

ISLAND BEACH RESORT
A PLANNED COMMUNITY
COMMON INTEREST COMMUNITY NO. 68

DISCLOSURE STATEMENT
AND RECEIPT OF
DISCLOSURE STATEMENT AND DOCUMENTS

Pursuant to Minn. Stat. §515B.4-102, Island Beach, LLC, a Minnesota limited liability company ("Declarant") does hereby fully disclose and provide to the undersigned ("Purchaser"), whether one or more) the following:

1. Name and Number of the Common Interest Community. Island Beach Resort, Common Interest Community No. 68.
2. Name and Principal Address of Declarant. Island Beach, LLC, 2200 Water Street, Duluth, MN 55812.
3. Number of Units and Type of Common Interest Community. Island Beach Resort ("Planned Community") is a planned community (not a condominium or a cooperative) as defined in the Minnesota Common Interest Ownership Act, Minnesota Statutes Chapter 515B (the "Act"), and will be composed of nine unimproved lots (referred to interchangeably herein as "Lots" or "Residential Units") and 14 Garage Units.
4. General Description of the Common Interest Community. Use of the Lots is restricted to single family residences (whether primary, secondary or seasonal), except that duplexes or dwellings with a mother-in-law apartment attached may be built on Lots 7, 8 and 9. Purchasers will contract for and be responsible for the construction of the structures and other improvements on each Lot, including construction of a dwelling and hooking up to utilities, the community water system and septic system. Each Purchaser shall have the option of purchasing a minimum of one Garage Unit upon which a 24 foot x 40 foot wood-frame storage garage will be located.

The common interest community is subject to a Conditional Use Permit for a Residential Planned Unit Development. The permit allows a maximum of 24 bedrooms within the common interest community. Therefore, each sale of a Lot in the common interest community shall establish the number of bedrooms allocated to the Purchaser. This requirement will survive the closing and shall be enforceable against the Buyer. Additional building restrictions are set forth in Sections 7 and 8 of the Declaration.

Each Lot owner will have one designated dock space located adjacent to the Common Elements on Island Lake, except there may be two dock spaces allocated to Lots 7, 8 and 9. In addition, there will be additional boat docks for the use of guests of Lot owners. The original boat docks will be

constructed by Declarant. Thereafter, the cost of maintaining the boat docks shall be the obligation of the Owners' Association.

After obtaining three (3) fully-executed purchase agreements without any buyer contingencies, the Declarant will install the community lighting, access road, community water system and community sewage treatment system, all of which will be located on the Common Elements. After construction, the lighting, access road, community water system and community sewage treatment system will be maintained by the Owners' Association. There may be additional amenities located on the Common Elements, if approved and paid for by the Association (and not the Declarant), which will be maintained by the Owners' Association.

5. Construction Schedule. The Lots will be sold as vacant land. Construction of the first seven garages is scheduled to commence upon the closing of the sale of four Lots with the first seven garages to be completed approximately six to twelve months after commencement. Declarant reserves the right to construct all of the 14 garages at any time whether or not any Lots have been sold. Declarant also reserves the right not to construct more than seven garages unless and until the Declaration has secured non-binding purchase agreements for the purchase and sale of the Garage Units.

Purchasers are restricted to building a dwelling within the building envelope shown on the CIC Plat. Purchasers need not commence building until December 31, 2024 and construction need not be complete until December 31, 2025. Nothing can be parked on or any improvements made to a Residential Unit until it is improved with a dwelling in accordance with the building requirements set forth in the Declaration.

6. Expenses and Services Not Reflected in Budget or Expenses Which May Become Common Expenses at a Subsequent Time; Alternative Assessment Program. Declarant is presently unaware of any expenses or services which are not reflected in the estimated annual operating budget which the Declarant itself provides or any expenses which it pays and which it expects may become at any subsequent time a common expense of the Association. Accordingly, there is no projected common expense assessment of which Declarant at this time is aware which would be attributable to any such supplies or services.

Declarant has elected to establish an alternative assessment program under Minn. Stat. §515B.3-115 of the Act. This means that if a Common Expense Assessment has been levied, any unsold Unit owned by Declarant shall be assessed at the rate of twenty-five percent (25%) of the Assessments levied on other Units of the same type until any building located in the Unit is substantially completed. Within 60 days following the termination of the period of declarant control, the Declarant is obligated to make up any operating deficit incurred by the Association during the period of declarant control due to this alternative Assessment program.

