

BYLAWS

Victor Gardens

Exhibit B
to
Victor Gardens Master Disclosure Statement

VICTOR GARDENS COMMUNITY ASSOCIATION

BYLAWS

SECTION 1

GENERAL

This document constitutes the Bylaws of Victor Gardens Community Association, a Minnesota nonprofit corporation (the "Master Association"). The Master Association is organized pursuant to Minnesota Statutes Chapter 317A to administer the affairs of Victor Gardens for the benefit of its Members and the Owners and Occupants of Units, as described in the Master Declaration of Covenants, Conditions, Restrictions and Easements of Victor Gardens (the "Master Declaration"). The Master Association is a master association as defined in Minnesota Statutes Section 515B.2-121. The terms used in these Bylaws shall have the same meaning as they have in the Master Declaration. The terms "Member" and "Village Association" may be used interchangeably in these Bylaws.

SECTION 2

MEMBERSHIP

2.1 Members Defined. Each Village Association and each Apartment Village Owner shall be a Member of the Master Association, as described in the Master Declaration. One membership is allocated to each Village Association and the Owner of each Apartment Village Unit. Unit Owners, other than Apartment Village Owners, shall not be Members of the Master Association, but Unit Owners, other than Apartment Village Owners, shall be members of their respective Village Associations as provided in the Village Governing Documents and those Village Associations, together with the Owner of each Apartment Village Unit, shall be Members of the Master Association. No Person shall be a Member solely by reason of holding a security interest in the Property.

2.2 Registration. Each Village Association and Apartment Village Owner shall register with the Secretary of the Master Association, in writing, (i) the current address of the Village Association or Apartment Village Owner, and (ii) the names and addresses of the members of the Master Board representing the Village Association or Village Apartment Owner. Each Village Association and Apartment Village Owner shall have a continuing obligation to advise the Master Association in writing of any changes in the foregoing information.

2.3 Membership Transfers. The interests, rights and obligations of Members who are Village Associations may be assigned, pledged, encumbered or transferred only to a Minnesota nonprofit corporation which assumes and agrees to perform the obligations of the Member, pursuant to the Master Governing Documents and MCIOA. The interests, rights and obligations of Members who are Apartment Village Owners may be assigned, pledged,

encumbered or transferred only to successor Apartment Village Owners who assume and agree to perform the obligations of the Member, pursuant to the Master Governing Documents and MCIOA.

SECTION 3

MEMBER VOTING

3.1 Entitlement. Each Village Association and Apartment Village Owner is allocated a number of votes in the affairs of the Master Association equal to the number of Master Board members which the Village Association or Apartment Village Owner is entitled to appoint as prescribed in Section 6.1.2 of these Bylaws.

3.2 Authority to Cast Vote. At any meeting of the Members, the Village Directors appointed by each Village Board as Master Board members and the Owner of each Apartment Village Unit, shall be entitled to cast the votes which are allocated to that Village Association or Apartment Village Unit. Each appointed Village Director and the Owner of each Apartment Village Unit may cast one vote. The vote may be cast as he or she deems appropriate.

3.3 Proxies. Proxies shall be permitted, but proxies by a Village Director may only be given to another Village Director on the same Village Board as the Master Board member giving the proxy.

3.4 Vote Required. A majority of the votes cast at any properly constituted meeting of the Members, or cast by mail in accordance with Section 3.4, shall decide all matters properly brought before the Members, except where a different vote or voting procedure is required by the Master Governing Documents. The term "majority" as used in the Master Governing Documents with respect to Member voting shall mean in excess of fifty percent of the votes cast. Cumulative voting for directors is prohibited.

SECTION 4

MEETINGS OF MEMBERS

4.1 Place. All meetings of the Members shall be held at the office of the Master Association or at such other place in the State of Minnesota reasonably accessible to the Members as may be designated by the Master Board in any notice of a meeting of the Members.

