

**BYLAWS
OF
RIVER RUN HOMEOWNERS ASSOCIATION**

These are the Bylaws of River Run Homeowners Association, a Minnesota nonprofit corporation (the “**Association**”) organized under Minnesota Statutes, Chapter 317A, the Minnesota Nonprofit Corporation Act, and are subject to the Declaration establishing River Run (the “**Development**”), initially legally described as River Run, Wright County, Minnesota. These Bylaws serve a dual role as the Bylaws for the Association under Minnesota Statutes, Chapter 317A, and the Bylaws for the Development.

ARTICLE 1.

DEFINITIONS

1.1) Definitions. Any words or terms used in these Bylaws which are defined in the Declaration creating the Development, filed for record in the office of the County Recorder for Wright County, Minnesota (the “**Declaration**”), shall have the meaning there ascribed to them.

ARTICLE 2.

MEMBERS AND VOTING

2.1) Membership. Each Owner, as defined in the Declaration, shall be a member of the Association, and no other person or entity shall be entitled to membership. The Declarant, as hereinafter defined, or its successors in interest or assigns, shall be entitled to membership in the Association only so long as the same is the owner of one (1) or more Lots in the Development.

2.2) Transfer of Membership. Each membership is appurtenant to the Lot on which it is based and shall transfer automatically by voluntary or involuntary conveyance of the ownership of that Lot. It shall be the responsibility of each Owner, upon becoming entitled to membership, to notify the Association in writing, and until so notified, the Association may continue to carry the name of the former Owner as a member, in its sole discretion. In the event the Owner of any Lot should fail or refuse to transfer the membership to the transferee of title of such Lot, the Association shall have the right to record the transfer upon the books of the Association and issue a new membership to the transferee, and thereupon the old membership outstanding in the name of the transferor shall be null and void as though the same had been surrendered.

2.3) Multiple Owners. When more than one person holds an ownership interest in a Lot, the vote for such Lot shall be exercised as they between or among themselves determine and jointly signify in writing to the Secretary of the Association, but in no event shall more than the assigned vote be cast with respect to any Lot nor shall the vote allocated to a Lot be split or otherwise cast separately by the several Owners. In the event multiple Owners of a Lot cannot agree on the exercise of voting power for such Lot, any one of the Owners may apply to the Board of Directors of the Association, which, after hearing all parties at a special meeting, shall determine the manner of exercise of the voting power for said Lot by a majority vote of the Directors (as hereinafter defined) voting at the special meeting. A Director shall not vote upon such determination with respect to a Lot of which said Director is one (1) of the multiple Owners.

2.4) Voting. The Association will have two (2) classes of voting membership:

(a) Class A. Class A members will be all Owners, with the exception of Ground Development, Inc., a Minnesota corporation (the “**Declarant**”), prior to termination of Class B membership, and will be entitled to one (1) vote for each Lot owned.

(b) Class B. The Class B member will be the Declarant, who will be entitled to fifty (50) votes for each Lot owned. The Class B membership will cease and be converted to Class A membership on the happening of any of the following events, whichever occurs first:

- (1) When the total votes outstanding in the Class A membership equals or exceeds the total votes outstanding in the Class B membership;
- (2) The date which is five (5) years after the first conveyance by Declarant of a Lot to an Owner other than Declarant; or
- (3) If the Declarant voluntarily relinquishes control of the Association.

A majority of all votes shall govern all determinations of the Owners, except where a greater vote is required by the Declaration or these Bylaws. Cumulative voting shall not be permitted. No vote shall be cast with respect to any Lot while it is owned by the Association.

2.5) Suspension of Voting Rights. In the event any Owners will be in arrears in the payment of any assessments against the Lot for a period of sixty (60) days, or will be in default in the performance of any of the terms of the Declaration for a period of sixty (60) days, such Owner's right to vote as a member of the Association will be suspended and will remain suspended until all payments are brought current and all defaults remedied.

2.6) Quorum. Except as otherwise provided in these Bylaws, the presence in person or by proxy of Owners representing a majority of the voting power of the Association shall constitute a quorum. If a quorum has been present at a meeting and members have withdrawn from the meeting so that less than a quorum remains, the members still present may continue to transmit business until adjournment. If an Owner's right to vote as a member of the Association is suspended by reason of delinquency in payment of assessments, such voting power shall be deducted for purposes of determining the presence of a quorum.

