

**BY-LAWS
OF
SANCTUARY OF LAKE ELMO HOMEOWNERS ASSOCIATION
A Minnesota Non-Profit Corporation pursuant to Minnesota Statutes Chapter 317A.**

**ARTICLE I
NAME AND LOCATION**

The name of this corporation is **SANCTUARY OF LAKE ELMO HOMEOWNERS ASSOCIATION**, hereinafter referred to as the "Association". The principal office of the Association shall be located at 12415 – 55th Street North, Lake Elmo, Minnesota 55042, or at such other place within the State of Minnesota as may be designated by the Board of Directors.

**ARTICLE II
DEFINITIONS**

All capitalized terms not herein defined shall have the meaning given in the Declaration.

"Articles" means the Articles of Incorporation of the Association.

"Association" means **SANCTUARY OF LAKE ELMO HOMEOWNERS ASSOCIATION**, a Minnesota non-profit corporation, its successors and assigns.

"Common Area" means all parts of the Property, including improvements thereto, except the Lots and Outlots G, H, I, J, K, L and M.

"Community" means St. Croix's Sanctuary, according to the plat thereof recorded in the office of the County Recorder, Washington County, Minnesota.

"Conservation Easement" means the Conservation Easement dated March 30, 2006, in favor of the Minnesota Land Trust and the City of Lake Elmo, Minnesota that governs the Protected Property and is recorded in the Office of the County Recorder, Washington County, Minnesota as Document No. 3577327.

"Declarant" means The Sanctuary, LLC, a Minnesota limited liability company, its successors and assigns.

"Declaration" means the Declaration of Easements, Covenants, Conditions, Restrictions and Reservations for Sanctuary of Lake Elmo, City of Lake Elmo, Washington County, Minnesota, applicable to the Subject Property recorded in the Office of the County Recorder within and for Washington County, Minnesota, on March 31, 2006 as Document No. 3577334.

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

“**Lot**” means any platted lot shown on the Plat of the Property, including amendments thereto, subject to the Declaration, upon which a Dwelling is located or intended to be located, and Outlots G, H, I, J, K, L and M if and when such Outlots are replatted as Lots.

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

“**Property**” means all of the real property subjected to this Declaration, now or in the future, including the Lots and all other structures and improvements located thereon. The Property is legally described in “**Exhibit A**” attached hereto.

“**Protected Property**” means all the parts of the Property that are subject to the Conservation Easement.

References to Sections refer to Sections of the Declaration unless otherwise indicated. References to the singular may refer to the plural, and conversely, depending upon context.

ARTICLE III MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held on the date selected by the Board of Directors thereafter, at the hour of 7:00 p.m. If the day for an annual meeting is a legal holiday, the meeting shall be held at the same hour on the first day following which is not a legal holiday. At each annual meeting, there shall be, at a minimum, (i) an election of successor directors for those directors whose terms have expired, (ii) a report on the activities and financial condition of the Association, and (iii) consideration of and action on any other matters included in the notice of meeting.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors and must be called by the President in any event upon receipt of a written request for a special meeting signed by twenty-five percent (25%) of the Class A Members entitled to vote or upon written request of any of the first mortgagees holding mortgages on the Subject Property.

Section 3. Notices. Notice of all meetings of the Members, stating the date, time, place complete agenda thereof, and the procedure for appointment of proxies, shall be given by the President or Secretary unless waived in writing. Such notice shall be in writing and shall be delivered by hand or sent by prepaid United States mail to each Member at the Member’s address as it appears on the books of the Association. Such notices shall also be mailed to the Conservation Easement holders who may choose to send representatives to attend the meetings and participate in discussions that relate to the Protected Property or the Conservation Easement. Notices shall be mailed not less than twenty-one (21) days nor more than thirty (30) days in advance of any annual meeting, and not less than seven (7) days nor more than thirty (30) days in advance of any special

meeting. Proof of such mailing shall be given by the affidavit of the person giving the notice. The notice of the meeting may be waived before or after such meeting.

Section 4. Quorum. The presence at the meeting of Members, either in person or by proxy, entitled to cast two-thirds (2/3) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Governing Documents. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote at that meeting shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

Section 5. Proxies. At all meetings of Members, each Member may vote, in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease upon conveyance by the Member of his or her Lot.

ARTICLE IV BOARD OF DIRECTORS: SELECTION; TERM OF OFFICE

Section 1. First Board of Directors. Said first Directors shall serve until the first annual meeting of the Members or until their successors have been duly elected and qualified. At the first annual meeting, the Members shall elect the Directors, each for a term of one year and until their successors have been duly elected and have qualified. At each annual meeting thereafter the Members shall elect any new members to the Board of Directors for a term of one year.