4.2 Annual Meetings. An annual meeting of the Members shall be held in each fiscal year on a date, and at a reasonable time and place, designated by the Master Board. At each annual meeting of the Members (i) the names of the Village Directors and representatives of Apartment Village Owners who are to act as members of the Master Board shall be announced, (ii) a report shall be made to the Members on the activities and financial condition of the Master Association and (iii) any other matter which is included in the notice of the

annual meeting, and is a proper subject for discussion or decision by the Members, shall be considered and acted upon at the meeting.

4.3 Special Meetings. Special meetings of the Members may be called by the President as a matter of discretion. Special meetings of the Members shall be called by the President or Secretary within thirty days following receipt of the written request of a majority of the members of the Master Board. The meeting shall be held within ninety days following receipt of the request. The request shall state the purpose of the meeting, and the business transacted at the special meeting shall be confined to the purposes stated in the notice. The purpose for which the meeting is requested and held must be lawful and consistent with the Master Association's purposes and authority under the Master Governing Documents.

4.4 Notice of Meetings. The Secretary shall send, to all Persons who are Members as of the date of sending the notice, notice of the time, place and agenda of the meeting, by United States mail, or by hand delivery. Except as provided in Section 6 of the Master Declaration, the notice shall be sent not less than twenty-one nor more than thirty days in advance of any annual meeting of the Members, and at least seven, but no more than thirty, days in advance of any special meeting of the Members. The notice shall be sent to the Member's address as shown on the records of the Master Association.

4.5 Quorum/Adjournment. The presence of Village Directors and Apartment Village Owners representing the Members in person or by proxy, who have the authority to cast in excess of fifty percent of all the votes in the Master Association shall be necessary to constitute a quorum at all meetings of the Members for the transaction of any business, except that of adjourning the meeting to reconvene at a subsequent time. Any meeting may be adjourned from time to time, but for no longer than fifteen days, without notice other than announcement at the meeting as initially called. If a quorum is present at the reconvened meeting, any business may be transacted which could have been transacted at the meeting as initially called had a quorum then been present. A quorum, having once been established at a meeting, shall continue to exist for that meeting, or a subsequent reconvening of that meeting, notwithstanding the departure of any Village Directors or Apartment Village Owners representing the Members previously in attendance in person or by proxy.

4.6 Voting Register. The Secretary shall have available at the meeting a list of the Village Directors and representatives of the Apartment Village Owners authorized to cast the votes on behalf of their Member Village Associations and Apartment Village Owners.

4.7 Agenda. The agenda for meetings of the Members shall be established by the Master Board, consistent with the Master Governing Documents, and shall be sent to all Members along with the notice of the meeting.

SECTION 5

ANNUAL REPORT

The Master Board shall prepare an annual report, a copy of which shall be provided to each Member at or prior to the annual meeting. The report shall be distributed by each Member to its members. The report shall contain, at a minimum:

5.1 Capital Expenditures. A statement of any capital expenditures in excess of two percent of the current budget approved by the Master Association for the current year or succeeding two fiscal years.

5.2 Reserve Funds. A statement of the balance in any reserve or replacement fund and any portion of the fund designated for any specified project by the Master Board.

5.3 Financial Statements. A copy of the statement of revenues and expenses for the Master Association's last fiscal year, and a balance sheet as of the end of said fiscal year.

5.4 Litigation and Judgments. A statement of the status of any pending litigation or judgments to which the Master Association is a party.

5.5 Insurance. A statement of the insurance coverage provided by the Master Association.

5.6 Status of Assessments. A statement of the total past due assessments, current as of not more than sixty days prior to the date of the meeting.