2.7) Proxies. Votes may be cast in person or by proxy. Proxies must be filed with the President, Secretary or other officer of the Association before the appointed time of each meeting. A person designated by a proxy to act for a member need not be a member.

ARTICLE 3.

MEETINGS

3.1) Place of Meetings. Meetings of the Association shall be held in any manner permitted by Minnesota Statutes at the Development or such other suitable place convenient to the Owners as may be designated by the Board of Directors.

3.2) Annual Meetings. The first meeting of the members following the termination of the Declarant Control Period, as defined In Section 4.1 below, shall be deemed to be the "first annual meeting" of the Association. The exact date of such first annual meeting shall be set by the Board of Directors. At such first annual meeting of the members, the members may designate a regular date for successive annual meetings. If the members fail to designate such a regular date, the Board of Directors may continue to designate the date of the next annual meeting until such a designation is made by the members. If any designated date falls upon a legal holiday, it shall be understood that the actual date of the meeting shall be the next business day succeeding such designated date. At such meetings, Directors shall be elected by ballot of the Owners in accordance with the requirements of Section 4.3 herein. The Owners also may transact such other business of the Association as properly may come before them. In all events, a meeting of the members shall be held at least once each year. If a regular meeting of the members has not been held during the preceding fifteen (15) months, ten percent (10%) or more of the members with voting rights may demand a meeting in accordance with Minnesota Statutes, Section 317A.431, Subdivision 2.

3.3) Special Meetings. It shall be the duty of the President to call a special meeting of the members as directed by resolution of the Board of Directors or upon the presentation to the Secretary of a petition therefore

signed by Owners of three (3) or more Lots or by three (3) Directors. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice, unless all of the members with voting rights have waived notice of the meeting under Minnesota Statutes, Section 317A.435, Subdivision 3. One or more special meetings may be held before there has been a "first annual meeting."

3.4) Notice of Meetings. It shall be the duty of the Secretary to send to each Owner, at least twenty-one (21) days, and not more than thirty (30) days, in advance of an annual meeting of the Owners, and not less than seven (7) days and not more than thirty (30) days in advance of any other meeting, notice of the date, time, place, and complete agenda of the meeting and the procedures for appointing proxies. The notice shall be hand-delivered or sent by United States mail, postage prepaid, to all Owners of record at the address of their respective Lots or to such other address or addresses as any of them may have designated in writing to the Secretary.

A member may waive notice of a meeting of members. A waiver of notice by a member entitled to notice is effective whether given before, at, or after the meeting, and whether given in writing, orally, or by attendance. Attendance by a member at a meeting is a waiver of notice of that meeting, unless the member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened, or objects before a vote on an item of business because the item may not lawfully be considered at that meeting and does not participate in the consideration of the item at that meeting.

3.5) Adjourned Meetings. If any meeting of Owners cannot be organized because a quorum is not present, the Owners who are present, either in person or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours nor more than sixty (60) days from the time the original meeting was called, with no further notice than that given at such adjourned meeting.

3.6) Order of Business. The order of business at all annual meetings of the Owners shall be as follows:

Roll call.

- (1) Proof of notice of meeting or waiver of notice.
- (2) Reading of minutes of preceding meeting.
- (3) Report of Officers.
- (4) Report of committees.
- (5) Resignation of regular date for annual meetings (if necessary).
- (6) Election of Board of Directors.
- (7) Unfinished business.
- (8) New business.
- (9) Open forum.
- (10) Announcement of date, time and place of organization meeting of new Board of Directors.
- (11) Adjournment.

3.7) Fair Voting Procedures. The following shall be considered minimum standards to assure fair voting procedures:

- (a) All proxies should be available for inspection prior to and during a members' meeting, so that a reasonable opportunity is afforded to challenge and count proxies.
- (b) All mail ballots and all proxies cast at a meeting should be first opened at the time the votes on an election or issue are counted and tallied.
- (c) In the case of an election of a Lot Director (as hereinafter defined), every candidate or designee of a candidate may observe the counting and tallying of votes; and on any other issue, a reasonable number of observers from both sides of each issue shall observe the counting and tallying of votes.
- (d) The vote count on each election and issue shall be announced before adjournment of the meeting, and shall be available to all members in written form, signed by the secretary of the Association, within seven (7) days of the meeting.
- (e) A member whose voting rights have been suspended solely for a delinquency in the payment of assessments may reinstate such voting rights for a meeting by payment of the delinquency by delivering a check to the Secretary, Treasurer or President of the Association before the meeting is called to order, unless a different requirement is adopted by the Board and the delinquent member is given written notice thereof at least fifteen (15) days before the meeting.

