on account of such damage shall be distributed among all affected Unit Owners in proportion to their respective Common Element Interests.

(ii) If pursuant to Section 5.2 of the Declaration the affected Unit Owners vote not to rebuild, repair, or restore the building, then the insurance proceeds shall be applied first to the cost of razing the building and repairing the land to accommodate the landscape and aesthetics of the Condominium and then to the affected Unit Owners in proportion to their respective Common Element Interests.

ARTICLE 7 **Compliance and Default**

Section 7.1 Relief. Each Unit Owner shall be governed by, and shall comply with, all of the terms of the Condominium Instruments, the Rules and Regulations, and the Act as any of the same may be amended from time to time. A default by a Unit Owner shall entitle the Association, acting through its Board of Directors or through the managing agent, to the following relief:

(a) Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his act, neglect or carelessness or the act, neglect or carelessness of any member of his family or his employees, agents or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

(b) Costs and Attorney's Fees. In any proceedings arising out of any alleged default by a Unit Owner, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorney's fees as may be determined by the court.

(c) No Waiver of Rights. The failure of the Association, the Board of Directors or of a Unit Owner to enforce any right, provision, covenant or condition which may be granted by the Condominium Instruments, the Rules and Regulations, or the Act shall not constitute a waiver of the right of the Association, the Board or the Unit Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Board of Directors or any Unit Owner pursuant to any term, provision, covenant or condition of the Condominium Instruments, the Rules and Regulations or the Act shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from, exercising such other privileges as may be granted to such party by the Condominium Instruments, the Rules and Regulations or the Act or at law or in equity.

(d) Interest. In the event of a default by any Unit Owner in paying any sum assessed against his Unit which continues for a period in excess of fifteen days, interest at a rate equal to eighteen percent per annum may be imposed in the discretion of the Board of Directors on the principal amount unpaid from the date due until paid.

(e) Abating and Enjoining Violations by Unit Owners. The violation of any of the Rules and Regulations adopted by the Board of Directors, the breach of any provision of the Condominium Instruments or the Act shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws: (i) to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and receive at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; or (ii) to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and receive, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; or (ii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

(f) Legal Proceedings. Failure to comply with any of the terms of the Condominium Instruments and the Rules and Regulations shall be grounds for relief, including without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board of Directors, the managing agent or, if appropriate, by any aggrieved Unit Owner and shall not constitute an election of remedies.

(g) Fines. The Board of Directors and the Covenants Committee may levy reasonable fines against Unit Owners for violations of the Rules and Regulations, the Condominium

Instruments or the Act. No fine may be levied for more than one percent of such Unit Owner's annual assessment for any one violation; but each day a violation continues, after notice is given to the Unit Owner, is a separate violation. If a Unit Owner requests in writing a hearing before the fine is imposed, the imposition of the fine shall be suspended until the hearing is held. Fines are special assessments and shall be collectible as such.

Section 7.2. Lien for Assessments.

(a) Lien. The total annual assessment of each Unit Owner for common expenses, Limited Common Expenses or any special assessment, or any other sum duly levied (including without limitation fines, interest, late charges, etc.), made pursuant to these Bylaws, is hereby declared to be a lien levied against the Unit of such Unit Owner as provided in section 499B.17 of the Act, which lien shall, with respect to annual assessments, be effective on the first day of each fiscal year of the Condominium and, as to special assessments and other sums duly levied, on the first day of the next month which begins more than seven days after delivery to the Unit Owner of notice of such special assessment or levy. The Board of Directors or the managing agent may file or record such other or further notice of any such lien, or such other or further document, as may be required to confirm the establishment and priority of such lien.

(b) Acceleration. In any case where an assessment against a Unit Owner is payable in installments, upon a default by such Unit Owner in the timely payment of any two consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated at the option of the Board of Directors, and the entire balance of the annual assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Unit Owner by the Board of Directors or the managing agent.

(c) Enforcement. The lien for assessments may be enforced and foreclosed in the manner provided by the laws of the State of Iowa by power of sale or action in the nature of the Board of Directors, or the managing agent, acting on behalf of the Association. During the pendency of such suit the Unit Owner shall be required to pay a reasonable rental for the unit for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale. The plaintiff in such proceeding shall have the right to the appointment of a receiver.

