

COPY

PROTECTIVE COVENANTS FOR BLOCKS TWO THROUGH FIVE
OF DEERE RUN ESTATES FIRST ADDITION

WHEREAS, the undersigned is the owner of the following described real estate in the County of Douglas, State of Minnesota, legally described as "Lots 1 through 4, Block Two; Lots 1 through 10, Block Three; Lots 1 through 4, Block Four; and Lots 1 through 6, Block Five; all in the Plat of Deere Run Estates First Addition" (hereinafter called "Subdivision"); and

WHEREAS, the undersigned desires to restrict the use of the aforesaid real property to residential uses, and to insure that undesirable and offensive uses will not be made of said real property, or any part thereof;

NOW, THEREFORE, the undersigned owner of the above-described real property does hereby make the following declarations as to limitations, restrictions and uses to which said property may be put, and does hereby specify that said declarations shall constitute covenants to run with all of the land as provided by law, and shall be binding on all parties and all persons claiming under them and for the benefit of and limitations upon all future owners in said addition:

1. All Lots shall be residential lots containing single family dwellings, and any dwelling constructed on any one Lot shall have not less than 1,100 square feet of enclosed living space on

the ground floor, exclusive of porches, breeze ways, carports, patios, pool areas, garages and other accessory uses. No duplexes, townhouses, condominiums, apartment buildings or any similar structures shall be constructed upon any Lot.

2. No Lot shall be used for any commercial purposes.

3. No subdivision shall be made of any Lot, except that a portion of a Lot may be subdivided if such subdivided portion of such Lot is attached to an adjacent Lot.

4. No outside toilet shall be permitted on any Lot, other than during the period of construction of a dwelling or outbuilding.

5. No structure of a temporary character, trailer, mobile home, manufactured home, basement home, tent, shack, garage, barn or other outbuilding shall be used upon any Lot at any time as a permanent residence.

6. No noxious or offensive activity shall be carried on upon any Lot, nor shall anything be done thereon which may be or may become a nuisance or any annoyance to the neighborhood.

7. No animals, livestock or poultry of any kind shall be raised, bred, or kept upon any Lot except that dogs, cats, or other household pets may be kept provided they are not kept, bred or maintained for any commercial purposes. Each Lot within the Subdivision shall not have a combined number of dogs and cats in excess of three (3) at any time. The owner of such dogs and cats shall be responsible for policing waste materials and shall, at all time, control such pets so as not to create a nuisance for the Owners and Occupants of other Lots within the Subdivision. Dog owners shall take reasonable steps to limit barking and to limit any disturbances to neighbors which may be caused by the barking dogs. All such dogs shall be kept under the control of their owner at all times.

8. No sign of any kind shall be displayed to the public view on any Lot except (a) one professional sign of not more than 8' x 16' advertising the property during the construction and sales period and (b) permanent signs identifying the entrances to the Subdivision.

9. No Lot shall be used or maintained as a dumping ground for rubbish, trash, garbage or other waste. Refuse shall not be kept except in sanitary containers.

10. No building shall be erected and left uncompleted on the exterior for a period in excess of twelve (12) months.

11. All residential lots shall contain at least a double garage, either attached or detached, and such garages shall be subject to architectural control under paragraph 19.

12. No Lot shall contain any used homes, manufactured homes or mobile homes, or garages or other outbuildings which have been moved in or relocated from another location. However, new prefabricated homes, new prebuilt homes, and new modular homes shall be permitted to be used as a residence, provided that the construction and use of the modular home meets the definition of a "modular home" contained herein, and further provided that all such homes must meet the approval of the undersigned. The term "modular home" shall mean any home which is of closed construction, i.e. constructed in such a manner that concealed parts or processes of manufacture cannot be inspected at the site without disassembly, damage or construction, and which is made or assembled in manufacturing facilities off the building site, for installation, or assembly and installation, on the building site, and includes closed wall panelized housing. The term "modular home" shall not include a mobile home or a manufactured home, which are prohibited under these Protective Covenants. The term "manufactured home" shall mean a structure, transportable in one or more sections, which has wheels and axles, which is built

on a permanent chassis, and which is designed to be used as a dwelling with or without a permanent foundation when connected to the required utilities, and includes the plumbing, heating, air conditioning and electrical systems contained therein. The term "manufactured home" shall be synonymous with the term "mobile home". Manufactured homes shall not be allowed regardless of whether or not they are affixed to land. The term "manufactured home" shall not include a "modular home" as defined herein. A Lot may contain a new prefabricated, prebuilt or modular home so long as it is not a manufactured home.

