

BYLAWS
OF
ISLAND BEACH RESORT HOMEOWNERS' ASSOCIATION, INC.

A nonprofit corporation organized
under the laws of the State of Minnesota

1. IDENTITY: These are the Bylaws of Island Beach Resort Homeowners' Association, Inc., a Minnesota nonprofit corporation (hereinafter called the "Association"), the Articles of Incorporation of which were filed in the office of the Secretary of State on _____, 2009, and are subject to the Island Beach Resort Declaration (hereinafter the "Declaration"). The Association has been organized for the purpose of administering Island Beach Resort, a planned community organized under the Minnesota Common Interest Ownership Act (hereinafter the "Act").

For purposes of these Bylaws, terms specifically defined in the Declaration shall have the meaning ascribed therein, and if not defined therein, as defined in the Act.

2. MEMBERS: The qualifications of members and the manner of their admission into the Association shall be as follows:
- (a) Owners. All Owners of an interest in a Unit in Island Beach Resort, as the terms are defined in the Declaration, as amended from time to time, shall by virtue of such interest, be a member of this Association.
 - (b) More Than One. When one or more persons are Owners of a Unit, all such persons shall be members.
 - (c) Registration. It shall be the duty of each Owner of a Unit to register his or her name and the nature of his or her interest with the Secretary of the Association. If the Owner of an interest does not register his or her interest, the Association shall be under no duty to recognize such person's ownership.
 - (d) Transfers. The share of a member in the funds and assets of the Association cannot be assigned, pledged, encumbered or transferred in any manner, except as an appurtenance to a Unit.
3. MEMBERS' MEETINGS – VOTING:
- (a) First Meeting. The first meeting of the members shall be held at the call of the President or the Vice President or by the first Board of Directors as soon as is convenient after the first meeting of the Directors, and in any event, the first meeting

of members shall be held within one year from the date the Declaration is filed for record in St. Louis County, Minnesota.

- (b) Annual Meetings. Annual meetings of the members shall be held at such time and place as is specified by the Board of Directors for the purpose of electing a Board of Directors and transacting any other business authorized to be transacted by the members.

An annual report shall be prepared by the Association and a copy of the report shall be provided to each Unit Owner at or prior to the annual meeting. Such report shall contain at a minimum the following:

- (1) A statement of any capital expenditures in excess of two percent of the current budget or \$5,000, whichever is greater, approved by the Association for the current fiscal year or 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, including a statement as to which, if any, of the items referred to in section 515B.3-113, subsection (b), are insured by the Association.
 - (6) A statement of the total past due assessments on all Units, current as of not more than 60 days prior to the date of the meeting.
- (c) Special Meetings. Special meetings of the members may be called at any time by the President, or the Vice President, or by the Board of Directors, and must be called by such officers upon receipt of a written request by fifty percent (50%) of the voting power of the members. Whenever a special meeting is required pursuant to Section 4(d) hereof, it shall be called by the President or the Board of Directors.
- (d) Notice. Notice of all meetings of the members stating the date, time and place and the objects for which the meeting was called, and stating the procedures for appointing proxies, shall be caused to be given by the President or Vice President or Secretary. Such notice shall be in writing to each member at the address of each Unit as it appears on the books of the Association or any other address as any Owner shall designate and shall be mailed by electronic mail or United States mail at least twenty-one (21) days but not more than thirty (30) days prior to the date of the annual meeting, together with an agenda of the meeting; and at least seven (7) days but not more than thirty (30) days prior to any other meeting, together with a specific agenda. Proof of such mailing shall be given by the affidavit of the person giving the notice.

Electronic mail, if utilized, must be directed to an electronic mail address at which member has consented to receive notice and will be deemed delivered at the time of transmission.