3.8) Action by Written Ballot. Any action that may be taken at a regular or special meeting of members (except the election of Lot Directors) may be taken without a meeting, if the Association mails or delivers a written ballot to every member entitled to vote on the matter. A written ballot must:

- (a) Set forth the proposed action;
- (b) Provide an opportunity to vote for or against each proposed action;
- (c) State the number of approvals necessary to approve the matter; and
- (d) Specify the time by which a ballot must be received by the Association in order to be counted.

Approval by written ballot under this section is valid only when it is signed by all Owners entitled to vote. A written action may be revoked at any time prior to being signed by all Owners.

ARTICLE 4.

BOARD OF DIRECTORS

4.1) Number, Qualification and Election. The first Board of Directors of the Association shall consist of the three (3) persons designated as Directors in the Minutes of Action of the Incorporator of the Association (the "**Initial Board of Directors**"). During the Declarant Control Period, as defined below, Declarant may remove, re-elect or re-appoint any member of the Initial Board of Directors and designate his or her successor. The Initial Board of Directors shall have the power to adopt the Bylaws of the Association, to elect officers, to establish the amount and a schedule of assessments, and shall have generally the powers and duties of the Board of Directors as set forth herein and in the Articles of Incorporation of the Association. The "**Declarant Control Period**" commences with the first conveyance by Declarant of a Lot to an Owner other than Declarant, and terminates upon the earliest of (i) the date which is five (5) years after such conveyance, or (ii) the date Declarant voluntarily surrenders the right to elect or appoint the Board of Directors, or (iii) sixty (60) days after conveyance of all of the Lots to Owners other than Declarant. The Initial Board of Directors shall call the first annual meeting of the members to be held on a date within sixty (60) days after the expiration of the Declarant Control Period. At that meeting, (i) the terms of the members of the Initial Board of Directors expire; (ii) the Owners shall elect four (4) new members of the Board of Directors; a majority of which shall then be Owners other than Declarant or an affiliate of Declarant, or a natural person designated by an Owner that is not a natural person (such Owners other than Declarant who are elected to the Board of Directors are herein referred to as "Lot Directors"); (iii) Declarant may elect or

appoint one (1) member to the Board of Directors (the “**Declarant Director**”), which right of Declarant shall not be changed or terminated until such time as Declarant no longer owns a Lot; and (iv) the total number of members of the Board of Directors shall be increased to five (5). If the Owners or Declarant is unable or unwilling to elect/appoint a member of the Board of Directors (as the case may be), the then Board of Directors shall appoint an Owner to fill the vacant Board of Directors position. Each member of the Board of Directors shall have equal voting rights.

4.2) Nomination. Nomination for a Lot Director shall be made by a Nominating Committee. Nominations also may be made by any two (2) members in a written nomination to the Secretary or by motion and second from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a member of the Board of Directors, and two (2) 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. The name of the Declarant Director shall be submitted by the Declarant in writing at any time at or prior to each annual meeting.

4.3) Term and Election. The Initial Board of Directors shall serve until they are removed by Declarant or until the annual meeting held following the expiration of the Declarant Control Period. At the annual meeting held following the expiration of the Declarant Control Period, of the four (4) Lot Directors elected, two (2) shall serve for a two-year term and two (2) shall serve for a one-year term. The Declarant Director shall serve for a two-year term. At each annual meeting thereafter, two (2) or three (3) members of the Board of Directors shall be elected and/or appointed (as the case may be), as successors to the directors whose terms are then ending. The term of a member of the Board of Directors (after the members of the Initial Board of Directors) shall expire upon the election of a successor at an annual meeting of the members. A director shall hold office until he or she resigns and such resignation becomes effective, until a qualified successor has been elected and accepted the office, or until the director has been removed in accordance with the provisions of these Bylaws. Upon the sale of the last Lot owned by Declarant, the then serving Declarant Director shall be removed and the remaining members of the Board of Directors shall appoint a fifth Lot Director to fill the vacancy.

4.4) Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Development and may act on behalf of the Association and do all such acts and things except as the Declaration, the Articles of Incorporation or these Bylaws may prohibit from being delegated to the Board of Directors by the Owners.