13. Accessory buildings, outbuildings, sheds, or any similar structure shall not be permitted on any Lot, except that a detached garage shall be permitted on a Lot if the dwelling does not have an attached garage.

14. All buildings shall be covered with lapped siding, wood shingles, brick, cement, stucco, stone or grooved v-joint materials for walls. The roof of such buildings may be asbestos, wood, asphalt or fiberglass. Other building and roofing materials as approved by FHA from time to time are also acceptable. Any dwelling constructed upon a Lot shall have a minimum interior room height, measured from floor to ceiling, of at least 7 feet 10 inches. In addition, any dwelling constructed upon a Lot shall have a minimum roof pitch of 6/12; however, additions to the dwelling, such as a screened porch, may have a lower roof pitch.

15. All provisions of current zoning ordinances now in effect or as subsequently amended or adopted hereafter shall become a part of these covenants.

16. All dwellings shall be constructed in conformance with the State Building Code.

17. Private sewage systems shall not be permitted.

18. Each Lot shall have an asphalt, cement, or brick paved private driveway installed within twelve (12) months after commencement of construction of the dwelling.

19. Architectural Control. No residence or other building shall be erected within any Lot until the construction plans and specifications and a site plan showing the nature, kind, shape, heights, color, materials, design, windows, siding, exterior doors, and locations of all buildings to be placed upon each such Lot have been approved by Klimek Family Properties, Inc. The criteria for approval shall include and require, at a minimum, (i) similar construction and design in relation to existing improvements and topography, (ii) comparable or better quality of materials as used in existing improvements, (iii) ease of maintenance and repair, and (iv) compliance with governmental laws, codes and regulations.

20. No home shall be used for long-term or short-term rental. The time share form of ownership, or any other comparable arrangement of dividing or sharing of occupancy shall be prohibited. However, an Owner shall be permitted to rent a dwelling for the purpose of the care and maintenance of the home during the homeowner's absence for a period of up to one year. Any such use of the property shall be subject to the other covenants contained herein.

21. Recreational equipment, such as basketball hoops, trampolines, and playground equipment, may be installed and used for private enjoyment, but shall not be used in a manner that creates a nuisance or interferes with the right to quiet enjoyment of other Owners or Occupants.

22. No fence will be allowed without the prior approval of the undersigned.

23. Exterior lighting that interferes with right of quiet enjoyment of other Owners and Occupants shall not be permitted.

24. Trailer homes, boats, boat trailers, motor homes, campers, fish houses, snowmobiles or their recreational vehicles or seasonal equipment shall not be stored in any driveway during a season in which such vehicles or equipment are not being used. Vehicles and recreational equipment may not be stored in any yard.

25. All Owners and Occupants and their guests shall have a right of quiet enjoyment in their respective Lots, and shall use the Subdivision in such a manner as will not cause a nuisance, nor unduly restrict, interfere with or impede the quiet enjoyment of the Subdivision by other Owners and Occupants and their guests.

26. Enforcement. Any breach of these Protective Covenants or the existence of any condition in violation of or contrary to these Protective Covenants is declared to be a nuisance and the same shall be abated, removed or otherwise corrected by the Owner of the Lot upon which such breach or violation exists. In the event of such breach or violation, any Owner or Occupant of any other Lot within the Subdivision shall be entitled to prosecute any such breach or violation at law or in equity to seek an injunction preventing such breach or violation or to recover damages for such breach or violation, or both. In any event, the Owner or Occupant seeking to abate the breach or violation shall be entitled to recover attorney's fees, costs and disbursements from the violation party.