Section 2. Number and Qualifications of Directors. The initial Board of Directors shall consist of three natural persons. The second Board of Directors and all successive Boards shall consist of three, five, or seven members, as determined by the Board of Directors, all of whom are holders of an interest in at least one of the Lots, or, in the case of the Declarant, a representative of the Declarant.

Section 3. Nomination of Directors. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting (or a special meeting called for the election of Directors). The Nominating Committee shall consist of a Chairperson, who shall be a member of the Board of Directors, and two or more Members of the Association. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. the Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-Members.

Section 4. Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, with respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 5. Term. The term of each Director, other than the first Directors and the Directors elected at the Special Election (as defined in the Articles), shall extend to the next annual meeting of the Members after the annual meeting at which the Director was elected and until the Director's successor has been duly elected and has qualified.

Section 6. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation or removal of a Director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

Section 7. Compensation. No Director shall receive compensation for any service rendered to the Association. However, any Director may be reimbursed for actual expenses incurred in the performance of his or her duties.

Section 8. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting that they could take at a meeting by obtaining the written approval of all the Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

ARTICLE V MEETINGS OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegraph, at least three (3) days prior to the day designated for such meeting unless such notice is waived.

Section 2. Special Meetings. Special meetings of the Directors may be called by the President and must be called by the Secretary at the written request of one (1) Director. Not less than three (3) days' notice of such special meeting shall be given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of such meeting.

Section 3. Waiver of Notice. Any Director may waive notice of a meeting, either regular or special, before or after such meeting, and such waiver shall be deemed equivalent to the giving of notice.

Section 4. Quorum. Two (2) Directors, or if there are a total of seven (7) Directors, then three (3) Directors, shall constitute a quorum for the transaction of business at any meeting of the Board.

Section 5. Adjournment When Quorum Lacking. If at any meeting of the Board of Directors there shall be only one (1) Director present, that Director may adjourn the meeting from time to time until a quorum is present. At any such adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing

and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

Section 6. Manner of Action. Each Director shall be entitled to one (1) vote, and the act of a majority of the Directors present at a meeting at which a quorum is present shall constitute the act of the Board of Directors unless the act of a greater number is required by these By-Laws.

Section 7. Board Meeting Open to Members. Except as otherwise provided in this Section, meetings of the Board of Directors shall be open to Members. The Board shall give reasonable notice to Members of the date, time, and place of each Board Meeting. No notice need be given to Members if: (i) the date, time, and place of meeting were announced at a previous Board meeting; (ii) the date, time, and place of the meeting were posted in a location accessible to Members and designated by the Board from time to time; or (iii) if an emergency requires immediate consideration of a matter by the Board. Meetings may be closed to Members to discuss the following: (1) personnel matters; (2) pending or potential litigation, arbitration or other potentially adversarial proceedings between Members, between the Board or the Association and Members, or other matters in which any Member may have an adversarial interest, if the Board determines that closing the meeting is necessary to discuss strategy or otherwise protect the position of the Board or Association or the privacy of a Member or occupant of a Lot or Dwelling ; or (3) criminal activity arising within the Community if the Board determines that closing the meeting is necessary to protect the privacy of the victim or that opening the meeting would jeopardize any investigation of the activity.

ARTICLE VI

THE BOARD OF DIRECTORS: POWERS, DUTIES AND RESTRICTIONS

Section 1. Powers. The Board of Directors shall have the power to:

- (a) adopt and publish rules and regulations governing the use of the Common Area and facilities and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the voting and enjoyment rights of any Member for any period during which any assessments remain unpaid, and to suspend the said enjoyment rights for any period not to exceed thirty (30) days and to impose a fine not to exceed Ten Dollars (\$10.00) for each infraction of its published rules and regulations, each day during which infractions exist being deemed a separate and distinct infraction; provided, however, that nothing contained in this section 1(b) shall be deemed to deny an Owner access to and from his or her Lot or Dwelling located on the Property;
- (c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of the Governing Documents;

(d) declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and

(e) employ a manager, an independent contractor or such other employees, as they deem necessary, and to prescribe their duties; provided, however, that any agreement for professional management of the Property, or any other contract providing for services by the Declarant, shall provide for termination by either party without cause or payment of a termination fee on ninety (90) days or less written notice and a maximum contract term of three (3) years.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or at any special meeting when such statement is requested by one-fourth of the members entitled to vote;

(b) supervise all officers, agents and employees of this Association, and see that their duties are properly performed;

(c) as more fully provided in the Declaration:

(1) fix the amount of the annual assessment against each Unit at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclose the lien against any property for which assessments are not paid within sixty (60) days after due date or bring an action at law against the Owner personally obligated to pay the same;

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance as required by the Act or the Declaration;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate and in accordance with the Declaration;

(g) cause the Common Elements to be maintained as set forth in the Declaration.

