

Bylaws

THE COTTAGES AT LEGACY CREEK HOMEOWNERS ASSOCIATION, INC.

Exhibit E

To

Disclosure Statement

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**BYLAWS OF
THE COTTAGES AT LEGACY CREEK HOMEOWNERS ASSOCIATION, INC.**

ARTICLE I – THE ASSOCIATION

Section 1. **The Association.** The Cottages at Legacy Creek Homeowners Association, Inc. (the "Association") is a Minnesota nonprofit corporation which is a homeowner's association for the property now or hereafter subject to the Declaration of Covenants, Restrictions and Easements for The Cottages at Legacy Creek Homeowners Association (the "Declaration"). The Association, acting through its Board, has the following powers:

- (a) adopt and amend budgets for revenues, expenditures and reserves, and levy and collect annual and special assessments from Owners;
- (b) hire and discharge managing agents and other employees, agents, and independent contractors;
- (c) institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself or two or more Owners on matters affecting the declaration or the enforcement thereof;
- (d) make contracts and incur liabilities;
- (e) regulate the use, maintenance, repair, replacement and modification of the entrance monuments and landscaping, if any;
- (f) impose charges for late payment of annual or special assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Declaration or Bylaws of the Association;
- (g) impose reasonable charges for the review, preparation and recordation of amendments to the Declaration, resale certificates required by the Bylaws, statements of unpaid assessments, or furnishing copies of Association records;
- (h) provide for the indemnification of its officers and directors, and maintain directors' and officers' liability insurance;
- (i) provide for reasonable procedures governing the conduct of meetings and election of directors;
- (j) exercise any other powers conferred by law, including, but not limited to the powers described in Minn. Stat. § 317A.161, or by the Declaration, Articles of Incorporation or Bylaws; and
- (k) exercise any other powers necessary and proper for the governance and operation of the Association.

Section 2. **Association's Registered Office.** The Association may change the location of its registered office in accordance with the requirements of Minnesota Stat. § 317A.123.

Section 3. **Defined Terms.** Capitalized terms used in these Bylaws that are not otherwise defined in these Bylaws have the meanings set forth in the Declaration.

ARTICLE II - MEMBERSHIP, VOTING RIGHTS AND MEETINGS OF MEMBERS

Section 1. **Membership.** The Association has members. The individual, corporation, limited liability company, partnership, limited liability partnership, limited partnership, trustee under a trust, personal representative, guardian, conservator, governmental entity, governmental subdivision or agency, or other entity with the legal authority to hold title to real estate (hereinafter a "Person") that owns a Lot, or if more than one Person owns a Lot, all Persons who own the Lot, collectively, have membership rights in the Association. If a Person is the sole owner of a Lot, the Person is a member of the Association (a "Member") and if more than one Person owns a Lot, all Persons who own the Lot are considered to be, collectively, a single Member. Acceptance of an ownership interest in a Lot constitutes consent to admission as a Member of the Association. If a Member ceases to be the owner of a Lot, the Person's membership in the Association automatically terminates. Only owners of Lots may be Members.

Section 2. Annual Meetings. Except as set forth in Section 3(b) of Article II, the Board of Directors (the "Board") is not required to hold a meeting of the Members until the Members' election of directors pursuant to Section 3 of Article III. The Board will hold a meeting of the Members as provided for in Section 3 of Article III. Thereafter, the Board will hold annual meetings of the Members at such time and place as the Board may, from time to time, reasonably determine. At each annual meeting of the Members:

- (a) The Members must elect successors for directors whose terms have expired or whose terms the Board reasonably expects will expire before the next annual meeting;
- (b) The Board or its designated representative will report to the Members on the Association's activities and financial condition; and
- (c) The Members must consider and act upon any other matters referenced in the notice of meeting. The Board is authorized to determine what, if any, additional matters will be placed on the agenda for the annual meeting and included in the notice of meeting; provided, however, if twenty percent of the Members with voting rights execute and present to the president or treasurer, at least thirty (30) days prior to the date established for an annual meeting, a written demand that a matter be included on the agenda for the annual meeting, the Board will include the matter on the agenda for the annual meeting and in the notice of meeting. The Board's placement of a matter on the agenda for an annual meeting pursuant to a written demand of Members does not, in and of itself, give Members the right to vote on the matter. Members are only authorized to vote upon matters the Minnesota Nonprofit Corporation Act, the Declaration or these Bylaws indicate are to be determined by a vote of the Members. Notwithstanding the foregoing, the Board may, but is not obligated to, request a

nonbinding, advisory vote of the Members on any issue placed on the agenda for an annual meeting.