27. NPDES/SWPPP. Concurrently with the transfer of any Lot by the undersigned to any third party, the initial transferee shall execute a Subdivision Registration on the form provided by the Minnesota Pollution Control Agency (MPCA) thereby assuming all responsibility relative to the National Pollutant Discharge Elimination System Phase II Construction Site Permit ("NPDES"), the Stormwater Pollution Prevention Plan ("SWPPP"), and associated MPCA Rules

relative to the discharge of stormwater from such Lot. By accepting a Deed of conveyance for a Lot within the Subdivision, the transferee covenants and agrees to execute such Subdivision Registration form, to assume responsibility under the NPDES and SWPPP for the discharge of stormwater from the Lot, and to conduct all excavation activities on such Owner's Lot in conformity with the NPDES and SWPPP.

28. Amendment. These Covenants shall run with the land and shall be binding on all parties hereto, their heirs, successors and assigns. These Covenants may be amended in whole or in part at any time by the approval of the Owners of sixteen (16) of the Lots contained in the Subdivision, provided that the written approval of Klimek Family Properties, Inc., shall also be needed to amend Paragraphs 19 and 26 of these Covenants.

Dated this 15th day of August, 2007.

KLIMEK FAMILY PROPERTIES, INC.

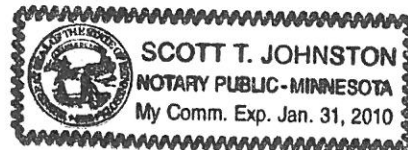
By Paul J. Klimek
Paul J. Klimek
Its President

STATE OF MINNESOTA)
) ss.
COUNTY OF DOUGLAS)

The foregoing instrument was acknowledged before me this 15th day of August, 2007, by Paul J. Klimek, the President of Klimek Family Properties, Inc., a corporation under the laws of Minnesota, on behalf of the corporation.

Scott Johnston
Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
SCOTT T. JOHNSTON, ATTORNEY AT LAW
Easton Place, 510 22nd Avenue East #101
PO Box 1218
Alexandria MN 56308-1218
320.762.8814



OUR FILE NO. 06-300/DEERE RUN ESTATES/PROTECTIVE COVENANTS

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

6.7 Foreclosure of Lien; Remedies. A lien for Common Expenses may be foreclosed against a Unit or Units under the laws of the State of Minnesota (i) by action, or (ii) by advertisement as a lien under a mortgage containing a power of sale. The Association, or its authorized representative, shall have the power to bid in at the foreclosure sale and to acquire, hold, lease, mortgage and convey any Unit so acquired. The Owner and any other Person claiming an interest in the Unit, grants to the Association a power of sale and full authority to accomplish the foreclosure. The Association shall, in addition, have the right to pursue any other remedy at law or in equity against the Owner who fails to pay any assessment or charge against the Unit.

6.8 Lien Priority: Foreclosure. A lien under this Section is prior to all other liens and encumbrances on a Unit except (i) liens and encumbrances recorded before the Declaration, (ii) any first mortgage on the Unit, and (iii) liens for real estate taxes and other governmental assessments or charges against the Unit. Notwithstanding the foregoing, if a first mortgage on a Unit is foreclosed, and no Owner redeems during the Owner's period of redemption provided by Chapters 580, 581, or 582, then the holder of the sheriff's certificate of sale from the foreclosure of the first mortgage shall take title to the Unit subject to unpaid assessments for Common Expenses levied pursuant to Sections 515B.3-115(a), (e)(1) to (3), (f), and (i) of the Act which became due, without acceleration, during the six months immediately preceding the first day following the end of the Owner's period of redemption.