4.5) Vacancies. Vacancies in the Board of Directors caused by any reason other than (a) the removal of a Lot Director by a vote of the Owners or (b) the removal and substitution by a corporate or partnership Owner under Section 7.1 herein, shall be filled by vote of a majority of the remaining members of the Board of Directors. A vacancy in the Declarant Director position shall be filled by the Declarant. Each person so elected or appointed, as applicable, shall be a Director until a successor is duly elected and qualified or appointed, as applicable at the next annual meeting of the Association.

4.6) Removal of Directors.

(a) At any regular or special meeting of the Owners duly called, any one (1) or more of the Lot Directors may be removed with or without cause by a majority vote of the Owners present or by proxy, and a successor may then and there be elected to fill the vacancy thus created. Any Lot Director whose removal has been proposed by the Owners shall be given an opportunity to be heard at the meeting.

(b) A Lot Director shall be automatically removed immediately upon such Director ceasing to be a member of the Association.

(c) The Declarant Director may be removed and replaced by and at the sole discretion of the Declarant and must be removed and replaced upon the sale of the last Lot owned by Declarant.

4.7) Resignation. A director may resign at any time by giving written notice to the Association. The resignation is effective without acceptance when the notice is given to the Association, unless a later effective time is specified in the notice. If a resignation is made effective at a later date, the Board of Directors or the Declarant, as applicable, may fill the pending vacancy before the effective date if the Board of Directors or the Declarant, as applicable, provides that the successor does not take office until the effective date.

4.8) Organizational Meeting. The first meeting of the Board of Directors shall follow the first annual meeting of Owners and such meeting shall be held within ten (10) days of the first annual Owners' meeting, and if the date, time and place are announced at the annual Owners' meeting, no further notice shall be necessary.

4.9) Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place within the State of Minnesota, as shall be determined, from time to time, by a majority of the Board of Directors, but at least two (2) such meetings shall be held during each calendar year. Notice of regular meetings of the Board of Directors shall be given to each Director at least twenty-five (25) days prior to the day named for such meeting.

4.10) Special Meetings. Special meetings of the Board of Directors may be called by the President on not less than seven (7) days' notice to each director, which notice shall state the time, place within the State of Minnesota, and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) directors.

4.11) Open Meeting. Meetings of the Board of Directors must be open to the Owners, unless the Board, in its reasonable discretion, decides that it is in the best interests of the Corporation for a meeting, or any portion thereof, to be closed. To the extent practicable, the Board of Directors shall give reasonable notice to the Owners of the date, time, and place of a meeting of the Board of Directors, and whether such meeting is to be open to the Members. If the date, time, and place of meetings are announced at a previous meeting of the Board of Directors, posted in a location accessible to the Owners and designated by the Board of Directors from time to time, or if an emergency requires immediate consideration of a matter by the Board of Directors, notice is not required.

4.12) Electronic Communications. A meeting of the Board of Directors or any committee thereof may be conducted by any means of communication permitted by Minnesota Statutes through which the participants may simultaneously communicate with 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 meeting by this means constitutes personal presence at the meeting. A director may participate in a meeting of the Board of Directors by any means of communication permitted by Minnesota Statutes through which the director, other directors participating, and all other directors physically present at the meeting may simultaneously communicate with each other during the meeting. Participation in a meeting by this means constitutes personal presence at the meeting.

4.13) Waiver of Notice. A director may, in writing, waive notice of a meeting of the Board of Directors. Such waiver shall be effective whether given before, at, or after the meeting. Attendance by a director at a meeting of the Board of Directors shall be a waiver of notice by such director of the time, place and purpose thereof, unless the director objects at the beginning of the meeting and does not participate in the meeting.

4.14) Board of Directors' Quorum and Voting. At all meetings of the Board of Directors a majority of the Board of Directors shall constitute a quorum for the transaction of business, and the acts of a majority of the Board of Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the meeting may be adjourned from time to time until a quorum is present. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice. If a quorum is present when a duly called or held meeting is convened, the directors present may continue to transact business until adjournment, even though the withdrawal of directors originally present leaves less than the number otherwise required for a quorum.

4.15) No Proxies. Lot Directors shall not vote by proxy.

4.16) Action of the Board of Directors.

(a) At a Meeting: Except as otherwise required by law, the Articles or these Bylaws, the acts of a majority of Board of Directors present at a meeting at which a quorum is present are the acts of the Board of Directors.

(b) Without a Meeting: Any action that could be taken at a meeting of the Board of Directors may be taken without a meeting when authorized in a writing signed by all of the directors. The written action is effective when signed by the required number of directors, unless a different effective time is provided in the written action.