Section 3. **Special Meetings**. The Association president may call a special meeting of the Members at any time and must call a special meeting of the Members within sixty days of:

- (a) The Board's adoption of a resolution directing the president to call a special meeting; or
- (b) The president's receipt of a written demand for a special meeting from not less than twenty percent of the Members. The demand must state the purpose for which the special meeting is to be held. The Board's placement of a matter on the agenda for a special meeting pursuant to a written demand of Members does not, in and of itself, give Members the right to vote on the matter. Members are only authorized to vote upon matters the Minnesota Nonprofit Corporation Act, the Declaration or these Bylaws indicate are to be determined by a vote of the Members. Notwithstanding the foregoing, the Board may, but is not obligated to, request a nonbinding, advisory vote of the Members on any issue placed on the agenda for a special meeting.

No business may be transacted at a special meeting except as stated in the notice of meeting.

Section 4. **Determination of a Record Date and Suspension of Members**. Before each annual or special meeting of the Members, the Board must designate a date for the determination of the Members entitled to notice of and entitled to vote at the meeting (the "Record Date"). The Board must designate a Record Date that is not more than sixty (60) days before the date of the meeting. Only Members on the Record Date are entitled to notice of and are permitted to vote at the meeting.

Section 5. **Preparation of Member List**. After establishing the Record Date, the Board must prepare an alphabetical list of the names of the Members who are entitled to receive notice of the meeting and to vote at the meeting (the "Member List"). The Member List must state the address of each Member entitled to vote at the meeting. Beginning two business days after the Board gives notice of an annual or special meeting, as provided for in Section 6 below, and continuing through the date of the meeting, the Board must make the Member List available to Members for inspection. The Member List must be available at the Association's principal place of business or at a reasonable location identified in the notice of meeting. The Member List must also be available at the meeting. A Member or his or her agent or attorney is entitled, on written demand, to inspect and copy the Member List at a reasonable time at the Member's expense during the period it is available for inspection and at any time during the meeting or an adjournment of the meeting.

Section 6. **Notice of Meetings**. The Association's secretary must deliver a notice of each annual or special meeting of the Members to each Member at least five (5) days prior to an annual meeting and at least three (3) days prior to a special meeting, but the Secretary may not deliver the notice of meeting more than sixty (60) days prior to an annual or special meeting. The notices must be hand delivered or mailed to all Members at the address of the Member's Lot. A Member may, by written notice delivered to the Board, designate another address for the receipt of notices of annual and special meeting. The notice must state the date, time and place of the meeting, the purposes of the meeting, and the procedures for appointing proxies.

Section 7. **Place of Meetings.** The Board may hold meetings of the Members at the Association's office, if any, or such other location, reasonably convenient to the Members that the Board designates.

Section 8. **Conduct of Meetings and Quorum Requirement.** The Board may establish reasonable procedures to govern the conduct of meetings of the Members. The presence, in person or by written proxy statements, of Members eligible to vote who hold twenty-five (25%) of the total number of eligible votes in the Association constitutes a quorum.

Section 9. **Adjourned Meetings.** If the Members cannot conduct business at a meeting of the Members for lack of a quorum, a majority of the Members who are present, either in person or by proxy, may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called and this process may be continued until a quorum can be obtained.