(d) Remedies Cumulative. A suit to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the sale, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

Section 7.3 Subordination and Mortgage Protection. Notwithstanding any other provisions hereof to the contrary, the lien of any assessment levied pursuant to these Bylaws upon any Unit (and any penalties, interest on assessments, late charges or the like) shall be subordinate to, and shall in no way affect the rights of the holder of a mortgage made in good faith for value received, provided, however, that such subordination shall apply only to assessments which have become due and payable prior to a sale or transfer of such Unit pursuant to a decree of foreclosure, or any proceeding in lieu of foreclosure. Such sale or transfer shall not relieve the purchaser of the Unit at such sale from liability for any assessments thereafter.

becoming due, nor from the lien of any such subsequent assessment, which lien shall have the same effect and be enforced in the same manner as provided herein.

ARTICLE 8
Amendments to Bylaws

Section 8.1. Amendments. These Bylaws may be modified or amended by a Majority Vote; provided, however, that until the expiration of the Declarant Control Period, the Bylaws may not be amended without the prior written consent of the Declarant. All amendments to the Bylaws shall be recorded in the land records where the Condominium Instruments are recorded.

ARTICLE 9
Miscellaneous

Section 9.1. Notices. All notices, demands, bills, statements or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivery personally or sent by United States mail, postage prepaid, or if notification is of a default or lien, sent by registered or certified United States mail, return receipt requested, postage prepaid, (i) if to a Unit Owner, at the address which the Unit Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Unit of such Unit Owner, or (ii) if to the Association, the Board of Directors or to the managing agent, at the principal office of the managing agent or at such other address as shall be designated by notice in writing to the Unit Owners pursuant to this section. If a Unit owned by more than one person, each such person who so designates an address in writing to the Secretary shall be entitled to receive all notice hereunder.

Section 9.2. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision thereof.

Section 9.3 Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

Section 9.4. Construction. These Condominium Instruments are intended to comply with all of the applicable provisions of the Act and shall be so interpreted and applied. ®

IN WITNESS WHEREOF, the Declarant has caused these Bylaws to be executed, this
4th day of June, 2010.

Liberty Bank, F.S.B.

BY: Raymond Keene

STATE OF IOWA, COUNTY OF DICKINSON, ss:

On this 4th day of June, 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared Roger Kernat, to me personally known, serving in capacity as Market President of Liberty Bank, F.S.B., and by him voluntarily executed on behalf of the Board of Directors of Liberty Bank, F.S.B. on the date shown herein.



Notary Public in and for said State.



**DECLARATION OF ESTABLISHMENT
OF
A HORIZONTAL PROPERTY REGIME (CONDOMINIUM)
TO BE KNOWN AS
SUNSET BAY CONDOS OF SPIRIT LAKE**

The undersigned, Liberty Bank, F.S.B., the Developer/Owner of the real property described on Exhibit A attached hereto, hereby submits said property to a Horizontal Property Regime pursuant to the provisions of Chapter 499B, Code of Iowa (2007). In compliance with Sections 499B.3 and 499B.4, Code of Iowa (2007), the following declarations are made:

1. The description of the land and improvements hereby submitted to this Horizontal Property Regime are as legally described above and as depicted on the Site Plan. The Buildings located on said Land are hereby submitted to the regime. The Units in such Building, which are shown on the Site Plan (attached hereto as Exhibit A) and depicted on the building floor plans attached hereto as Exhibit B, are hereby submitted to the regime. Exhibits "A" and "B" contain and such contents shall govern, for purposes of this Declaration and for purposes of meeting certain requirements of Sections 499B.4 and 499B.6 of the Code of Iowa, the following:

A. The number identifying each Unit, the location and number of rooms in each Unit and the immediate common area to which each Unit has access and parking space. Each parking space shall bear markings clearly denoting which unit is entitled to exclusive use

B. The full and exact copy of the plans of the Buildings which show graphically all particulars of the Building including, but not limited to, the dimensions, area and location of the common elements affording access to each Unit.