SECTION 6

BOARD OF DIRECTORS

6.1 Number and Qualification. The affairs of the Master Association shall be governed by the Master Board. The first Master Board shall consist of the persons appointed by the Master Developer as directors or appointed by the Master Developer to replace them. Upon the expiration of the terms of the members of the first Master Board, the Master Board shall be composed of one nonvoting director (if appointed) and a number of voting directors appointed as follows:

6.1.1 Number and Appointment of Voting Directors. The number and appointment of voting directors shall be as follows:

6.1.1.1 Until the Village of Residential Units has more than sixty Residential Units with one or more Dwellings having a Certificate of Occupancy or other comparable certification issued by the City, the Village Association of Residential Units shall be entitled to appoint one voting director

to the Master Board. When the Village of Residential Units has more than sixty, but less than 121 Residential Units having one or more Dwellings with a Certificate of Occupancy or other comparable certification issued by the City, the Village Association of Residential Units shall be entitled to appoint two voting directors to the Master Board. When the Village of Residential Units has 121 or more Residential Units on which there is a Dwelling with a Certificate of Occupancy or other comparable certification issued by the City, the Village Association of Residential Units shall be entitled to appoint three voting directors to the Master Board.

6.1.1.2 The Owner(s) of each Apartment Village Unit shall be entitled to appoint one voting director to the Master Board.

6.1.1.3 Each Village Association for each CIC Village shall be entitled to appoint one voting director to the Master Board.

6.1.1.4 If at the time of appointment of Master Board directors, the number appointed pursuant to 6.1.1.1 through 6.1.1.3 above is an even number of voting directors, the Village Association of Residential Units or the CIC Village having the largest number of Units occupied by an Owner or Occupant shall be entitled to appoint one additional voting director to serve until the next appointment of voting directors to the Master Board.

6.1.2 Other Qualifications. The directors appointed by the respective Village Associations shall be selected from among its Village Board members. No Owner may serve as a director simultaneously with another Owner of the same Unit.

6.1.3 Non-voting Director. The Master Developer or its designee may, but is not obligated to, appoint one non-voting director to the Master Board. The non-voting director shall have the same rights and obligations of a voting director, except the right to vote. The Master Developer's (or its designee's) right of appointment may be exercised continuously or intermittently, but each appointee shall be appointed or re-appointed annually at the time of the Master Association's annual meeting. If the right to appoint the non-voting director is voluntarily and permanently surrendered in writing by the Master Developer (or its designee), that director shall not be replaced. If the Master Developer assigns its right to appoint the director to a designee, or it takes back its right of appointment from the designee, it shall so advise the Association in writing.

6.2 Terms of Office. The terms of office of the members of the Master Board shall be as follows:

6.2.1 The terms of all directors appointed by the Master Developer as authorized by the Master Declaration, except for the nonvoting director, shall terminate upon the earliest of (i) voluntary surrender of control by the Master Developer, (ii) sixty

days after the date when a majority of the directors on seventy-five percent of the Village Boards may be elected by the members of their respective Village Associations, or (iii) the date ten years following the date of recording of the Master Declaration. The term of the nonvoting director (if any) appointed by the Master Developer shall terminate at the later of such time as the Master Developer no longer owns a Unit for sale or no longer has the right to subject Additional Property to the Master Declaration.

6.2.2 Following the expiration of the terms of the directors appointed by the Master Developer, the terms of office of the directors elected immediately thereafter shall be one, two or three years, staggered such that the terms of at least two directors expire in each year, but thereafter the term shall be three years. The length or staggering of the terms of office may be changed, prospectively, only by written approval of seventy-five percent of the votes of the Members. Each term of office shall expire as of the time of the annual meeting of the Master Association held on the applicable anniversary of the director's election; provided, that a director shall continue in office until a successor is elected. A director elected or appointed to fill a vacancy, or the position of a removed director, shall serve out the vacated term.

6.3 Election. Following the expiration of the terms of the voting directors appointed by the Master Developer each Village Board shall elect from their directors, the Village Director or Village Directors who are to serve as directors on the Master Board as a voting director representing that Village and each Apartment Village Owner shall select its representative who is to serve as its director on the Master Board as a voting director representing that Apartment Village Owner. Each Village Board and Apartment Village Owner shall promptly notify the Master Association of the name and address of each of its elected Master Board members, and any changes from time to time. A person elected to fill a vacancy of an elected director shall be elected by the Village Board or Apartment Village Owner which originally elected the voting director, and shall satisfy the requirements of Section 6.1. The Master Developer shall appoint the nonvoting director.