Section 10. **Voting Rights.** Each Member is entitled to one (1) vote on Association matters. Members may cast a vote in person or by a written proxy at annual and special meetings of the Members. The Board may adopt a resolution providing for a vote of the Members on any issue, except the election of directors, via written ballots pursuant to Minn. Stat. § 317A.447. If more than one Person has an ownership interest in a Lot, the Persons who own the Lot must select one Person to cast the membership vote allocated to that Lot. If they do not select one Person to cast their membership vote, the Persons who own the Lot must abstain from voting, and the Board may disregard any attempt by one or more of the Persons who have an ownership interest in a Lot to cast a vote without the agreement of the other Person or Persons with an ownership interest in the Lot. The Board is not responsible for determining if all Persons with an ownership interest in a Lot agree on how to cast the vote assigned to that Lot. Unless the Board has actual knowledge of a disagreement among the Persons who have an ownership interest in a Lot regarding the manner in which the vote allocated to the Lot is to be cast, the Board may accept the vote of any Person who has an ownership interest in the Lot as the vote of all Persons with an ownership interest in the Lot.

Section 11. **Proxies.** A Member may execute a written proxy statement appointing a third party to cast the Member's vote at an annual or special meeting of the Members. The Member must deliver the proxy statement to the Association secretary at or before the scheduled time of the meeting. A proxy statement is valid for a period of eleven (11) months unless the proxy statement itself indicates that it is valid for a different period of time. A proxy statement is not valid for more than three years from its execution. A Member may revoke a proxy at any time by attending a meeting and voting in person; by delivering a written statement of revocation to the secretary of the Association; or by delivering a subsequent proxy form to the secretary of the Association. The Board may adopt a resolution requiring the use of a specified proxy form and may adopt other proxy procedures provided the procedures do not violate Minnesota law.

Section 12. **Action of the Members.** If a quorum is present or if a quorum has been present at a meeting, the affirmative vote of the majority of Members present either in person or by proxy and entitled to vote, which must also be a majority of the required quorum, is the act of the Members.

ARTICLE III - BOARD OF DIRECTORS

Section 1. **Qualifications of Directors**. Each director must be a Member, or if a Member is a corporation, partnership, trust or other legal entity other than a natural person or persons, a designated agent of such corporation, partnership or other legal entity, or beneficiary of such trust.

Section 2. **Declarant's Right to Appoint Directors**. The Articles of Incorporation designate the Association's initial Board. The Board has three members. The Declarant (or any successor Declarant) has the exclusive right to remove one or more of the three directors designated in the Articles of Incorporation or their approved successors, at will, and appoint successors, until the earlier of:

- (a) a Declarant's voluntary surrender of the right to remove and appoint replacement directors; or
- (b) the date sixty days from the date Declarant has conveyed one hundred percent (100%) of the Lots to purchasers other than a Declarant ("Purchasers").

Section 3. **Members' Election of Directors**. Within sixty (60) days after the date the Declarant's right to remove directors and appoint their successors pursuant to Article III, Section 2 expires, the Board must call and hold a meeting of the Members. At that meeting, the terms of all three (3) directors expire, and the Members must elect three (3) new directors. The term of office of two (2) directors must be fixed for two (2) years; and the term of office of one (1) director must be fixed at one (1) year. Thereafter, all directors shall serve for three-year terms. Directors take office upon election and the expiration of the term of their predecessor director, if any, and hold office until they resign, the Members remove them pursuant to Section 5 below or their terms expire and the Members elect successor directors.

Section 4. **Vacancies**. If a vacancy occurs on the Board as a result of a director's death, disqualification or resignation, a majority of the remaining directors must vote to fill the vacancy even though the remaining directors may constitute less than a quorum. Each director so elected is a director until the next annual meeting of the Members at which time the Members must elect a successor to serve the remainder of the original director's term. If the original director's term has expired, the Members must elect a successor director.

Section 5. **Removal of Directors**. A Declarant may remove directors a Declarant appointed and appoint a successor director. The Members may, with or without cause, remove a director whom the Members elect, but not a director designated in the Association's Articles of Incorporation or a director a Declarant appoints to replace a director designated in the Association's Articles of Incorporation, at any annual or special meeting duly called, and the Members must immediately elect a successor to fill the vacancy created. If the Members propose the removal of a director, the director must be given an opportunity to be heard before the Members vote on the director's removal.

Section 6. **Organizational Meeting of Elected Directors**. A newly elected Board must hold its first meeting within thirty (30) days of its election at a place a majority of the directors present at the election determine and announce at the election. No additional notice of the initial meeting is necessary.