2. Ownership of the unit carries with it the ownership of an undivided interest in all general common elements and facilities are defined herein. These general common elements and

facilities, which shall be held by the owners as tenants in common, shall be the land on which the building is erected, the foundations, the main sanitary sewer and water lines, the walls, floors, ceilings and roofs of each unit and of the building (except the interior surfaces and except partition walls within individual units), stairways, walkways, garbage collection area, driveways, parking lot, sidewalks, outside electrical lighting units, landscaping, shrubbery and general improvements to the grounds, lawn or lake front, pipes, wires, fire alarm system, conduit and other public utility lines which are utilized for or serve more than one unit, facilities and personal property required for the use of personnel engaged in performing services for the development and all other devices or installations existing for common use and defined as General Common Elements by Section 499B.2 of the 2007 Code of Iowa.

The owners of a unit shall be deemed to own the cupboards, counters, plumbing fixtures and walls or partitions that are contained wholly within the particular unit and shall be deemed to own the inner decorated and/or finished surfaces of the perimeter walls, floor and ceiling including paint, wallpaper, vinyl tile, carpeting, etc., which are deemed to be a permanent part of each unit. The owner of each unit shall be solely responsible for the care, maintenance, repair, replacement and restoration of each unit including plumbing and lighting fixtures, heating and air conditioning equipment, refrigerator, dishwasher, disposal, range or other equipment or personal property connected with such unit for its exclusive use, except as otherwise provided.

In the event pipes, wire, conduits or other public utility lines run through one unit which are utilized for or serve one or more other units, a valid easement for the maintenance of said pipes, wire, conduits, or other public utility lines shall exist and in the event any part of the building is partially or totally destroyed and later rebuilt, repaired, or restored as hereinafter provided, a valid easement for replacement and maintenance of said pipes, wires, conduits or other public utility lines shall exist.

3. Patios, entrances and entrance sidewalks are for the exclusive use of the respective units, but repay and maintenance shall be a common expense.

4. The initial interest which each unit bears to the entire Horizontal Property Regime is 1/6th. Voting right regarding administration of the Horizontal Property Regime and payment of expenses relating to the general common elements and facilities shall be shared equally by each unit.

5. In the event of damage or destruction of all or a part of the property, the property shall be rebuilt unless two-thirds (2/3) of the unit owners shall determine that the property shall not be rebuilt, repaired, restored and therefore sold. Each unit shall be entitled to one vote with the vote of any unsold unit to be cast by Developer/Owner or its successor in interest.

The Sunset Bay Condos at Spirit Lake Owners' Association Board shall by a majority vote determine an appropriate amount of casualty and liability insurance coverage for the buildings, grounds, general common elements and facilities. Any policy purchased by the Owners' Association shall provide casualty coverage for the entire structure including utility lines, plumbing lines, all mechanical systems within the walls and permanent appliances. Roof and wall coverage shall include the sheetrock or other underlayment, but shall not extend beyond the sheetrock or underlayment. Coverage shall be replacement value for the like kind regarding construction of the existing structures. The cost of such casualty and liability coverage for the general common elements and facilities shall be shared equally by each unit. Each unit shall be individually responsible for such casualty and liability insurance as they deem appropriate for the owner's individual unit. The personal property of the unit owners, including the inner decorated and/or finished surfaces of the walls, floors and ceilings and any appliances such as water heaters, air conditioners, stoves, refrigerators and the like as well as kitchen and bathroom fixtures, will not be covered by the Owners' Association policy. Windows, doors and screens shall be insured by the Association.

Notwithstanding the previous paragraph, the Board may elect to purchase an insurance policy which provides coverage for fixtures, installations or additions that are within individual units, including but not limited to paint, wallpaper, paneling, tile, carpeting, air conditioners, cabinets, cooking ranges, clothes washers and dryers, electrical fixtures, dishwashers, fire extinguishing apparatus, plumbing fixtures and refrigerators. In the event the Board elects to do so, it shall give written notice thereof to each unit owner so that the unit owner may choose individual insurance which does not duplicate the Association insurance.