6.9 Voluntary Conveyances: Statement of Assessments. In a voluntary conveyance of a Unit the buyer shall not be personally liable for any unpaid assessments and other charges made by the Association against the seller or the seller's Unit prior to the time of conveyance to the buyer, unless expressly assumed by the buyer. However, the lien of such assessments shall remain against the Unit until satisfied. Any seller or buyer shall be entitled to a statement, in recordable form, from the Association setting forth the amount of the unpaid assessments against the Unit, including all assessments payable in the Association's current fiscal year, which statement shall be binding on the Association, seller and buyer.

SECTION 7

RESTRICTIONS ON USE OF PROPERTY

All Owners and Occupants, and all secured parties, by their acceptance or assertion of an interest in the Property, or by their occupancy of a Unit, covenant and agree that, in addition to any other restrictions which may be imposed by the Act or the Governing Documents, the occupancy, use, operation, alienation and conveyance of the Property shall be subject to the following restrictions:

7.1 General. The Property shall be owned, conveyed, encumbered, leased, used and occupied subject to the Governing Documents and the Act, as amended from time to time. All covenants, restrictions and obligations set forth in the Governing Documents are in furtherance of a plan for the Property, and shall run with the Property and be a burden and benefit to all Owners and Occupants and to any other Person acquiring or owning an interest in the Property, their heirs, personal representatives, successors and assigns.

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

7.3 Residential Use. The Units shall be used by Owners and Occupants and their guests exclusively as private, single family residential dwellings utilizing a twin home design shall be used for residential-related purposes, and not for transient, hotel, commercial, business or other non-residential purposes, except as provided in Section 7.4. Any lease of a Unit (except for occupancy by guests with the consent of the Owner) for a period of less than six (6) months, or any occupancy which includes services customarily furnished to hotel guests, shall be presumed to be for transient purposes.

7.4 Business Use Restricted. No business, trade, occupation or profession of any kind, whether carried on for profit or otherwise, shall be conducted, maintained or permitted in any Unit or the Common Elements; except (i) an Owner or Occupant residing in a Unit may keep and maintain his or her business or professional records in such Unit and handle matters relating to such business by telephone or correspondence therefrom, provided that such uses are incidental to the residential use, do not involve physical alteration of the Unit and do not involve any observable business activity such as signs, advertising displays, bulk mailings, deliveries, or visitation or use of the Unit by customers or employees and (ii) the Association may maintain offices on the Property for management and related purposes and (iii) Declarant shall be entitled to lease or rent any Dwelling owned by Declarant without restriction for forty-eight (48) months following the recording of this Declaration.

7.5 Leasing. Leasing of Units shall be allowed, subject to reasonable regulation by the Association, and subject to the following conditions: (i) that no Unit shall be leased for transient or hotel purposes, (ii) that no Unit may be subleased except with the written consent of Declarant, (iii) that all leases shall be in writing, (iv) that all Leases shall be for minimum term of six (6) months, and (v) that all leases shall provide that they are subordinate and subject to the provisions of the Governing Documents, the Rules and Regulations and the Act, and that any failure of the lessee to comply with the terms of such documents shall be a default under the lease. The Association may impose such reasonable Rules and Regulations as may be necessary to implement procedures for the leasing of Units, consistent with this Section.

7.6 Parking. Parking areas on the Property shall be used only for parking of vehicles owned or leased by Owners and Occupants and their guests, and such other incidental uses as may be authorized in writing by the Association. The use of driveways and other parking areas

on the Property, and the types of vehicles and personal property permitted thereon, shall be subject to regulation by the Association, including without limitation the right of the Association to tow illegally parked vehicles or to remove unauthorized personal property. Vehicles may not be parked on the streets located upon the Property.

7.7 Inoperable Motor Vehicles. No Owner or Occupant of any Unit shall allow a motor vehicle to remain on such Unit for a period of more than fifteen (15) days if such motor vehicle lacks vital component parts or is in an inoperable condition or is not currently licensed

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

7.9 Compliance with Law. No use shall be made of the Property which would violate any then existing municipal codes or ordinances, or state or federal laws, nor shall any act or use be permitted which could cause waste to the Property, cause a material increase in insurance rates on the Property, or otherwise cause any unusual liability, health or safety risk, or expense, for the Association or any Owner or Occupant.