- (e) First Mortgagee. The First Mortgagee holding a mortgage on any Unit shall be entitled to notice upon written request to the Association and may attend and participate in any annual or special meeting but shall have no vote unless granted by written proxy, power of attorney or required by the Declaration or the Act.
- (f) Quorum. A quorum is present at meetings of the members if Owners entitled to cast in excess of fifty percent (50%) of the votes in the Association are present in person or by proxy at the beginning of the meeting.
- (g) Votes. All holders of an interest in a Unit shall collectively have the voting interest assigned to the Unit in the Declaration. When there is more than one holder of an interest in a Unit, the voting interest shall be cast by the person named in a Certificate signed by all holders of an interest in the Unit and filed with the Secretary of the Association. Such certificate shall be valid until revoked by subsequent certificate.
- (h) More Than One Owner. When there is more than one Owner of a Unit and the person entitled to vote is in dispute, the vote shall not be cast.
- (i) Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the Secretary at or before the appointed time of the meeting and shall be valid until revoked in writing. A proxy may be given only to another member of the Association or a lien holder of a Unit.
- (j) Voting. Voting of members may be by voice or ballot at the direction of the presiding officer at the meeting.
- (k) Same Person. Approval or disapproval of all of the Owners of an interest in a Unit upon any matter, whether or not the subject of a meeting of the members, shall be by the same person who would cast the vote of such Unit if in a meeting of the members.
- (l) Adjournment. If the business of any meeting cannot be conducted because a quorum has not attended, the meeting shall be adjourned from time to time until a quorum is present. In the alternative, the meeting may be adjourned and further notice given of the scheduled meeting date on which the adjourned meeting will reconvene.
- (m) Majority Vote. When a quorum is present at any meeting, any question brought before the meeting shall be decided by a majority of the voting power present in person or by proxy unless the question is one upon which by express provisions of law, the Declaration or these Bylaws, a different vote is required.
- (n) List of Voting Members. At the beginning of each meeting, the Secretary shall render and certify a statement showing a list of all of the members entitled to vote at such meeting, the voting power of each and the name of the person entitled to cast each

such member's vote by virtue of a proxy then in effect. Any disputes shall be resolved by a certificate as provided in (h) above.

- (o) No Cumulative Voting. There shall be no cumulative voting.
- (p) Order of Business. The order of business at the annual meetings shall as far as is practical be:
 - (1) Election of chairman of the meeting;
 - (2) Calling of the roll and certifying of proxies;
 - (3) Proof of notice of meeting or waiver of notice;
 - (4) Reading and disposal of any unapproved minutes;
 - (5) Reports of officers;
 - (6) Reports of committees;
 - (7) Election of Directors;
 - (8) Unfinished business;
 - (9) New business;
 - (10) Adjournment.

4. DIRECTORS:

- (a) First Directors and Subsequent Directors. The first Board of Directors shall consist of three (3) persons, as set forth in the Articles of Incorporation. Subsequent Directors shall be elected by the voting power of the Association, and such Boards shall consist of three (3) persons. Each Director shall be either the Owner of an interest in a Unit, or an officer or designated agent of a corporate Owner of an interest or a limited liability company, partnership, trustee, or other legal entity which is an Owner.
- (b) Elections. Election of the successive Board of Directors shall be conducted in the following manner:
 - (1) Directors shall be elected by a majority of the voting power at an annual or special meeting of the members of the Association.
 - (2) Vacancies in the Board of Directors shall be filled by a majority of the voting power at a special meeting of the members of the Association and each person so elected shall be a Director until a successor is elected and qualified at the next annual meeting of the Association.
 - (3) The term of office of each Director shall be fixed at one (1) year and each Director may be re-elected for any number of terms. Each Director shall hold office until his or her successor is elected.
- (c) Meetings.
 - (1) 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, electronic mail or telephone at least three (3) days prior to the day named for such meeting unless such notice is waived. Attendance shall constitute waiver.

- (2) Special meetings of the Board of Directors may be called by the President and must be called by the Secretary at the written request of one-half (1/2) or more of the members of the Board. Not less than three (3) days' notice of the meeting shall be given personally or by mail, electronic mail or telephone, which notice shall state the time, place and purpose of the meeting unless such notice is waived. Attendance shall constitute waiver.
- (3) Any Director may waive notice of a meeting before or after the meeting and such waiver shall be deemed equivalent to the giving of notice.
- (4) A quorum at a Directors' meeting shall consist of the majority of Directors. The acts of the Board approved by a majority at a meeting at which a quorum is present shall constitute the acts of the Board of Directors. If at any meeting of the Board of Directors there be less than a quorum present, the majority of those present may adjourn the meeting from time to time until a quorum is present. At an adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice.
- (5) The presiding officer of Directors' meetings shall be the President. In the absence of the presiding officer, the Directors present shall designate one of their number to preside.
- (6) Directors shall receive no compensation for their services, except for reimbursement for expenses, but they or their affiliates may be compensated for services rendered or goods supplied to the condominium in a capacity other than as a Director.
- (7) Any action that could be taken at a meeting of the Board of Directors may be taken without a meeting when authorized in writing and signed by all of the Directors.
- (8) A meeting of the Board of Directors may be conducted by a telephone conference or any means of communication through which the participants may simultaneously hear each other during the meeting, if notice of the meeting has been given as would be required for a meeting and if the number of persons participating in the conference is sufficient to constitute a quorum. Participating in a conference constitutes personal presence at the meeting.
- (9) Electronic mail, if utilized, must be directed to an electronic mail address at which the director has consented to receive notice and will be deemed to be delivered at the time of the transmission.