6. The administration of this Regime as it may be supplemented from time to time shall be vested in Sunset Bay Condos of Spirit Lake Owners' Association, consisting of all of the owners of the units subject to the provisions herein. This Association shall be the "Council of Co-Owners" within the meaning of Chapter 499B of the 2007 Code of Iowa and have all powers and authority granted to it by said Chapter, including, but not limited to the responsibility for the care, maintenance, repair, replacement and restoration of the structure, common elements and facilities and the making of assessments chargeable to owners. All sums so assessed but unpaid shall constitute a lien on the respective unit prior to all other liens, except: (1) liens for taxes and assessments lawfully imposed by governmental authority against such property, and (2) all sums secured by mortgages of record. Such lien may be foreclosed by suit by Association or its representatives in like manner as a mortgage of real property provided that thirty (30) days written notice of the intention to foreclose shall be mailed, postage prepaid, to the owner as shown by Association's record of ownership as set out below. In the event a lien of Association shall be foreclosed, the unit owner shall be required to pay a reasonable rental for the unit and Association shall be entitled to the appointment of a receiver to collect the same. Association or its representatives shall have the power to bid on such unit at foreclosure sale and to acquire, hold, lease, mortgage and convey such unit. Suit to recover a money judgment for unpaid common expenses shall be maintainable without foreclosing or waiving the lien securing the same.

7 The following restrictions and limitations shall apply to all units in Sunset Bay Condos at Spirit Lake.

A. No noise or other activity shall be allowed which unduly interferes with the peaceful possession and proper use of the property by its owners, nor shall any fire hazard or accumulation of refuse or other material be allowed. No towels, clothing or other objects shall be permitted to be hung outside of the units. No fences, wires, lines, sheds, outbuildings or other structures of any kind may be erected by any owner in any common area or facility without prior approval of the Owners' Association.

B. No recreational vehicles, motorcycles, snowmobiles, all terrain vehicles, travel trailers, campers, boats, boat trailers, flatbed trailers, inoperable vehicles, or the like shall be parked in driveways, the grounds or on common elements (including unassigned guest parking), except inside the garage unit assigned to a Unit and facilities other than on a strictly temporary basis not to exceed 48 hours. For purposes of computing the 48 hours, the relocation of the items at issue within Sunset Bay Condos at Spirit Lake or the temporary removal and return of said item shall not restart the 48 hour time limit unless said item is removed entirely for not less than ten days. Storage of gasoline or other flammable fluids shall be limited to five gallons at any one time.

C. All garage doors shall be kept closed at all times except when being opened for purposes of ingress and egress, or when a unit owner, family member or guest is personally present in the garage area. No garage shall be used to store discarded items, junk or other unsightly materials. Garage levels shall not be used as a mechanical or woodworking shop or for commercial ventures. No vehicle maintenance or repair may be performed inside any of the buildings.

D. Trash containers shall be kept within garages at all times.

E. No pets shall be allowed even on a temporary basis, except that one dog under twenty-five (25) pounds or one cat per unit shall be permitted. Any such pets shall not be left

unattended by the owners, may not be ties in any common area and shall not be allowed to run free but shall be on a leash at all times when outside the unit. Owners shall clean up all waste of their pet. In the event a pet is deemed to be a nuisance by a majority of the Owners' Association at a duly called meeting due to the pet causing a disturbance of the other occupants of the units by excessive noise or disruptive behavior, the Owners' Association may require the owner of the unit where the pet is located or staying to permanently remove the pet from the premises.

F. No signs shall be placed on the premises, including, but not limited to, signs placed on the exterior of any unit. This subparagraph shall not prohibit real estate for sale signs. However, for sale signs shall be limited to no more than two signs per unit with said signs to be no larger than four (4) square feet each. Any for sale signs placed on the premises shall be removed as soon as practical after the unit advertised is sold.

G. Decks, porches and/or patios are limited common elements and shall be the responsibility of the Owners' Association, which shall maintain such deck, porch or patio. Decks, porches or patios shall conform to applicable state and local law and the use thereof shall be subject to such rules as may be promulgated by the Owners' Association.

H. No private docks shall be allowed on the premises. The Developer/Owner shall be responsible for providing docks along the lakefront to serve the units, which docks shall then become a common element and be regulated and maintained by the Owners' Association. All docks are regulated by and shall be in conformance with applicable state and local law. The Owners' Association shall have responsibility for assigning placement of boat hoists at the docks.

Each unit shall be assigned space for one boat hoist not over 12,000 pound capacity and a boat not larger than thirty (30) feet. Personal watercraft hoist is subject to availability and shall be regulated and assigned by the Owners' Association. No hoist may be used for a boat of a non-owner. No boats,

hoists or hoist spaces may be rented. No individual may install additional docks or catwalks except as approved by the Board.