7.10 Alterations. Except for those made by Declarant in consideration of its initial sale of a Unit, no residence or other building and no flag pole, bird house, lawn ornament, clothesline or decoration shall be erected, placed or constructed within any Unit until the construction plans and specifications and a site plan showing the nature, kind, shape, heights, color, materials, design, windows, siding, exterior doors, and locations of all improvements to be placed upon each such Unit (collectively referred to as "alterations") receive the prior written authorization of the Declarant during the period of Declarant control as provided for in Section 13.7 or, following the term of Declarant control, by the Board, or a committee appointed by it. The criteria for approval shall include and require, at a minimum, (i) similar construction and design in relation to existing improvements and topography, (ii) comparable or better quality of materials as used in existing improvements, (iii) ease of maintenance and repair, (iv) compliance with governmental laws, codes and regulations, and (v) high quality materials and architectural design consistent with a high quality residential neighborhood.

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

7.12 Access to Units. In case of emergency, all Units and Limited Common Elements are subject to entry, without notice and at any time, by an officer or member of the Board of the Association, by the Association's management agents or by any public safety personnel. Entry is also authorized for maintenance purposes under Section 8 and for enforcement purposes under Section 12.

7.13 Pets. Pets shall be permitted to be kept by any Owner provided that pets such as dogs and cats must be of the species and size that can be kept within the Unit, and each Unit shall

not have a combined number of dogs and cats in excess of two (2) at any time. No outdoor cages, kennels or houses shall be permitted. Any Owner having a dog may install an invisible fence at the Owner's expense adjacent to the Unit, which shall encompass an area of 400 square feet or less. Owners must obtain approval for the location of the invisible fence prior to its installation, which approval shall be obtained from the Declarant during the period of Declarant control as provided for in Section 13.7 or, following the term of Declarant control, by the Board. Owners must keep the pets upon a leash when the pet is out of the Dwelling or the invisible fence. Owners shall control their pets so as to avoid any disturbance of other Owners. Each Owner shall be responsible for policing waste materials left in the Common Elements by their pets. Violation of these regulations by any Owner shall entitle the Board of Directors of the Association to revoke the Owner's ability to keep a pet on the Property or Unit. No other animals, rabbits, livestock, fowl or poultry of any kind shall be kept, raised or bred in or upon the Common Elements or any Unit or any portion thereof, nor shall they be kept, bred or maintained for any commercial purposes.

7.14 Campers. No trailer homes, mobile homes, trailers, boats, motor homes, campers or recreational vehicles may be stored upon the Property, nor shall any such home or vehicle be used for a temporary or permanent residence upon the Property, except that such storage or use of any one (1) such item may occur on an Owner's designated parking area for not longer than three (3) weeks during any calendar year. No vehicles of any type may be allowed upon the Property except upon the designated roadway or parking areas.

7.15 Storage. No Owner may store personal property of any nature upon any Common Elements. No Owner may store firewood outside. Personal property used on a seasonal basis, such as grills, picnic tables and patio type furnishing, may be kept outdoors in the Owner's patio or deck area. No other personal property may be stored or kept outside by an Owner except as may be permitted by the Board of Directors of the Association.

7.16 Sewer and Water Service. Owners shall be responsible for the maintenance and repair of all sewer stubs and water service lines from the point at which they enter onto the Unit.

7.17 Restricted Display. No Owner shall display, hang or store any clothing, sheets, blankets, laundry or other articles outside his or her Dwelling, or which may be visible from the outside of his or her Dwelling (other than draperies, curtains or shades of a customary nature and appearance, and in any event, subject to the rules and regulations of the Board) or paint or decorate or adorn the outside of his or her Dwelling, or install outside his or her Dwelling any canopy or awning, or outside radio or television antenna, satellite dish or antennae, or other equipment, fixtures or items of any kind, without the prior written permission of the Association.