Section 7. **Regular Meetings.** The Board must hold regular meetings at the intervals, times and places the Board determines and announces at the Board's previous meeting. The Board must hold at least two regular meetings each year.

Section 8. **Special Meetings.** Any director may call a special meeting of the Board on 5 days' notice to each director. The notice must be given personally, by mail or by telephone and must state the date, time, place and purpose of the meeting.

Section 9. **Waiver of Notice.** A director may waive notice of a meeting of the Board. The waiver may be given before, at or after a meeting and may be made orally or in writing or implied from attendance at the meeting without objection.

Section 10. **Electronic Meetings.** A conference among directors via any means of communication through which the participants may simultaneously hear each other during the conference constitutes a meeting of the Board if the same notice is given of the conference as would be required for a meeting, and if the number of directors participating in the conference would be sufficient to constitute a quorum at the meeting. The participation in the meeting by that means constitutes a director's presence, in person, at the meeting.

Section 11. **Quorum and Actions of the Board.** A majority of the directors constitute a quorum for the transaction of business. The affirmative vote of a majority of the directors present at a duly held meeting at which a quorum is present is an action of the Board.

ARTICLE IV - OFFICERS

Section 1. **Required Officers:** Election and Appointment of Officers. The Association must have a president, a vice president, and a secretary-treasurer. The Declarant may appoint the officers during the period of time Declarant is entitled to appoint directors as set forth in Article III. Thereafter, the Board must elect officers annually at the organizational meeting of each new Board. The president, vice president and secretary-treasurer must be directors. The Board may appoint an assistant treasurer, and an assistant secretary, and such other officers as in their judgment may be necessary.

Section 2. **Removal of Officers.** The Board may, by affirmative vote, remove any officer either with or without cause. The Board must elect a successor at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 3. **President.** The president is the chief executive officer of the Association. He or she is responsible for the general, active management of the Association and, when present, presides at all meetings of the Association and the Board. He or she has all of the general powers and duties which are usually vested in the president of a Minnesota nonprofit corporation including, but not limited to, the authority to execute and deliver contracts and other documents in the name of the corporation; the authority to appoint committees from among the Members from time to time as he or she may in his or her discretion decide are appropriate to assist in the conduct of the affairs of the Association; and the duty to see that orders and resolutions of the Board are carried into effect.

Section 4. **Vice President**. The vice president takes the place of the president and performs his or her duties whenever the president is absent or unable to act. If neither the president nor the vice president is able to act, the remaining officer must act as president on an interim basis. The vice president may also perform such other duties as the Board may impose on him or her.

Section 5. **Secretary**. The Secretary shall keep the minute book of the Association wherein minutes of all meetings and all resolutions, proceedings and votes of the Members and of the Board of Directors shall be recorded, and shall keep a record of the name and mailing address of each Lot Owner, and the Lot or Lots in which he has an interest and shall give all notices required by the Articles of Incorporation of the Association, these Bylaws or the Declaration.

Section 6. **Treasurer**. The Treasurer shall keep the financial records and books of account of the Association. The Treasurer shall have custody of all intangible property of the Association, including funds, securities and evidences of indebtedness. The Treasurer shall deposit all moneys and other valuable effects in the name of or to the credit of the Association in such depositories as may be designated by the Board of Directors and shall disburse the funds of the Association as ordered by the Board of Directors and shall perform all other duties incident to the office of Treasurer, including the annual review of the financial statements of the Association. He shall furnish upon request of any Lot Owner a statement as to the current account of the Lot Owner upon the assessment rolls of the Association. Officers shall serve without compensation except for reimbursement for out-of-pocket expenses incurred in the performance of their duties. If desired by the Board, administrative tasks of the Officers may be performed by a managing agent selected by the Board.

ARTICLE V - BUDGET AND ASSESSMENTS

Section 1. **Annual Budget Preparation**. Before the Declarant conveys the first Lot to a Purchaser, the Board will prepare a proposed budget for the Association. The first proposed budget is for the period commencing on the first day of the month in which the Declarant will close on the sale of the first Lot to a Purchaser and ending on the last day of the Association's fiscal year. The Association's fiscal year is a calendar year unless the Board, by resolution, adopts a different fiscal year. On or before the date sixty (60) days before the end of each fiscal year, the Board will prepare a proposed budget for the next fiscal year. Proposed budgets will set forth the Board's estimate of the Association's expenses for the budget period.