6.4 Powers. The Master Board shall have all powers necessary for the administration of the affairs of the Master Association. The Master Board shall exercise for the Master Association all powers and authority vested in or delegated to the Master Association (and not expressly prohibited or reserved to the Members) by law or by the Master Governing Documents. Except as relinquished by the Master Association in accordance with Section 8.1 of these Master Bylaws, all powers of the Village Associations are delegated to the Master Association. The powers of the Master Association include, without limitation, the power to:

6.4.1 To maintain the Master Common Elements and all Improvements thereon and to provide such other maintenance, repairs and replacement as the Master Association is obligated to provide under Section 9 of the Master Declaration.

6.4.2 To administer and enforce the covenants, conditions, restrictions, easements, and other rights and obligations, set forth in the Master Governing Documents and the Master Rules.

6.4.3 To control, preserve and enhance the architectural and environmental character of the Property.

6.4.4 To promote the sense of community among Owners and Occupants by organizing, promoting and sponsoring community and social events and activities.

6.4.5 To maintain, repair, replace and improve such parts of the Village Property as may be authorized by the Village Governing Documents for the applicable Village.

6.4.6 To administer and enforce the covenants, conditions, restrictions, easements and other rights and obligations set forth in a Village's Governing Documents or Village's Rules.

6.4.7 To review and resolve disputes or disagreements between or among Village Associations and Apartment Village Owners, which decisions by the Master Association shall be binding upon the Village Associations and Apartment Village Owners subject to the Village Associations' or Apartment Village Owners' rights afforded by law to commence and pursue legal action in Washington County District Court or Federal Court within the State of Minnesota.

6.4.8 To perform any other obligation or power delegated to the Master Association by an Apartment Village Owner or by a Village Association in accordance with and subject to the Village Governing Documents and MCIOA provided such delegated obligation or power has been accepted by (i) approval of the Master Board on behalf of the Master Association and (ii) the Master Developer so long as it owns an unsold Unit for sale or has the right to subject any Additional Property to the Master Declaration.

6.4.9 To adopt, amend and revoke Master Rules not inconsistent with the Master Governing Documents, as follows: (i) regulate the use of the Master Common Elements; (ii) regulating the use of the Units, and the conduct of Owners and Occupants, which may jeopardize the health, safety, or welfare of other Owners and Occupants, which involves noise or other disturbing activity, or which may damage the Property, (iii) regulating or prohibiting animals, (iv) regulating changes in the appearance of the Property and conduct which may damage the Property, (v) implementing the Master Governing Documents and Master Rules, and exercising the powers granted by the Master Governing Documents; and (vi) otherwise facilitating the operation of the Property.

6.4.10 To adopt and amend budgets for revenues, expenditures and reserves, and levy and collect Assessments for Master Common Expenses, provided, however, without limiting the foregoing, not less than twenty percent of the Master Common Expenses budgeted for operating expenses of the Master Association for each year shall

be expenses for organizing, promoting and sponsoring community and social events and activities of the Master Association.

6.4.11 To hire and discharge managing agents and other employees, agents, and independent contractors.

6.4.12 To institute, defend, or intervene in litigation or administrative proceedings in its own name on behalf of itself, or two or more Village Associations and/or Apartment Village Owners, on matters affecting the Master Association.

6.4.13 To make contracts and incur liabilities.

6.4.14 To regulate the use, maintenance, repair, replacement and modification of the Property.

6.4.15 To grant public or private utility, communications and other easements, leases and licenses through, over or under the Master Common Elements; and grant similar rights through, over or under an Apartment Village Unit or Village Property, provided such grant of rights through, over or under an Apartment Village Unit does not materially and adversely affect the use and enjoyment of the Apartment Village Unit or the Village Property by its respective Owners and Occupants.

6.4.16 To impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the Master Governing Documents and the Master Rules.

6.4.17 To impose reasonable charges for the review, preparation and recordation of amendments to the Master Declaration or Master Bylaws, resale certificates required by law, statements of unpaid assessments, or furnishing copies of Master Association records.

6.4.18 To provide for the indemnification of its officers, directors, and committee members, and Village officers, directors and committee members, maintain directors' and officers' liability insurance.