1. The Owners' Association by a two-thirds (2/3) vote of those present at a duly called meeting shall have the authority to amend or rescind any part of this Paragraph 9. Additionally, the Owners' Association by a two-thirds (2/3) vote of those present at a duly called meeting shall have authority to adopt and enforce other reasonable restrictions, rules and regulations relating to the use and enjoyment of the premises, including, but not limited to, assigning or reassigning placement and use of boat lifts; regulating the placement of items such as ladders, benches, diving boards, storage bins and the like on the dock managed by the Association; and regulating the use of common elements and facilities. Additionally, the owners of the Association, by two-thirds (2/3) vote of those present at a duly called meeting, shall have the authority to amend, alter or over-rule any regulations, standards and rules of conduct regarding the use and occupancy of the property adopted by the Board pursuant to section 3F of the By-Laws

8. Notwithstanding any of the provisions of the Declaration or the By-Laws, the undersigned Developer/Owner shall retain the right to name all officers of the Association who need not be owners of units until the entire property is fully developed and all units shall be sold. The Developer/Owner shall be required to pay assessments for all units held by them that are ready for occupancy. The Developer/Owner reserves the right to change the interior design and arrangement of all units owned by the Developer/Owner at the time of such alteration so long as such alteration does not increase the number of units nor alter the boundaries of the common elements and facilities. If Developer/Owner makes such changes to a unit, those changes shall be shown by an amendment to this Declaration, which need be signed and acknowledged only by the undersigned Developer/Owner and need not be approved by the Association, owners or mortgagees of the units herein.

9. Expansion of Condominium Regime:

A. The right to enlarge the condominium regime from time to time, is reserved exclusively to Developer/Owner and shall have and exercise the right to enlarge the condominium not only in its individual capacity but also as agent for the Owners of all Units in the condominium as now constituted or hereafter enlarged and such Unit Owners do hereby irrevocable appoint Developer/Owner as their agent for the purpose of so enlarging the condominium

B. The right to enlarge the condominium regime by adding thereto additional buildings and/or additional Land upon which additional buildings, units, and other improvements exist or are to be constructed, shall be exercised by Developer/Owner, if at all, by executing and acknowledging a supplemental declaration to such effect made pursuant to the Horizontal Property Act. Such supplemental declarations shall be designated by the title "First Supplemental Declaration of Condominium", "Second Supplemental Declaration of Condominium" and so forth in a numerical series. Each such supplemental declaration shall constitute an amendment of and, by appropriate reference thereto, shall be incorporated into this Declaration of Condominium by which the condominium is originally established. Such supplemental declaration shall be effective when recorded in the Office of the Recorder of Dickinson County, Iowa.

C. The land now included in the condominium regime consists of that described as the Land on Exhibit A hereof. The condominium regime may be enlarged, from time to time, by adding buildings on the Land and/or by adding or parcels and buildings thereon from the additional land lying contiguous to the Land already dedicated.

D. The additional buildings to be constructed upon the Land and upon any additional land shall all be added to the condominium regime by supplemental declaration, and the Units contained therein, shall be of a quality, type of construction, and general character equal or superior to and compatible with the original Building located on the Land and the Units contained therein.

F. The buildings to be included in any additional phase and appurtenant improvements must be substantially completed before the phase can be added to the condominium regime by the filing of a Supplemental Declaration. All taxes and other assessments relating to the property in any additional phase covering any period prior to the addition of each phase must be paid or otherwise satisfactorily provided for by the Developer/Owner prior to filing the Supplemental Declaration for that phase.

G. In the event the condominium regime is enlarged as contemplated herein, the fractional interest in the common elements appurtenant to each Unit in the condominium regime as now constituted or hereafter enlarged shall be a fraction having as its numerator one and having as its denominator the total of all Units in the condominium regime.