7.18 Heating and Cooking Tanks. Tanks for the storage of heating and cooking fuel that are installed outside any Dwelling on any Unit shall be either buried below the surface of the ground, or painted or screened by fencing or shrubbery to the satisfaction of the Board.

7.19 Signs. No signs or entry markers other than a sign identifying the Dwelling and/or a "For Sale" sign shall be displayed on any Unit. Identification signs shall not exceed two (2) square feet in size and shall be constructed of natural materials and/or finished in natural colors.

Identification signs shall conform with the overall Association signage plan approved by the Board. "For Sale" signs not exceeding six (6) square feet in size may be displayed under the supervision of the Board; except that no "For Sale" signs other than those of the Declarant shall be permitted prior to the disposition of the last Unit originally offered for sale by the Declarant within the Property or within the Additional Real Estate.

7.20 Overnight Storage of Boats, Etc. Overnight parking or storage of any boats, snowmobiles, trailers, recreational or camping vehicles, all-terrain vehicles, or other vehicles on any Unit outside of a garage shall be in accordance with the Rules and Regulations.

7.21 Storage of Trash, Garbage and Rubbish. No Unit or portion thereof shall be used or maintained as a dumping ground for rubbish. Trash, garbage or other waste shall not be kept except in sanitary containers and no exterior burning of household refuse shall be done except in such areas as may be designated by the Board.

7.22 Antennas. Exterior antennas or satellite dishes on the Units or on improvements to the Units shall only be permitted with the written consent of the Board.

7.23 Accessory Buildings. No fish houses, storage sheds, accessory buildings or other outbuildings shall be allowed upon any Unit or upon the Common Elements unless permitted with the written consent of the Board.

7.24 Lawn Ornaments. No lawn ornaments shall be placed upon any Unit or upon the Common Elements by any owner or occupant without the prior consent of the Board.

7.25 Fences. No fences shall be allowed to be constructed upon any Unit or upon the Common Elements without the prior written consent of the Board.

7.26 Use of Common Elements. Owners shall not place any swing sets, playground equipment or other item of personal property upon the Common Elements and shall not make any improvement to the Common Elements without the prior written consent of the Board.

7.27 NPDES/SWPPP. Concurrently with the transfer of any Unit by Declarant to any third party, the initial transferee shall execute a Subdivision Registration on the form provided by the Minnesota Pollution Control Agency (MPCA) thereby assuming all responsibility in connection with the National Pollutant Discharge Elimination System Phase II Construction Site Permit ("NPDES"), the Stormwater Pollution Prevention Plan ("SWPPP"), and associated MPCA Rules relative to the discharge of stormwater from such Unit. By accepting a Deed of conveyance for a Unit within the Plat, the transferee covenants and agrees to execute such Subdivision Registration form, to assume responsibility under the NPDES and SWPPP for the discharge of stormwater from the Unit, and to conduct all excavation activities on such Owner's Unit in conformity with the NPDES and SWPPP.

SECTION 8

MAINTENANCE

8.1 Maintenance by Association. The Association shall provide for all maintenance, repair, or replacement (collectively referred to as "maintenance") of the Common Elements. In addition, for the purpose of preserving the architectural character, quality, and uniform and high standards for appearance of the Property, the Association shall provide for lawn, shrub and tree maintenance on all Units. The Association is not obligated to maintain exterior building surfaces unless otherwise approved under Section 8.2. The Association shall have easements as described in Section 11 to perform its obligations under this Section 8.

8.2 Optional Maintenance by Association. In addition to the maintenance described in this Section the Association may, with the approval of sixty-seven percent (67%) of votes cast in person or by proxy at a meeting called for such purposes, undertake to provide additional exterior maintenance to the Dwellings. Even if the Association undertakes to provide additional exterior maintenance to the Dwellings, such obligation shall exclude the replacement of structural portions of any Dwelling.