6.4.19 To provide for reasonable procedures governing the conduct of Members' and directors' meetings, and the election of directors.

6.4.20 To appoint, regulate and dissolve committees to assist it in its duties.

6.4.21 To borrow money for the needs of the Master Association and encumber the assets of the Master Association as security for such borrowings; provided, that the Master Board shall not borrow amounts in any calendar year which exceed thirty percent of the Master Association's annual budget for the year in question unless first approved by a majority vote of the Village Boards and Apartment Village Owners, each

Village Board and Apartment Village Owner having a number of votes equal to the number of Master Board members which the Village Association or Apartment Village Owner is entitled to, as described in Section 6.1 of these Bylaws.

6.4.22 To exercise any other powers conferred by law or by the Master Governing Documents, which are necessary for the governance and operation of the Master Association.

6.5 Meetings and Notices. An annual meeting of the Master Board shall be held within seven days following each annual meeting of the Members. At each annual meeting the officers of the Master Association shall be elected.

6.5.1 Regular meetings of the Master Board shall be held at least annually at such times as may be fixed from time to time by a majority of the members of the Master Board. A schedule, or any amended schedule, of meetings shall be provided to the directors, and posted or published for the information of Members and Owners.

6.5.2 Special meetings of the Master Board shall be held when called (i) by the President of the Master Association, or (ii) by the Secretary within ten days following the written request of a majority of the directors. Notice of any special meeting shall be given to each director not less than three days in advance thereof, subject to Subsection 6.5.3. Notice to a director shall be deemed to be given when deposited in the United States mail postage prepaid to the Unit address of such director, or when personally delivered, orally or in writing, by a representative of the Master Board.

6.5.3 Any director may at any time waive notice of any meeting of the Master Board verbally, in writing, or by attendance at the meeting. If all the directors are present at a meeting of the Master Board, no notice shall be required, and any business may be transacted at such meeting.

6.5.4 A conference among directors by a means of communication through which all directors participating may simultaneously hear each other during the conference constitutes a Master Board meeting, if (i) the same notice is given of the conference as would be required for a meeting, and (ii) the number of directors participating in the conference is a quorum. Participation in a meeting by this means constitutes personal presence at the meeting.

6.5.5 Except as otherwise provided in this Section, meetings of the Master Board must be open to the Owners. To the extent practicable, the Master Board shall give reasonable notice to the Members and Owners of the date, time, and place of Master Board meetings. If the date, time and place of meetings are provided for in the Master Governing Documents, announced at a previous meeting of the Master Board, posted in a location or locations designated by the Master Board and accessible to the Members and Owners, or if an emergency requires immediate consideration of a

matter by the Master Board, notice is not required. "Notice" has the meaning given in Section 11.1. Notwithstanding the foregoing, meetings may be closed to discuss the following:

- (1) personnel matters;
- (2) pending or potential litigation, arbitration or other potentially adversarial proceedings between Members, between the Master Board or Master Association and Members, or other matters in which any Owner may have an adversarial interest, if the Master Board determines that closing the meeting is necessary to discuss strategy or to otherwise protect the position of the Master Board or Master Association or the privacy of an Owner or Occupant; or
- (3) criminal activity arising within the Development Area if the Master Board determines that closing the meeting is necessary to protect the privacy of the victim or that opening the meeting would jeopardize investigation of the activity.

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

6.6 Quorum and Voting. A majority of the members of the Master Board shall constitute a quorum for the transaction of business at any meeting. A quorum, once established, shall continue to exist, regardless of the subsequent departure of any directors. Each director shall have one vote. The vote of a majority of the directors present at any meeting at which a quorum is present shall be sufficient to adopt any action. Votes cast by a director may not be split, and proxies are not permitted.

6.7 Action Taken Without a Meeting. The Master Board shall have the right to take any action in the absence of a meeting which it could take at a meeting when authorized in a writing signed by all the directors.