10. Except as set forth in paragraph 9 above, this Declaration may be amended in either of the following manners.

A. By written amendment signed by all owners, acknowledged and filed with the Dickinson County Recorder, or

B. By approval of an amendment by not less than a three-fourths (3/4) majority of the owners present at a meeting called for the purpose of discussion such amendment. Notice of such meeting shall designate the time and place for the meeting together with a general description of the proposed amendment with the notice to be given not less than thirty (30) nor more than sixty (60) days from the date of the meeting. At such meeting the written proxy of an owner duly signed and notarized either setting forth the owner's vote on the amendment

C. No amendment shall be valid without the written approval of Developer/Owner as long as Developer/Owner owns any unit

11. Notwithstanding the above and the provisions of the By-Laws, the Developer/Owner shall retain the right to name all Directors of Association until all units have been sold. Such Directors

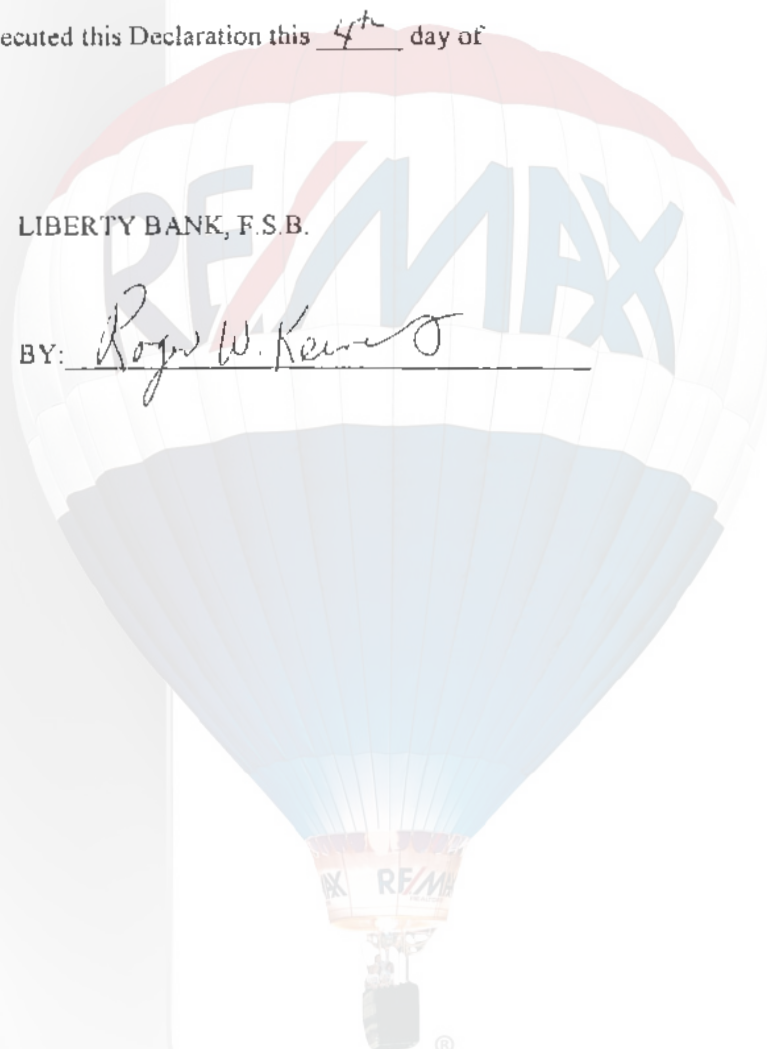
need not be unit owners. Developer/Owner shall be required to pay assessments for all units held by it except for reserves

In witness whereof, the undersigned, has executed this Declaration this 4th day of June, 2010.

LIBERTY BANK, F.S.B.