- (d) Arbitration. In the event of a deadlock between the Directors or other dispute between the Directors that cannot be satisfactorily settled by them, such dispute shall be submitted and settled by arbitration in Duluth, Minnesota, in accordance with the commercial rules of the American Arbitration Association, except to the extent such rules are waived by the parties, and judgment on the award rendered may be entered in any court having jurisdiction thereof.
5. POWER AND DUTIES OF THE BOARD OF DIRECTORS: All of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under the Act, the Articles of Incorporation and those powers and duties designated for the Association by the documents establishing the planned community. Such powers and duties of the Directors shall be exercised in accordance with the provisions of the Declaration and the Act.
6. OFFICERS:
- (a) Officers. The officers of this Association shall be a President, who shall be a Director, a Vice President, a Treasurer, and a Secretary. Each officer shall be a member, officer, or agent of an Owner. Each officer shall be elected annually by the Board of Directors and may be preemptorily removed by majority vote of the Directors at any meeting. Any person may hold two or more offices except that the offices of President and Vice President, and the offices of President and Treasurer shall be held by different persons. The Board of Directors shall from time to time elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.
- (b) President. The President shall be the chief executive officer of the Association. The President shall have all of the powers and duties which are usually vested in the office of the President of a corporation, including, but not limited to, the duty to preside at all Directors' and members' meetings at which the President is present, and the general supervision over other officers and the affairs of the Association. The President shall execute all contracts, agreements and obligations of the Association except as such authority may be otherwise delegated or limited by resolution of the Board of Directors.
- (c) Vice President. The Vice President shall in the absence or disability of the President exercise the powers and perform the duties of the President. The Vice President shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Directors.
- (d) Secretary. The Secretary shall keep the minutes of all proceedings of the Directors and the members. The Secretary shall give and serve or cause to be given and served all notices to the members and Directors and other notices required by law. The Secretary shall keep or cause to be kept the records of the Association, except those of the Treasurer, and shall perform all other duties incident to the office of Secretary of a corporation and as may be required by the Directors or the President.

- (e) Treasurer. The Treasurer shall have custody or supervise custody of all intangible property of the Association, including funds, securities and evidences of indebtedness and shall give bond in such sum and with such sureties as the Directors may require. The Treasurer shall keep or cause to be kept the assessment rolls and accounts of the members. The Treasurer shall keep the books of the Association or cause them to be kept in accordance with good accounting practices and shall submit them together with all vouchers, receipts, records and other papers to the Directors for their examination and approval as often as they may require. The Treasurer shall deposit or cause to be deposited all monies and other valuable effects in the name of or to the credit of the Association in such depositories as may be designated by the Board of Directors and shall disburse or cause to be disbursed the funds of the Association as ordered by the Board and shall perform all other duties incident to the office of Treasurer. The Board of Directors may designate some or all of the foregoing functions to be entrusted to a managing agent subject to overview by the Treasurer.
 - (f) No Compensation. Officers of the corporation shall receive no compensation for their services in such capacity, but may be reimbursed for out-of-pocket expenses incurred in the conduct of the Association's business.
7. REMOVAL OF OFFICER OR DIRECTOR: At any special meeting of a quorum of members of the Association where notice has been given of such proposal, any Director or officer may be removed with or without cause by a majority of the total voting power thereat, and, if a Director, his or her successor may then and there be elected to fill the vacancy thus created. If an officer is so removed, his successor shall be elected at the next assembled meeting of the Board of Directors.
8. FISCAL MANAGEMENT:
- (a) Benefit of Members. All funds and the titles of all properties acquired by the Association, and the proceeds thereof, after deducting there from the costs incurred by the Association in acquiring the same, shall be held for the benefit of the members for the purposes stated in the Declaration and herein and may be temporarily invested when not immediately required.
 - (b) Banking. The depository of the Association shall be such bank or banks as shall be designated from time to time by action of the Directors and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only authorized by the Directors.
 - (c) Inspection. Members of the Association and First Mortgagees shall have the right to inspect the books, accounts and records of the Association on reasonable notice during regular business hours.
 - (d) Reports. A review of the Association's financial statements shall be made at the end of the Association's fiscal year, unless, prior to 30 days after the end of that fiscal year, at a meeting or by mailed ballot, all of the Unit Owners of Units to which at