8.3 Maintenance by Owner. Except for the exterior maintenance required to be provided by the Association under Section 8.1 or 8.2, all maintenance of the Dwellings and Units shall be the sole responsibility and expense of the Owners thereof. However, the Owners and Occupants shall have a duty to promptly notify the Association of defects in or damage to those parts of the Property which the Association is obligated to maintain. The Association may require that any exterior maintenance to be performed by the Owner be accomplished pursuant to specific uniform criteria established by the Association. The Association may also undertake any exterior maintenance which the responsible Owner fails to or improperly performs and assess the Unit and the Owner for the cost thereof.

8.4 Damage Caused by Owner. Notwithstanding any provision to the contrary in this Section, if, in the judgment of the Association, the need for maintenance of any part of the Property is caused by the willful or negligent act or omission of an Owner or Occupant, or their guests, or by a condition in a Unit which the Owner or Occupant has willfully or negligently allowed to exist, the Association may cause such damage or condition to be repaired or corrected (and enter upon any Unit to do so), and the cost thereof may be assessed against the Unit of the Owner responsible for the damage.

SECTION 9

INSURANCE

9.1 Required Coverage. The Association shall obtain and maintain, at a minimum, a master policy or policies of insurance in accordance with the insurance requirements set forth in the Act and the additional requirements set forth herein, issued by a reputable insurance company or companies authorized to do business in the State of Minnesota, as follows:

- a. Property insurance in broad form covering all risks of physical loss in an amount equal to one hundred percent (100%) of the insurable "replacement cost" of the Common Elements, Dwellings and Units, exclusive of land, footings, excavation and other items normally excluded from coverage (but including all building service equipment and machinery) less deductibles. The policy or policies shall also cover personal property owned by the Association. The policy or policies shall also contain "Inflation Guard" and "Agreed Amount" endorsements, if reasonably available. Such policy or policies shall include such additional endorsements, coverage and limits with respect to the foregoing and other hazards as may be required from time to time by the regulations of the FHA or Federal National Mortgage Association ("FNMA") as a precondition to their insuring, purchasing or financing a mortgage on a Unit. The Board may also, on behalf of the Association, enter into binding written agreements with a mortgagee, insurer or servicer, including without limitation the FHA or FNMA, obligating the Association to keep certain specified coverage or endorsements in effect.
- b. Comprehensive public liability insurance covering the use, operation and maintenance of Common Elements, with minimum limits of \$1,000,000 per occurrence, against claims for death, bodily injury and property damage, and such other risks as are customarily covered by such policies for projects similar in construction, location and use to the Property. The policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner or Occupant because of negligent acts of the Association or other Owners or Occupants. The policy shall include such additional endorsements, coverage and limits with respect to such hazards as may be required by the regulations of the FHA or FNMA as a precondition to their insuring, purchasing or financing a mortgage on a Unit.
- c. Fidelity bond or insurance coverage against dishonest acts on the part of directors, officers, managers, trustees, employees or persons responsible for handling funds belonging to or administered by the Association if deemed to be advisable by the Board or required by the regulations of the FHA or FNMA as a precondition to the purchase or financing of a mortgage on a Unit. The fidelity bond or insurance shall name the Association as the named insured and shall, if required by the regulations of the FHA or FNMA as a precondition to their insuring, purchasing or financing of a mortgage on a Unit, be written in an amount equal to the greater of (i) the estimated maximum of Association funds, including reserves, in the custody of the Association or management agent at any given time while the bond is in force, or (ii) a sum equal to three months aggregate assessments on all Units plus reserves. An appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers, or a waiver of defense based upon the exclusion of persons serving without compensation shall be added.
- d. Workers' Compensation insurance as required by law.

- e. Directors and officers liability insurance with such reasonable limits and coverage as the Board shall determine from time to time.
- f. Such other insurance as the Board may determine from time to time to be in the best interests of the Association and the Owners.