BY: Roger W. Keene

ACKNOWLEDGEMENT

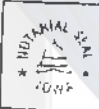


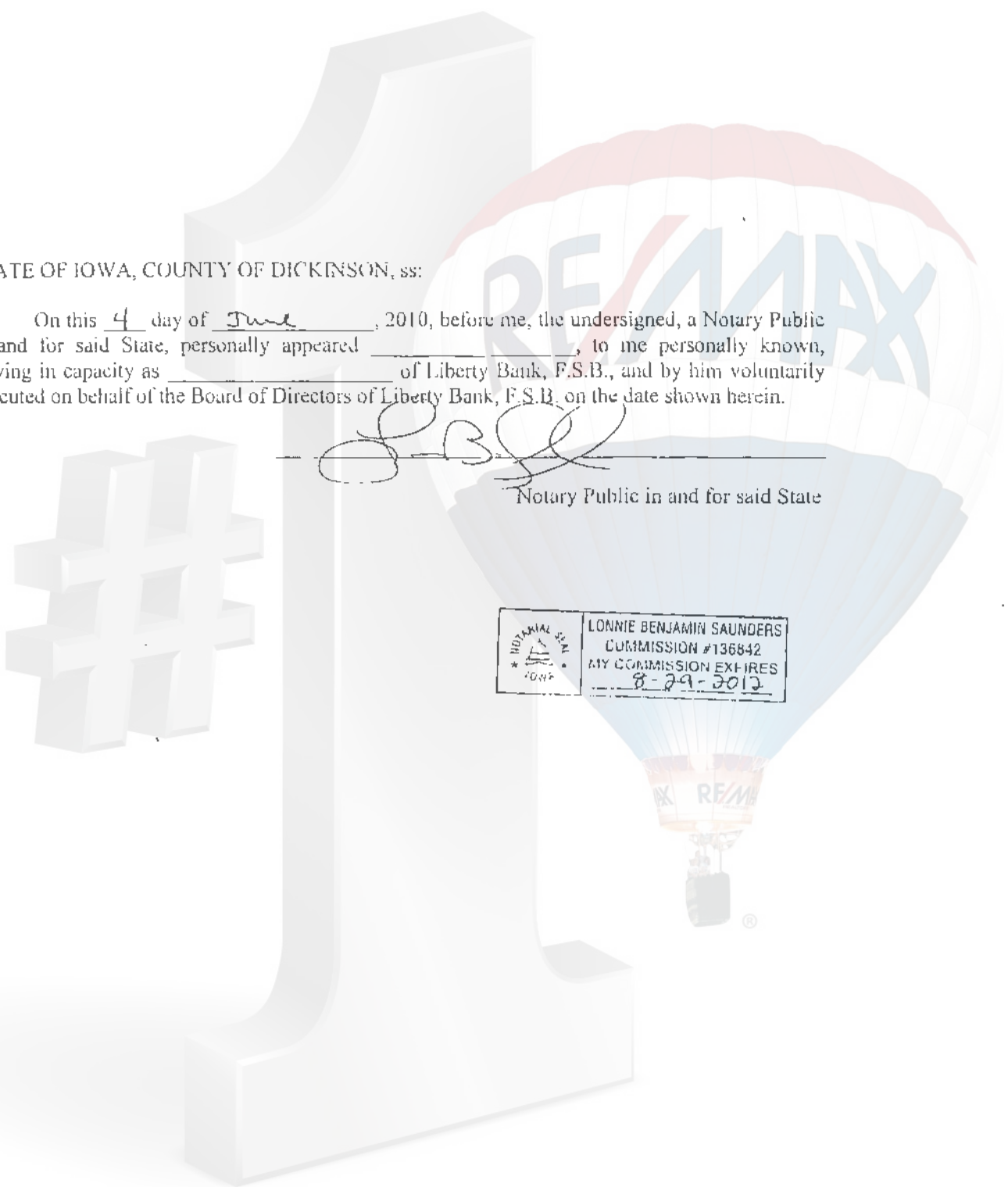
STATE OF IOWA, COUNTY OF DICKINSON, ss:

On this 4 day of June, 2010, before me, the undersigned, a Notary Public in and for said State, personally appeared _____, to me personally known, serving in capacity as _____ of Liberty Bank, F.S.B., and by him voluntarily executed on behalf of the Board of Directors of Liberty Bank, F.S.B. on the date shown herein.



Notary Public in and for said State

	LONNIE BENJAMIN SAUNDERS
	COMMISSION #136842
	MY COMMISSION EXPIRES <u>8-29-2012</u>



Lonnie B. Saunders

RIGHT OF FIRST REFUSAL/OPTION

NOW, TO WIT, on this 31st day of October, 2010, this agreement is entered into between the Sunset Bay Condos of Spirit Lake Owners Association (hereinafter "Association") and Liberty Bank, F.S.B. (hereinafter "Bank").

WHEREAS, Liberty Bank, F.S.B. is the developer and owner of property generally described as Lots 8, 9, 10, 11, 12 and 13, of Harlan's Subdivision of Government Lot 1 of Section 14, Township 100 North, Range 36 West of the 5th P.M., Dickinson County, Iowa, AND

WHEREAS Sunset Bay Condos of Spirit Lake Owners Association acknowledges that the Horizontal Property Regime known as Sunset Bay Condos of Spirit Lake allows Liberty Bank, F.S.B., as developer, to own and control all of the real estate behind the initial six units developed on the lakeshore, even after the initial six units are sold, AND

WHEREAS Sunset Bay Condos of Spirit Lake Owners Association wishes to secure an option and right of first refusal over said real estate such that the remaining real estate cannot be sold by Bank without first offering same to the Association on the same terms and conditions.