4.17) Compensation. The members of the Board of Directors will receive no compensation for their services as directors. When authorized by the Board of Directors, however, directors and officers may be reimbursed for actual expenses incurred in connection with the business of the Association, and officers may be compensated for bookkeeping or recordkeeping functions.

ARTICLE 5.

OFFICERS

5.1) Designation. The principal officers of the Association shall be a President, a Vice-President, a Secretary, and a Treasurer. All principal officers shall be elected by and from the Board of Directors. The offices of Treasurer and Secretary may be filled by the same person. The Board of Directors may from time to time appoint an assistant secretary and such other officers, with such duties, as in their judgment may be desirable, and such officers need not be directors. The Declarant Director shall not hold the position of President or Vice-President.

5.2) Election of Officers. The principal officers of the Association shall be elected annually by the Board of Directors at the organization meeting of each new Board of Directors. All officers shall hold office at the pleasure of the Board of Directors.

5.3) President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Board of Directors. The President shall: (a) see that all orders and resolutions of the Board of Directors are carried out; (b) co-sign all checks and sign all leases, mortgages, deeds and other written instruments (except to the extent that the Board of Directors authorizes or mandates the delegation of such authority); and (c) perform such other duties as shall from time to time be prescribed by the Board of Directors.

5.4) Vice-President. The Vice-President shall act in the place of the President and perform the President's duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board of Directors shall appoint some other Director to act on an interim basis. The Vice-President also shall perform such other duties as shall from time to time be prescribed by the Board of Directors.

5.5) Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members. The Secretary shall serve notice of meetings of the Board of Directors and of the members, shall keep appropriate current records showing the members of the Association, together with their addresses, and shall perform such other duties as may from time to time be prescribed by the Board of Directors.

5.6) Treasurer. The Treasurer shall have responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer shall co-sign all checks with the President and shall be responsible for the deposit of all monies and valuable effects in the name and to the credit of the Association in such depositories as may from time to time be designated by the Board of Directors, except to the extent that the Board of Directors authorizes or mandates the delegation of such authority to a manager or agent.

5.7) Committees. The Board of Directors shall appoint members of a Nominating Committee as provided in these Bylaws. In addition, the Board of Directors may establish other committees and appoint their members as deemed appropriate in carrying out its purposes.

ARTICLE 6.

ANNUAL REPORT

6.1) Annual Report. The Association shall prepare, or have prepared, and provide to each Owner at or prior to each annual meeting a report of the affairs of the Association including at least the following information:

(a) A statement of any capital expenditures in excess of two percent (2%) of the current budget or Five Thousand Dollars (\$5,000.00) (whichever is greater) approved by the Association for the current year or succeeding two (2) fiscal years;

- (1) A statement of the balance of any reserve or replacement fund and any portion of the fund designated for any specified project by the Board of Directors;
- (2) A copy of the statement of revenues and expenses for the Association's most recent fiscal year and a balance sheet as of the end of said fiscal year;
- (3) A statement of the status of any pending litigation or judgments to which the Association is a party;
- (4) A statement of the insurance coverage provided by the Association; and
- (5) 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 meeting.

ARTICLE 7.

MISCELLANEOUS

7.1) Right of Corporate or Partnership Owner to Substitute. Whenever a Lot Director or officer of the Association is an officer or employee of a corporate Owner or a partner or employee of a partnership Owner, the respective corporation or partnership may by written notice to the Association remove such director or officer of the Association and designate another such person to serve the unexpired balance of the term.

7.2) Indemnification of Officers and Directors. To the fullest extent permitted by Minnesota Statutes, Section 317A.521, as may be amended from time to time, or by other provisions of law, each person who was or is a party or is threatened to be made a party to any proceeding by reason of a former or present official capacity in the Association shall be indemnified.

7.3) Termination of Contracts. If entered in prior to expiration of the Declarant Control Period, (a) any management contract, employment contract, or lease of recreational facilities, Lots, garages or other parking facilities, (b) any contract, lease or license binding the Association to which a Declarant or an affiliate of a Declarant is a party, or (c) any contract, lease or license binding the Association or any Owner other than the Declarant or an affiliate of the Declarant which is not bona fide or which was unconscionable to the Owners at the time entered into under the circumstances then prevailing, may be terminated without penalty by the Association at any time after the expiration of Declarant Control Period upon not less than ninety (90) days' notice to the other party.

7.4) Notice. "Notice" has the meaning given in Section 317A.011, Subdivision 14, of the Minnesota Nonprofit Corporation Act.

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