9.2 Premiums: Improvements: Deductibles. All property insurance premiums relating to the Units shall be assessed and paid by the Unit Owners in proportion to the coverage on each such Unit and all other insurance premiums shall be assessed and paid as a Common Expense. The insurance need not cover improvements and betterments to the Units installed by Owners, but if improvements and betterments are covered, any increased cost may be assessed against the Units affected. The Association may, in the case of a claim for damage to a Unit, (i) pay the deductible amount as a Common Expense, (ii) assess the deductible amount against the Units affected in any reasonable manner, or (iii) require the Owners of the Units affected to pay the deductible amount directly.

9.3 Loss Payee: Insurance Trustee. All insurance coverage maintained by the Association shall be written in the name of, and the proceeds thereof shall be payable to, the Association (or a qualified insurance trustee selected by it) as trustee for the benefit of the Owners and secured parties, including Eligible Mortgagees, which suffer loss. The Association, or any insurance trustee selected by it, shall have exclusive authority to negotiate, settle and collect upon any claims or losses under any insurance policy maintained by the Association in accordance with Section 515B.3-113(e) of the Act subject to approval by the Owner of a Dwelling in the event of any damage to such Dwelling. Reconstruction shall be completed in accordance with the provisions of Section 11.1 of this Declaration.

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

9.5 Cancellation; Notice of Loss. All policies of property insurance and comprehensive liability insurance maintained by the Association shall provide that the policies shall not be canceled or substantially modified, for any reason, without at least 30 days prior written notice to the Association, to the FHA or FNMA (if applicable), all of the insureds and all Eligible Mortgagees.

9.6 Restoration in Lieu of Cash Settlement. All policies of property insurance maintained by the Association shall provide that, despite any provisions giving the insurer the right to elect to restore damage in lieu of a cash settlement, such option shall not be exercisable (i) without the prior written approval of the Association (or any Insurance Trustee) or (ii) when in conflict with provisions of any insurance trust agreement to which the Association may be a party, or any requirement of law.

9.7 No Contribution. All policies of insurance maintained by the Association shall be the primary insurance where there is other insurance in the name of the Owner covering the same

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

9.8 Effect of Acts Not Within Association's Control. All policies of insurance maintained by the Association shall provide that the coverage shall not be voided by or conditioned upon (i) any act or omission of an Owner or Eligible Mortgagee, unless acting within the scope of authority on behalf of the Association, or (ii) any failure of the Association to comply with any warranty or condition regarding any portion of the Property over which the Association has no control.

9.9 Owner's Personal Insurance. Each Owner shall obtain and maintain at his or her own expense fire and other casualty insurance on such Owner's personal property and shall also obtain and maintain personal liability insurance. All insurance policies maintained by Owners shall provide that they are without contribution as against the insurance purchased by the Association. Such fire and casualty insurance shall cover at a minimum the full insurable replacement cost of the personal property located in the Unit and shall be in a form satisfactory to the Association. It shall further provide that such policy shall not be canceled or substantially modified by any party without at least thirty (30) days prior written notice to the Association. Each Owner shall furnish the Association satisfactory evidence of the maintenance of such insurance. The Association may, but shall not be required, to make payment of casualty insurance premiums on behalf of any Owner who defaults in his or her obligation to make such payments. Any amount so paid by the Association shall be immediately due and payable by such Owner and may be included in the maintenance assessment against such Unit.

SECTION 10

RECONSTRUCTION, CONDEMNATION AND EMINENT DOMAIN

10.1 Reconstruction. The obligations and procedures for the repair, reconstruction or disposition of the Property following damage to or destruction thereof shall be governed by the Act. Any repair or reconstruction shall be substantially in accordance with the plans and specifications of the Property as initially constructed and subsequently improved upon. Notice of substantial damage or destruction shall be given pursuant to Section 16.10. All insurance proceeds payable to the Association or the insurance trustee shall be applied and administered as follows:

- a. Such insurance proceeds paid to the Association shall promptly be deposited in escrow with a reputable title insurance company, authorized to do business in the State of Minnesota, or with such other reputable escrow agent as selected by the Trustee, and held in escrow for restoration of the Property; provided, however, that in the event that the cost of repairs or reconstruction is less than \$10,000.00, the Association may, at its discretion, deposit all monies received in its own