Section 2. **Assessment Roll Preparation**. Contemporaneously with the preparation of each annual budget, the Board will prepare an annual assessment roll. The annual assessment roll will allocate to each Lot, as its annual assessment for the budget period, an amount determined by dividing the Association's estimated income requirements for the upcoming year, based on the proposed budget, by the number of Lots subject to the Declaration, provided, however:

- (a) The Board may, but is not obligated to, assess Association expenses or a portion thereof that benefit fewer than all of the Lots exclusively against and equally among the Lots benefited;
- (b) May assess against a Lot any Association expenses, including attorney's fees and court costs, incurred in connection with the collection of assessments due and payable with respect to that Lot or in connection with the enforcement of the provisions of the

Declaration, Bylaws or Association rules and regulations against that Lot or an Owner or occupant of that Lot;

- (c) May assess late charges, fines and interest provided for in the Declaration of these Bylaws against Lots;
- (d) May assess Association expenses to pay a judgment against the Association only against and equally among the Lots subject to the Declaration at the time the judgment was entered; and
- (e) May assess costs the Association incurs to repair damage to the Outlots which is caused by the act or omission of any Owner, Lot occupant or their invitees and which is not covered by the Association's insurance against the Owner's or occupant's Lot.

The Assessment Roll will also state the amount of the annual assessment for each Lot.

Section 3. **Budget Adoption and Assessment Levy.** Upon the written request of a Member, the Board will provide the Member with a copy of the proposed budget and assessment roll for the upcoming year at any time after November 1 of each year. Between December 1 and December 31 of each year thereafter, the Board will, by resolution, adopt an annual budget and levy annual assessments against the Lots. The Board will base the annual budget and the annual assessments on the proposed budget and the assessment roll, subject to any modifications specifically set forth in the resolution adopting the annual budget and levying the annual assessments. For subsequent years, the Board will levy annual assessments in January of each year.

Section 4. **Failure to Prepare Budget.** The failure of the Board to prepare a proposed budget or to adopt an annual budget or levy annual assessments as provided herein does not constitute the Association's waiver or release in any manner of a Member's obligation to pay the amounts assessed against the Member's Lot, and in the absence of any proposed or annual budget, the Member must continue to pay the annual assessment established for the previous period until a new assessment is levied.

Section 5. **Special Assessments.** In addition to the annual assessments and amendments to the annual assessments, the Board may levy special assessments at such other and additional times as the Board, in its sole judgment, determines are appropriate to meet the financial needs of the Association and for the purposes set forth in Section 2(a) through 2(e) above. Special assessments will be levied in the same manner as annual assessments and are due and payable as the Board determines.

Section 6. **Payment of Annual and Special Assessments.** Unless otherwise provided in the Board's resolution levying the assessment, annual assessments are payable to the Board in a single installment due on January 15th of every calendar year. Special assessments are payable to the Association as the Board directs on or before the date set forth in the Board's Resolution adopting the special assessment. Each Member is personally liable for the payment of annual and special assessments the Board levies against Member's Lot. If more than one Person owns a Lot, all Owners of the Lot are jointly and severally liable for all assessments. Members may not withhold payment of annual or special assessments or reduce the amount of the Members payments as a set-off against claims which the Members assert against the Association. If a Member fails to pay an annual or special assessment, in full within ten (10) days of the date due, the payment immediately becomes

delinquent and begins to accrue interest. Interest accrues as of the date of such delinquency at the judgment rate of interest as determined by Minnesota Stat. § 549.09. In addition, the Board may adopt a resolution establishing a late fee to be assessed against a Lot if any assessment payment is not made when due. If a Member is more than sixty (60) days delinquent in the payment of any annual assessment or any installment of a special assessment, the Board may, upon ten day's written notice to the Member, declare the entire amount of the annual assessment or special assessment immediately due and payable in full. As set forth in the Declaration, the Association has a lien against each Lot for the amount of any unpaid assessments, fines, late fees or interest, and may foreclose the lien to the extent and in the manner set forth in the Declaration. In any suit to recover a money judgment for unpaid special or annual assessments, the amount due and owing includes the amount of all unpaid assessments, interest and any late charges as described above, and all costs of collection, including actual attorney's fees. The Board may, by resolution, adopt procedures governing the manner in which the Association applies payments of an amount less than the total amount due to the total amount due.