7. Payment Due from Purchaser to Association at the Closing. Purchaser shall pay to the Association at closing a pro rata share of the assessment for common expenses relating to the Residential Unit for the month in which the closing occurs and the Garage Unit(s), if any, for the year in which the closing occurs. Purchaser shall also pay to the Association at closing an amount equal to two months installments of the common expenses for the Residential Unit, if any, towards the working

capital fund. Such assessment will provide a working capital reserve fund for the Association. The assessment is neither refundable, nor is it to be considered an advance payment of monthly assessments.

The Purchaser shall also be obligated to pay a one-time fee per dock space allocated to the Purchaser in an estimated amount of \$5,000.00. If the dock system has been installed at the time of closing, then this payment shall be due to the Declarant at the time of closing. If the dock system has not been installed at the time of closing, then, at the option of the Purchaser, the Purchaser may escrow the payment at closing, to be released to the Declarant upon installation of the dock system, or, upon installation of the dock system, the Declarant shall provide 60 days written notice to Purchaser that payment is due. If the Purchaser fails or refuses to make payment to the Declarant within 60 days, the Purchaser shall lose the right to the dock space and it may be reassigned by the Declarant to another Residential Unit Owner or the Association. In any event, Declarant shall install the dock system not later than 12 months after the date of the first unit closing.

8. Liens, Defects or Encumbrances Which Will Continue to Affect the Title After the Conveyance. The following are the liens, defects or encumbrances on or affecting the title to the Units after the contemplated conveyance by Declarant to Purchaser: See Exhibit H attached hereto.

9. Financing Offered by Declarant. The Declarant does not offer financing in connection with contemplated conveyance by Declarant to Purchaser, but from time to time may arrange with one or more lenders to make financing available to purchasers.

10. Project Approval. No application has been made for any project approvals from the common interest community from the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Department of Housing and Urban Development (HUD), or Department of Veteran's Affairs (VA).

11. Terms of Warranties Provided by Declarant and Statutory Warranties. Purchaser will be provided with the written warranties of the manufacturer of any equipment included in the transaction. These warranties may be found in or on equipment covered.

Declarant makes no representations with respect to the expected useful lives of any of the structural components and mechanical and electrical installations material to the use and enjoyment of the Garage Unit.

In connection with the sale of the Garage Unit Purchaser is purchasing from Declarant, Declarant makes the express and implied warranties which are provided by law. The statutory warranties provided under Sections 515B.4-112 to 515B.4-115 are attached to this Disclosure as Exhibit F and are incorporated herein by reference.

12. Receipt/Provision of Disclosure Statement and Cancellation. Declarant hereby advises Purchaser that pursuant to Minn. Stat. §515B.4-106: (a) within ten (10) days after receipt of this Disclosure Statement, purchaser may, prior to conveyance, cancel the Purchase Agreement that Purchaser has entered into with Declarant; (b) if Purchaser receives the Disclosure Statement more than ten (10) days before Purchaser signs a Purchase Agreement, Purchaser cannot cancel the Purchase

Agreement; and (c) if Declarant fails to provide a Disclosure Statement to Purchaser before conveying the Unit Purchaser is buying, than Declarant shall be liable to Purchaser as provided in Section 515B.4-106(d) of the Act.

13. Judgments or Pending Suits Against the Association. Declarant, to the best of its knowledge, after reasonable inquiry, is unaware of any unsatisfied judgments or lawsuits to which the Association is a party, or of any pending suits which are material to the common interest community or the Unit being purchased by Purchaser.

14. Earnest Money. The earnest money paid by Purchaser to Declarant in connection with the purchase of a Unit in the common interest community will be held in an escrow account, until closing, or until termination of the Purchase Agreement and will be returned to Purchaser if Purchaser cancels the Purchase Agreement pursuant to Minn. Stat. §515B.4-106 or as otherwise set forth in the Purchase Agreement. The name and address of the escrow agent is as follows: Consolidated Title & Abstract Co., 332 W. Superior St., Duluth, MN 55802.