least 51 percent of the votes in the Association are allocated vote to waive the review requirement for that fiscal year. A waiver vote shall not apply to more than one fiscal year, and shall not prejudice the Board's authority to cause a review or audit to be made. The reviewed financial statements shall be delivered to all members of the Association within 120 days after the end of the Association's fiscal year. The review shall be made by a licensed, independent certified public accountant. A licensed, independent certified public accountant means an accountant who (i) is not an employee of the Declarant or its affiliates, (ii) is professionally independent of the control of the Declarant or its affiliates, (iii) is licensed by the Minnesota State Board of Accountancy and (iv) satisfies the tests for independence as promulgated by the American Institute of Certified Public Accountants. The Financial statements shall be prepared in accordance with generally accepted accounting principles as established from time to time by the American Institute of Certified Public Accountants, and shall be reviewed in accordance with standards for accounting and review services. The financial statements shall be presented on the full accrual basis using an accounting format that separates operating activity from replacement reserve activity.

9. ASSESSMENTS: Assessments against the members shall be levied by a majority vote of the Board of Directors of the Association and paid by the members to the Association in accordance with the provisions of the Declaration and the Act.
10. AMENDMENT: The requisite vote of the members of the Association for an amendment to the Bylaws shall be at least seventy-five percent (75%) of the voting power of the Association.
11. RULES AND REGULATIONS: Upon the approval of sixty-seven percent (67%) of the votes in the Association, The Board of Directors of the Association at a duly constituted meeting may promulgate Rules and Regulations, provided, however, that copies of such Rules and Regulations shall be furnished to each member no less than thirty (30) days prior to the time that the same become effective.
12. SEVERABILITY: If any part of these Bylaws shall be ruled invalid or ineffective for any reason whatsoever, the balance shall nevertheless remain in full force and effect. In the event of conflict between the Declaration and the Bylaws, the Declaration shall prevail.
13. NOTICES:
 - (a) Notice to Board of Directors. Notices required or permitted to be given to the Board of Directors or the Association may be delivered to any member of the Board or officer of the Association either personally or by mail addressed to such member or officer at his Unit.
 - (b) Notice to Members. Notices required or permitted to be given to any member shall be given personally or by mail to the address as it appears on the books of the Association.

14. INDEMNIFICATION: To the full extent permitted by law, each person who was or is a party or is threatened to be made a party to any threatened, pending or contemplated action, suit or proceeding, wherever brought, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a director or officer of the Association, or is or was serving at the specific request of the Directors of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be indemnified by the Association against expenses, including, but not limited to, reasonable attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him or her in connection with such action, suit or proceeding, provided, however, that the indemnification with respect to a person who is or was serving as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise shall apply only to the extent such person is not indemnified by such other corporation, partnership, joint venture, trust or other enterprise. The foregoing indemnification shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such person, and shall apply whether or not the claim against such person arises out of matters occurring before the adoption of this Section. The foregoing indemnification shall not be exclusive of other rights to which any of the aforesaid shall be entitled as a matter of law, agreement, vote of Members or otherwise.

15. CORPORATE SEAL: The Association shall have no corporate seal.

16. ROBERT'S RULES OF ORDER. Robert's Rules of Order, Newly Revised, shall govern the conduct of Association proceedings when not in conflict with the Declaration, these Bylaws, the Articles, the Act, or applicable law. The chair person of any meeting shall have the authority to appoint a parliamentarian.

The above were adopted as the Bylaws of Island Beach Resort Homeowner's Association, Inc., a corporation not for profit under the laws of the State of Minnesota effective _____, 2009.

 Ronald Edmunds

 Michael W. Edmunds

 Bill Cheslak