6.8 Vacancies. A vacancy in the Master Board shall be filled by a person elected within thirty days following the occurrence of the vacancy by a vote of the Village Board or Apartment Village Owner which elected the departed director. Each person so elected shall serve out the term vacated. Such vacancies shall be filled subject to the requirements of Sections 6.1, 6.2 or 6.3, as applicable.

6.9 Removal. A voting director representing an Apartment Village Owner may be removed from the Master Board, with or without cause, at any time by the Apartment Village Owner. A voting director representing a Village Association may be removed from the Master Board, with or without cause, by a majority vote of the other members of the Village Board which elected the director; provided, (i) that the notice of the Village Board meeting at which

removal is to be considered states such purpose, (ii) that the director to be removed has a right to be heard at the meeting, and (iii) that a new director is elected at the meeting to fill the vacant position caused by the removal. All such vacancies shall be filled subject to the requirements of Section 6.1, 6.2 or 6.3, as applicable. Only the Master Developer may remove the nonvoting director.

6.10 Compensation. The directors of the Master Association shall receive no compensation from the Master Association for their services in such capacity. A director or an entity in which the director has an interest may, upon approval by the Master Board, be reasonably compensated under a contract for goods and services furnished to the Master Association in a capacity other than as a director; provided (i) that the contract is approved by a majority vote of the Master Board, excluding the interested director, and (ii) that the director's interest is disclosed to the Master Board prior to approval. Directors may be reimbursed for out-of-pocket expenses incurred in the performance of their duties.

6.11 Fidelity Insurance. Fidelity insurance coverage for unlawful taking of Master Association funds and other dishonest acts shall be obtained and maintained on all directors and officers authorized to handle the Master Association's funds or other monetary assets.

6.12 Master Board Members' Obligations. Master Board members are obligated to conduct the affairs of the Master Association in a prudent manner and to fairly and reasonably represent their respective Apartment Village Owners and Village Associations, and the members thereof, in conducting the affairs of the Master Association. In doing so, each Master Board member shall discharge the duties of the position (i) in good faith, (ii) in a manner that the director reasonably believes to be in the best interests of the Master Association, and (iii) with the care an ordinarily prudent person in a like position would exercise under similar circumstances, as more fully described in Section 515B.3-103(a) of MCIOA and Section 317A.251 of the Minnesota Nonprofit Corporation Act.

SECTION 7

OFFICERS

7.1 Principal Officers. The principal officers of the Master Association shall be a President, a Vice President, a Secretary and a Treasurer, all of whom shall be elected by the Master Board. The Master Board may from time to time elect such other officers and designate their duties as in their judgment may be necessary to manage the affairs of the Master Association. A person may hold more than one office simultaneously, except those of President and Vice President. Only the President and Vice President must be Owners, but the President and Vice President shall not be Owners of Units in the same Village. No person may be President more than two consecutive terms unless unanimously elected by the Master Board. None of the foregoing requirements shall apply during the Master Developer Control Period.

7.2 Election. The officers of the Master Association shall be elected annually by the Master Board at its annual meeting and shall hold office at the pleasure of the Master Board.

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

7.4 President. The President shall be the chief executive officer of the Master Association, and shall preside at all meetings of the Master Board and the Master Association. The President shall have all of the powers and duties which are customarily vested in the office of president of a corporation, including without limitation the duty to supervise all other officers and to execute all contracts and similar obligations on behalf of the Master Association. The President shall have such other duties as may from time to time be prescribed by the Master Board.

7.5 Vice President. The Vice President shall take the place of the President and perform the duties of the office whenever the President shall be absent or unable to act. The Vice President shall also perform such other duties as shall from time to time be prescribed by the Master Board.

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

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

7.8 Compensation. Except as authorized by a vote of the Members at a meeting thereof, officers of the Master Association shall receive no compensation for their services in such capacity. An officer or an entity in which the officer has an interest may be reasonably compensated under a contract for goods and services furnished to the Master Association in a capacity other than as an officer; provided (i) that the contract is approved by a majority vote of the Master Board, excluding the interested party, and (ii) that the officer's interest is disclosed to the Master Board prior to approval. Officers may be reimbursed for out-of-pocket expenses incurred in the performance of their duties.