15. Description of Insurance Coverage. The insurance coverage that has or will be acquired by the Association is as follows, and copies of such policies are or will be retained at the office of the Association for inspection:

- 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 Property, less deductibles, exclusive of land, footings, excavation and other items normally excluded from coverage (but including all building service equipment and machinery). The policy or policies shall cover personal property owned by the Association. The policy or policies shall also contain "Inflation Guard" and "Agreed Amount" endorsements, if reasonably available.
- b. Comprehensive public liability insurance covering the use, operation and maintenance of the Common Elements, with minimum limits of one million dollars (\$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.
- c. Fidelity bond or insurance coverage against dishonest acts on the part of directors, officers, managers, trustees, employees or other persons responsible for handling funds belonging to or administered by the Association if deemed to be advisable by the Board. 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 will be added.
- d. Workers' Compensation insurance as required by law.

- e. Directors and officers liability insurance with such reasonable limits and coverages 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.

16. Current or Expected Fees or Charges to be Paid by Unit Owners for the Use of Common Elements and Other Facilities Related to the Planned Community. There are no fees charged for use of Common Elements.

17. Financial Arrangements for Completion of Any Improvements Labeled "Must Be Built" Pursuant Minn. Stat. 515B.4-118 of Minnesota Statutes. Declarant has not labeled any improvements shown on the common interest community plat "MUST BE BUILT", as allowed under Minn. Stat. §515B.2-110, and accordingly has made no financial arrangements for the completing of such improvements.

18. Real Estate Taxes. There are no delinquent real estate taxes on the property. Real Estate taxes have not been separately assessed against any Lot or Unit.

20. Planned Community Documents. Attached hereto and incorporated herein are copies of the following documents related to the Planned Community:

Exhibit A	Declaration
Exhibit B	Articles of Incorporation of the Association
Exhibit C	Bylaws of the Association
Exhibit D	Rules and Regulations of the Association
Exhibit E	Balance Sheet and Projected Budget of the Association
Exhibit F	Statutory Warranties
Exhibit G	Contracts
Exhibit H	Liens, Defects or Encumbrances

21. Minor Changes to Documents; Priority of Planned Community Documents. The Declarant retains the right to make minor, non-material changes to the Planned Community documents in order to comply with the requirements of the St. Louis County Registrar of Titles, the St. Louis County Surveyor, and all other governmental agencies and Declarant's Mortgagees. In the event of any discrepancy between the Planned Community documents and this Disclosure Statement, the language of the Planned Community documents shall control.

DECLARANT:

ISLAND BEACH, LLC

By: _____

Its: _____

RECEIPT OF DISCLOSURE STATEMENT AND DOCUMENTS

PURCHASER(S) HEREBY ACKNOWLEDGE(S) RECEIPT OF THE FOREGOING DISCLOSURE STATEMENT AND THE DOCUMENTATION INCLUDED HERewith THIS ____ DAY OF _____, 20__.

PURCHASER:

PURCHASER:

(Name) (Date)

(Name) (Date)

(Current Address)

(Current Address)

(Telephone No.)

(Telephone No.)

EXHIBIT A
DECLARATION

EXHIBIT B
ARTICLES OF INCORPORATION

EXHIBIT C

BYLAWS

EXHIBIT D
RULES AND REGULATIONS

EXHIBIT E

BALANCE SHEET AND PROJECTED BUDGET

There is currently no balance sheet.

EXHIBIT F
STATUTORY WARRANTIES

EXHIBIT G
CONTRACTS

There are no contracts at this time, however, Edmunds Company, LLP will be the offsite managers of Island Beach Resort.

EXHIBIT H

LIENS, DEFECTS OR ENCUMBRANCES

The following liens, defects, or encumbrances will continue to affect the title to the Unit or real property owned by the Association after the conveyance of the Unit to Purchaser:

1. That part of said premises lying within SW $\frac{1}{4}$ of NW $\frac{1}{4}$, Section 13, Township 52, Range 15 is subject to an easement granted for right of way, recorded in the office of the County Recorder in Book 13 of Miscellaneous, page 472.
2. That part of said premises lying within SW $\frac{1}{4}$ of NW $\frac{1}{4}$, Section 13, Township 52, Range 15 is subject to flowage rights, roadway rights, and right of entry to Island Lake, recorded in the office of the County Recorder in Book 724 of Deeds, page 572.
3. That part of said premises lying within SW $\frac{1}{4}$ of NW $\frac{1}{4}$, Section 13, Township 52, Range 15 is subject to flowage rights, roadway rights, and right of entry to Island Lake, recorded in the office of the County Recorder in Book 746 of Deeds, page 597.
4. That part of said premises lying within SW $\frac{1}{4}$ of NW $\frac{1}{4}$, Section 13, Township 52, Range 15 is subject to an easement to construct, operate and maintain lines for the transmission of electric energy and telephone, recorded in the office of the County Recorder in Book 1012 of Deeds, page 11.
5. Lot 13 Island Beach is subject to flowage rights recorded in the office of the County Recorder in Book 375 of Deeds, page 574. Said right, privilege and easement of Minnesota Power is subject to the Mortgage and Deed of Trust made by said Company to Irving Trust Company, a New York Corporation, and Richard H. West as Trustees and instruments supplemental thereto, of record in the office of the County Recorder in Book 736 of Mortgages, page 55; Book 781 of Mortgages, page 297; Book 811 of Mortgages, page 289; Book 893 of Mortgages, page 219; and as Document No 91208, 139445, 220132, 240926, 262161, 272448, 279102 and 353673; J.A. Austin having succeeded said Richard H. West as Trustee under said Mortgage and Deed of Trust, E. J. McCabe having succeeded said J.A. Austin as Trustee under said Mortgage and Deed of Trust and D.W. May having succeeded said E. J. McCabe as Trustee under said Mortgage and Deed of Trust by instruments of record in the office of the County Recorder in Book 225 of Miscellaneous, page 576 and as Documents No. 78368 and 20132.
6. Subject to the perpetual right, privilege and easement to flood or cover with water to any depth in favor of Minnesota Power & Light Company, and recorded in the office of the County Recorder as Document No. 392362, affecting the following described lands: That part of the NW $\frac{1}{4}$ of NW $\frac{1}{4}$ and the West 25 acres of the SW $\frac{1}{4}$ of NW $\frac{1}{4}$, Section 13, Township 52 North, Range 15 West, as described in that deed from George Larsen and Jenny M. Larsen, his wife, to Agnes Carmody dated June 16, 1921 and recorded in the office of the Register of Deeds on June 16, 1921 in Book 425 of Deeds, page 570. This land and the use thereof is subject to the jurisdiction of the Federal Energy Regulatory Commission according to the provisions of the

Federal Power Act., 16 U.S.C. 792 et seq. and the rules and regulations promulgated thereunder. The use of these lands conveyed shall not endanger health, create a nuisance or otherwise be incompatible with overall recreational use of the St. Louis River project, Federal Energy Regulatory Commission No. 2360, for which Minnesota Power & Light Company has been issued a license under Section 4(e) of the Federal Power Act. The grantees shall take all reasonable precautions to ensure that the construction, operation and maintenance of structures or facilities on the conveyed lands will occur in a manner that will protect the scenic, recreational and environmental values of the above-named Project No. 2360.

7. Findings of Fact, Conclusions of Law, Order for Judgment and Judgment and Decree, dated April 11, 2005, filed April 22, 2005 as Document No. 796841 vacating all that portion of the unnamed road which lies northerly and easterly of a line drawn perpendicular to the common line between Section 13, Township 52 North, Range 15 West and Section 14, Township 52 North, Range 15 West, and which line is 323.07 feet southerly of the iron pipe at the northwest corner of the Southwest Quarter of the Northwest Quarter of said Section 13.
8. Permit granted for a Residential Planned Unit Development dated July 8, 2004 and recorded September 22, 2004 as Document No. 784201.
9. Requirements of the Minnesota Common Interest Ownership Act, Chapter 515B, Minnesota Statutes, as amended;
10. Requirements, restrictions, easements, conditions, obligations, covenants and reservations contained in the Declaration, Bylaws and CIC Plat of record, or any amendments or supplements thereto;
11. Federal, state and local building, housing and zoning laws, codes, ordinances and regulations;
12. Lien of real estate taxes and installments of special assessments (including interest) payable in the year following the closing and subsequent years;
13. Any mortgage given by Purchaser and encumbering the Unit, together with its undivided interest in the common elements;
14. Riparian rights incident to the land, if any;
15. Rights of the United States of America, State of Minnesota, the county, the municipality, and the public in and to that part of the land which may be in Island Lake.