ARTICLE VII OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a President and Vice President, who shall at all times be members of the Board of Directors, a Secretary, a Treasurer and such other officers as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise become disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board may, from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 7. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

(a) The President shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes.

Vice President

(b) The Vice President shall act in the place and stead of the President in the event of his or her absence, inability or refusal to act and shall exercise and discharge such other duties as may be required by the Board.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; serve notice of meetings of the Board and of the Members; keep appropriate current records showing the Members of the Association together with their addresses; and shall perform such other duties as required by the Board.

Treasurer

(d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and disburse such funds as directed by resolution of the Board of Directors; sign all checks and promissory notes of the Association; keep proper books of account; and prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meetings, and deliver a copy of each to the Members.

**ARTICLE VIII
BOOKS AND RECORDS**

The Association shall keep adequate records of its membership, minutes of Members' meetings, minutes of Board of Directors meetings, committee meetings, contracts, leases and other agreements to which the Association is a party, and material correspondence and memoranda relating to its operations, and financial records sufficiently detailed to enable the Association to prepare the annual report and to comply with all applicable laws. The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member and by any first mortgagee of a Lot. The Governing Documents shall be available, during reasonable business hours, for inspection by any Member and by any first mortgagee of a Lot at the principal office of the Association, where copies may be purchased at reasonable cost.

**ARTICLE IX
ASSESSMENTS**

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments all of which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of twelve percent (12%) per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien and interest, costs, and reasonable attorneys' fees in any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the common area or abandonment of such Owner's Lot.

ARTICLE X INSURANCE

Section 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 Declaration, issued by a reputable insurance company or companies authorized to do business in the State of Minnesota.

ARTICLE XI NO CORPORATE SEAL

There shall be no corporate seal.

ARTICLE XII AMENDMENTS

Section 1. These By-Laws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy.

Section 2. In the case of any conflict between the Articles and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws; the Declaration shall control.

ARTICLE XIII MISCELLANEOUS

Section 1. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

Section 2. Financial Statement. The Board will prepare annual statements and provide copies to the Members. The financial statements shall be presented on a full accrual basis using an accounting format that separates operating activity from replacement reserve activity. The financial statements shall be delivered to all Members within 120 days of the end of the fiscal year.

Section 3. Annual Report. An annual report shall be prepared by the President or Treasurer and shall be provided to each member at or prior to the annual meeting of members. The annual report shall contain: (1) a statement of any capital expenditures in excess of two percent (2%) of the current budget or five thousand dollars (\$5,000), whichever is greater, approved by the Association for the current fiscal year and for the succeeding two fiscal years; (2) a statement of the balance in any reserve or replacement fund; (3) a copy of the statement of revenues and expenses for the Association's last fiscal year, and a balance sheet as of the end of said fiscal year; (4) a statement of the status of any pending litigation or judgments to which the Association is a party; (5) a detailed description of the insurance coverage provided by the Association; (6) a statement of the total past due assessments on all Lots, current as of not more than sixty (60) days prior to the

date of the annual meeting; and (7) any other matter which the officers or directors of the Association deem appropriate.

Section 4. Committees. The Association may appoint an Architectural Committee, as provided in the Declaration, and a Nominating Committee, as provided in these By-laws. In addition, the Board of Directors may appoint other committees as deemed appropriate in carrying out its purpose.

CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected and acting Secretary of said Sanctuary of Lake Elmo Homeowners Association, a Minnesota non-profit corporation, and that the foregoing By-Laws constitute the By-Laws of said Sanctuary of Lake Elmo Homeowners Association as duly adopted at a meeting of the Members thereof held on the 31st day of March, 2006.


Secretary

THIS INSTRUMENT WAS DRAFTED BY:

Robert G. Briggs, Esq.
ECKBERG, LAMMERS, BRIGGS,
WOLFF & VIERLING, P.L.L.P.
1809 Northwestern Avenue
Stillwater, Minnesota 55082

EXHIBIT A**LEGAL DESCRIPTION OF THE PROPERTY**

Lots 1 through 9, inclusive, Block 1; Lots 1 through 5, inclusive, Block 2; Lots 1 through 7, inclusive, Block 3; Lots 1 through 4, inclusive, Block 4; Lots 1 and 2, Block 5; Lots 1 through 5, inclusive, Block 6; Lots 1 through 12, inclusive, Block 7; Lots 1 through 3, inclusive, Block 8; Lots 1 through 3, inclusive, Block 9; Lots 1 through 5, inclusive, Block 10; and, Outlots A through C, inclusive, and Outlots F through N, inclusive, all according to the recorded plat of St. Croix's Sanctuary, Washington County, Minnesota.