SECTION 8

OPERATION AND ADMINISTRATION

8.1 Transfer of Master Association Powers. Notwithstanding the delegation of certain powers of the Village Associations to the Master Association, the Master Association has authority to relinquish certain of its powers to one or more Village Associations, in accordance with the following qualifications and procedures:

8.1.1 The Master Association may relinquish to a Village Association any or all of the powers enumerated in Section 515B.3-102(a) of MCIOA or Section 6 of these Master Bylaws, but only to the extent that the powers relate to the operation and administration of the Village Association and Village Property in question. A relinquishment of powers under this Section shall not relinquish nor impair any powers of the Master Association to operate and manage its own affairs, the Master Common Elements or the Property as a whole.

8.1.2 The Master Association's powers may only be relinquished by or redelegated by the Master Association (i) upon the approval of the Master Board and the Village Board of the affected Village, and (ii) pursuant to a written document specifically describing the powers being relinquished or redelegated, the time period (if any) for which the powers are relinquished or redelegated, and any other limitations on the transfer of the powers. The resolutions of the Master Board and the Village Board in question, and the document memorializing the transfer of powers, shall be executed in a sufficient number of copies such that the Master Association and each affected Village Association has an executed copy for its corporate records.

8.1.3 Any relinquishment or redelegation of powers under this Section shall only be effective as of the first day of a calendar year so as to avoid adjustment of budgets and other financial planning in mid-year. Notice of the transfer of powers between the Master Association and a Village Association shall be given to the Owners at least one month in advance of the effective date of the transfer.

8.2 Assessment Procedures. The Master Board appointed by the Master Developer shall determine when the first Master Assessment is levied and shall levy the Master Assessment. Thereafter, the Master Board shall annually prepare a budget of Common Expenses for the Master Association, and levy a Master Assessment among the Village Associations and Apartment Village Owners in the amount of the budget. The Annual Master Assessment may include Master Annual Assessments and Village Assessments. The share of a Master Assessment levied against a Village Association shall be levied against the Units in the Village by the Village Board of such Village in accordance with the Village Governing Documents, without further action by the Master Board; provided, that the Master Assessment shall be deemed to be levied against the Units in the respective Villages notwithstanding the failure or refusal of the Village Association to levy the Master Assessment.

8.2.1 The Master Board shall advise the Members in writing of the Master Assessment at least thirty days prior to the due date of the Master Assessment. The failure of the Master Board to timely levy or give notice of an assessment shall not relieve the Members or Owners of their obligations to continue paying Master Assessment installments in the amount currently levied, as well as any increases subsequently levied.

8.2.2 The annual budget shall include a general operating reserve, and an adequate reserve fund for maintenance, repair and replacement of any property which the Master Association is obligated to maintain. The Master Association shall furnish copies of each budget on which the Master Assessment is based to a Member or Owner upon request.

8.2.3 Subject to any limitations contained in the Master Declaration, the Master Board may levy a Master Special Assessment or Village Assessment at any time. The levy shall be deemed to occur upon the date specified in the resolution which fixes the Master Assessment.

8.3 Payment of Master Assessments. Master Annual Assessments (and Village Assessments if simultaneously levied) shall be payable in installments due in advance on the fifteenth day of the calendar year, month or quarter of the period for which the Master Assessment is made, as designated by the Master Board. Master Special Assessments or Village Assessments levied shall be due and payable when designated by the Master Board. Each Village Association and Apartment Village Owner shall be absolutely and unconditionally obligated to pay its share of the Master Assessments, regardless of whether a Village Association has collected the Master Assessments from the Owners of the Units in its Village. No Village Association or Apartment Village Owner shall have any right of withholding, offset or deduction with respect to any Master Assessment, or late charges or costs of collection, regardless of any claims alleged against the Master Association or its officers or directors. Any such rights or claims may be pursued only by separate action.