NOW, THEREFORE, In consideration of the payment of \$10.00 and other good and valuable consideration, The Sunset Bay Condos of Spirit Lake Owners Association shall

have a right of first refusal on the property herein described as: Lots 8, 9, 10, 11, 12 and 13, of Harlan's Subdivision of Government Lot 1 of Section 14, Township 100 North, Range 36 West of the 5th P.M., Dickinson County, Iowa, that is exercisable as follows:

In the event Liberty Bank, F.S.B. should receive a bona fide offer to purchase said land, and if Liberty Bank, F.S.B. desires to accept said offer, Liberty Bank, F.S.B. shall give ten (10) days written notice of said offer to Sunset Bay Condos of Spirit Lake Owners Association. Said notice shall contain the name and address of the offering party, including the proposed purchase price and other contingencies included therewith. Sunset Bay Condos of Spirit Lake Owners Association shall have the option, exercisable by written notice within Thirty (30) days after the notice is received, to acquire the land upon the same terms and conditions contained in said bona fide offer. In the event this right is exercised, closing shall be held as soon as practicable, but in no event later than sixty (60) days following the written exercise of said right of first refusal without further agreement of the parties.

1. If the right of refusal is not exercised as above set forth, then same shall be declared null and void, and Sunset Bay Condos of Spirit Lake Owners Association shall have no further rights in and to said property.
2. This Right of First Refusal is exclusive to Sunset Bay Condos of Spirit Lake Owners Association and shall run until January 1, 2015, unless extended in writing by all parties hereto.

OPTION

NOTWITHSTANDING THE FOREGOING, and in consideration of the payment of

\$10.00 and other good and valuable consideration, Liberty Bank, FSB, (Seller herein) and the Sunset Bay Condos of Spirit Lake Owners Association (Buyers herein) hereby agree that at anytime between November 1, 2010 and October 31, 2015 (primary period), the Sunset Bay Condos of Spirit Lake Owners Association shall have an option, exclusive of any other offers received by the Sellers, to purchase the above described property for the sum of \$360,000.00.

This option may be exercised by giving notice thereof to the Seller at any time during the primary period by buyer giving seller written notice of its intention to exercise this option. Buyer shall have 45 days therefrom to secure financing and close on said purchase. If Buyers should fail to close within such time period, their notice of exercise of the option contained herein shall be deemed null and void, and this agreement, including the right of first refusal, shall be terminated.

Should Liberty Bank, FSB. receive a bona fide offer to purchase this property during the primary period, they shall give notice of such offer to the Buyers, and Buyers shall have the right to proceed under the Right of First Refusal terms or under the terms of the Option Agreement so long as notice of intent to exercise is received by Liberty Bank, FSB with thirty (30) days of delivery of notice of intention to sell by Liberty Bank, FSB. In the event this right is exercised, closing shall be held as soon as practicable, but in no event later than sixty (60) days following the written exercise of said option without further agreement of the parties.

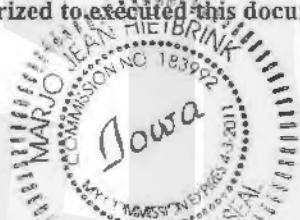
The option and right of first refusal contained in this agreement are exclusive to the Sunset Bay Condos of Spirit Lake Owners Association, and may not be assigned or

transferred without written approval of Liberty Bank, FSB.

Sunset Bay Condos of Spirit Lake Owners Association

Liberty Bank, F.S.B.

Subscribed in my presence and sworn to (affirmed) before me by the said Sunset Bay Condos of Spirit Lake Owners Association. Undersigned hereby states that (s)he is the member of such Association, and is authorized to executed this document on behalf of said Association. Dated this 21 day of October, 2010.



Notary Public

Subscribed in my presence and sworn to (affirmed) before me by the said Liberty Bank, FSB. Undersigned hereby states that (s)he is the Market President of such Bank, and is authorized to executed this document on behalf of Liberty Bank, FSB. Dated this 21 day of October, 2010.



Notary Public