ARTICLE VI - BOOKS AND RECORDS, ANNUAL REPORTS, RESALE CERTIFICATES AND ACCOUNTING CONTROLS

Section 1. **Books and Records**. The Board will keep adequate records of the Association's membership, membership meetings, Board meetings, committee meetings, contracts, and other agreements to which the Association is a party, and material correspondence and memoranda relating to its operations. The Association will keep or cause to be kept financial records sufficiently detailed to enable the Association to comply with Section 3 below. The Association's records will be kept at the registered office of the Association. The Board will make the Association's records available to any Member, a Member's authorized agent, or a holder, insurer or guarantor of a first mortgage lien on a Lot for examination at reasonable times during normal business hours; provided, however, that a person wishing to review the Association's records will provide the Board with reasonable, advance notice to allow the Board to comply with this section.

Section 2. **Annual Reports**. The Association will prepare an annual report and distribute it to each Member present at the annual meeting of the Members and to Members submitting a written request for a copy. The annual report will contain, at a minimum the following:

- (a) A statement of the balance in any reserve or replacement fund.
- (b) A copy of the statement of revenues and expenses for the last fiscal year and a balance sheet for the Association.
- (c) A statement of the status of any pending litigation or judgments to which the Association is a party.
- (d) A statement of all delinquent payments of annual or special assessments, current as of not more than sixty (60) days prior to the date of the report, in each case identifying the Lot, and the amount of the delinquency.

Section 3. **Resale Certificates**. At the request of a Member or a Member's authorized representative, the Association will provide the Member or Member's authorized representative with

a resale disclosure certificate. The Association will provide the certificate within 20 days of the Member's or Member's authorized representative's request. The Association may charge a reasonable fee for furnishing the certificate and any documents related thereto. The certificates will include:

- (a) a statement setting forth the amount of the annual assessments levied against the Lot and the amount of any due and unpaid annual assessment, fines or other charges payable with respect to a Lot;
- (b) a statement of the amount of reserves, if any, the Association holds for maintenance, repair or replacement and of any portions of those reserves the Board has designated for any specified projects or uses;
- (c) a copy of the most recent regularly prepared balance sheet and income and expense statement, if any, of the Association;
- (d) a copy of the Association's current budget;
- (e) a statement of any unsatisfied judgments against the Association and the status of any pending suits to which the Association is a party;
- (f) a statement as to whether the Board has notified the current Member: (i) that any conditions on the Lot violate any provision of the Declaration; (ii) that the Lot is in violation of any governmental statute, ordinance, code or regulation.

ARTICLE VII - AMENDMENTS TO BYLAWS

Section 1. **Amendments**. Subject to the terms of the Declaration, the members of the Association may amend these Bylaws at an annual meeting or at a special meeting called for that purpose. To be effective, the Members who have authority to cast in excess of fifty percent of the total votes in the Association must vote in favor of the Amendment in person or by proxy.

ARTICLE VIII - NOTICES

Section 1. **Notice of Change of Residence**. If the Member is not residing at the Member's Lot, the Member must promptly notify the Association, through the managing agent, if any, or the president if there is no managing agent, of the name of the resident of the Member's Lot; the address of the Member's new residence or corporate or partnership offices, as the case may be; and the Member's current mailing address. The Association will maintain such information in a record book.

Section 2. **Notice of Mortgagees**. A Member who mortgages his Lot must notify the Association through the managing agent, if any, or the president, if there is no managing agent, of the name and address of the Member's mortgagee. The Association will maintain such information in a record book.

ARTICLE IX - INDEMNIFICATION

Section 1. **General.** The Association will indemnify each person who is or was a director, an officer, or a member of any committee which the Board forms, or who serves or served the Association as the Association's appointed representative to some other corporation or legal entity for actions which the person takes or decisions which the person makes on behalf of the Association, as provided for in Minnesota Statutes § 317A.521 or any successor statute.