8.4 Default in Payment of Assessments. If a Village Association or Apartment Village Owner does not make payment on or before the date when any Master Assessment or installment thereof is due, subject to such grace periods as may be established, the Master Association may assess, and the Village Association or Apartment Village Owner shall be obligated to pay, a late charge for each such unpaid assessment or installment thereof, together with all expenses, including reasonable attorneys fees, incurred by the Master Board in collecting any such unpaid Master Assessment. Each Village Association shall be absolutely and unconditionally obligated to collect from its members all Master Assessments levied against the Village Association.

8.5 Records. The Master Board shall cause to be kept at the registered office of the Master Association, and at such other place as the Master Board may determine, records of the actions of the Master Board, minutes of the meetings of the Master Board, minutes of the meetings of the Members of the Master Association, names of the Members, and detailed and accurate records of the receipts and expenditures of the Master Association. With the exception of records that may be privileged information, all Master Association records, including receipts and expenditures and any vouchers authorizing payments, shall be available for examination by the Members or Owners for proper purposes, upon reasonable notice and during normal business hours.

8.6 Enforcement of Obligations. All Owners and Occupants, and their guests, and the Village Associations, are obligated and bound to comply with the Master Governing Documents and the Master Rules. The Master Association may impose any or all of the charges and remedies authorized by the Master Governing Documents, the Master Rules or by law to enforce and implement its rights and to otherwise enable it to manage and operate the Master Association. The Village Associations and Apartment Village Owners shall affirmatively cooperate with and assist the Master Association in its enforcement efforts, upon request.

8.7 Village Association's and Apartment Village Owner's Responsibility and Relationship to Master Association. Each Village Association and Apartment Village Owner shall conduct his, her or its affairs in accordance with the Master Governing Documents and in the case of a Village Association, its Village Governing Documents. Each Village Association and Apartment Village Owner shall cooperate to ensure (i) that decisions of the Master Board are properly communicated to Owners and Occupants of Units and Dwellings in its Village, (ii) that Master Board decisions are promptly implemented, and (iii) that the bona fide concerns of Village Association members or Village Occupants are communicated to the Master Board.

SECTION 9

AMENDMENTS

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

9.1 Approval. The amendment must be approved in writing by a majority of the Members; provided, that any amendment which changes (i) the voting rights, number or terms of office of directors, (ii) the number of directors elected by each Village Board or Apartment Village Owner or (iii) the allocation of Master Assessments among the Village Associations and Apartment Village Owners shall require unanimous written approval by the Members.

9.2 Notice. A copy of the proposed amendment and, if a meeting is to be held, notice of such meeting, shall be mailed by U.S. mail, or hand delivered, to all Members.

9.3 Effective Date. The amendment shall be effective on the date that the required approvals are received. The amendment need not be recorded.

SECTION 10

INDEMNIFICATION

The Master Association shall, to the extent the alleged liability is not covered by insurance, indemnify every individual acting in any official capacity on behalf of the Master Association, pursuant to the provisions of Minnesota Statutes 317A.521.

SECTION 11

MISCELLANEOUS

11.1 Notices. Unless specifically provided otherwise in the Act, the Master Declaration or these Bylaws, all notices required to be given by or to the Master Association, the Master Board, the Master Association officers, the Village Associations or the Owners shall be in writing and shall be effective upon hand delivery, or mailing if properly addressed with postage prepaid and deposited in the United States mail, to the address of the intended recipient as listed in the records of the Master Association.

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

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

11.4 Conflicts in Documents. In the event of any conflict among the provisions of the Master Declaration, Master Bylaws and Master Rules, the Master Declaration shall control, and as between the Master Bylaws and the Master Rules, the Master Bylaws shall control. The Master Governing Documents shall control as against any Village Governing Documents or Village Rules.

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

11.6 No Corporate Seal. The Master Association shall have no corporate seal.

11.7 Fiscal Year. The fiscal year of the Master Association shall be as determined by the Board of Directors.

The undersigned certifies that these Bylaws are adopted by the Master Board of Victor Gardens Community Association, a Minnesota nonprofit corporation, effective as of the date hereof.

Dated: 1/16/03


Secretary
Victor Gardens Community Association