

BYLAWS

OF

CHRISTMAS LAKE HOMEOWNERS ASSOCIATION

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BYLAWS
OF
CHRISTMAS LAKE HOMEOWNERS ASSOCIATION

ARTICLE I

Offices

Section 1. Registered Office. The registered office of Christmas Lake Homeowners Association (the “Corporation”) in the State of Minnesota shall be as stated in the Articles of Incorporation of the Corporation (the “Articles”), or such other place within the State as the Board of Directors may designate from time to time.

Section 2. Principal Office. The principal office of the Corporation shall be at 5635 Christmas Lake Point, Shorewood, Minnesota 55331, or at such other place as the Board of Directors shall designate from time to time. The business of the Corporation shall be transacted from the principal office, and the records of the Corporation shall be kept there.

Section 3. Other Offices. The Corporation may have such other offices within and without the State of Minnesota as the Board of Directors may determine.

ARTICLE II

Members

Section 1. Members. The Members of the Corporation shall be all households who own a home or property on Christmas Lake, who notify the Corporation in writing of their interest in being a Member of the Corporation and who pay annual dues in the amount determined by the Board of Directors from time to time.

Section 2. Resignation of Members. A Member may resign as such at any time by tendering such resignation in writing to the Chair of the Board of Directors of the Corporation. Such resignation shall be effective when executed by such Member but shall not relieve the Member from any outstanding financial obligations to the Corporation.

Section 3. Record Date. For the purpose of determining Members entitled to notice of and to vote at any meeting of Members or any adjournment thereof, or in order to make a determination of Members for any other proper purpose, the Board of Directors of the Corporation may, but need not, fix a date as the record date for any such determination of Members, which record date, however, shall in no event be more than fifteen (15) days prior to any such intended action or meeting.

ARTICLE III
Meetings of Members

Section 1. Annual Meeting. The annual meetings of all the Members of the Corporation shall be held on such date and at such time and place as may be designated by the Board of Directors in the notice of meeting. At each annual meeting the Members shall elect Directors, elect officers, and transact such business as may be appropriate for action by Members. The Board of Directors may determine that one or more meetings of the Members shall be held solely by means of remote communication. Such authorization may be general or confined to specific instances.

Section 2. Special Meetings. Special meetings of the Members, for any purpose or purposes appropriate for action by Members, may be called by the Board of Directors, or by ten percent (10%) or more of the Members of the Corporation. A person or persons entitled to call a special meeting of the Board of Directors may make a written request to the Secretary to call the meeting. The Secretary shall give written notice of the meeting in the manner provided below, and the meeting shall be held within thirty (30) days but not less than fourteen (14) days after receipt of the request to call a special meeting. If the Secretary fails to give notice of the meeting within three (3) days from the day on which the request was received by the Secretary, the person or persons who requested the special meeting may fix the time and place of meeting, and give notice thereof. The Board of Directors may determine that one or more meetings of the Members shall be held solely by means of remote communication. Such authorization may be general or confined to specific instances.

Section 3. Notice of Meetings. Except where a meeting of all Members is an adjourned meeting and the date, time, and place of such meeting were announced at the time of adjournment, notice of all meetings of Members stating the date, time, and place thereof, and any other information required by law or desired by the Board of Directors or by such other person or persons calling the meeting, and in the case of special meetings, the purpose thereof, shall be given to each Member of record entitled to vote at such meeting not less than fourteen (14) nor more than sixty (60) days prior to the date of such meeting. Notice of a meeting to be held solely by means of remote communication shall include a statement identifying the means by which Members may participate in such meeting.

Said notice shall include proposed agenda items, but the failure to include an agenda item in the notice shall not prevent action from being taken with respect to such item other than amendment to the Articles of the Corporation. Notice of a meeting at which an amendment to the Articles of the Corporation will be proposed must contain the substance of the proposed amendment.

Notice shall be delivered personally, sent by facsimile communication to a telephone number at which the Member has consented to receive notice, sent by electronic mail to an electronic mail address at which the Member has consented to receive notice, posted on an electronic network on which the Member has consented to receive notice together with a separate notice to the Member of the specific posting, mailed, first class postage prepaid or by such other

means as the Secretary deems fair and reasonable under the circumstances. Notice is effective when given.

Any Member may waive notice of any meeting of Members. Waiver of notice shall be effective whether given before, at, or after the meeting and whether given orally, in writing, or by attendance. Attendance by a Member at a meeting is a waiver of notice of that meeting, except where the Member objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate thereafter in the meeting, 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 that item at the meeting.

Section 4. Quorum. Ten percent (10%) of the Members entitled to vote at a meeting of the Members shall constitute a quorum at a meeting of Members for the purpose of taking any action other than adjourning such meeting. If a quorum of Members is not represented at a meeting, the Members present shall constitute a quorum for the sole purpose of adjourning such meeting, and the majority of the Members so present may adjourn the meeting to such date, time, and place as they shall announce at the time of adjournment. Any business that might have been transacted at the adjourned meeting if a quorum had been present, may be transacted at the meeting held pursuant to such an adjournment and at which a quorum shall be represented. If a quorum is present when a duly called or held meeting is convened, the Members present may continue to transact business until adjournment, even though the withdrawal of a number of Members leaves less than the number otherwise required for a quorum.

Section 5. Voting. Each Member is entitled to one vote. The Members shall take action by the affirmative vote of a majority of Members present and entitled to vote on the action except where a different vote is required by law, the Articles, or these Bylaws. Proxy voting is not permitted.

Section 6. Action Without Meeting of Members. Any action required or permitted to be taken at a meeting of the Members may be taken without a meeting by written action signed by all of the individuals entitled to vote on a question before a meeting of the Members. Such written action shall be effective when signed by all of the individuals entitled to vote thereon or at such different effective time as is provided in the written action. For purposes of this Section, an electronic signature satisfies the requirement of a signature so long as the electronic communication containing the electronic signature sets forth sufficient information from which the Corporation can reasonably conclude that the communication was actually sent by the purported sender. If a certificate concerning a Member action is to be filed with the Secretary of State, the officer signing the certificate on behalf of the Members must indicate on the certificate that such action was taken pursuant to Minnesota Statutes Section 317A.445.

Section 7. Action by Written Ballot. An action that may be taken at a regular or special meeting of Members may also be taken without a meeting if the Corporation mails or delivers to every Member a written ballot for each delegate entitled to vote on the matter describing the proposed actions and providing an opportunity to vote for or against each proposed action. Solicitations under this Section shall indicate the number of responses necessary to meet quorum

requirements, the percentage of approvals necessary to approve each action and the time by which the ballot must be received by the Corporation to be counted. Approval under this section is valid only if the number of ballots received equals or exceeds the quorum required to be present at a meeting authorizing the action and the number of approvals equals or exceeds the number of votes that would be required to approve the action at a meeting of which the total number of votes cast was the same as the number of votes cast by ballot. Written ballots may be delivered personally, sent by facsimile communication, sent by electronic mail, posted on an electronic network together with a separate notice to the Member of the specific posting, or mailed, first class postage prepaid.

Section 8. Meeting Solely by Means of Remote Communication. An annual or special meeting of the Members may be held solely by one or means of remote communication, including electronic communication, conference telephone, video conference, the Internet, or such other means by which persons not physically present in the same location may communicate with each other on a substantially simultaneous basis, if the same notice is given of the meeting as would be required for a meeting at a designated place, and if the number of Members participating in the meeting is sufficient to constitute a quorum at the meeting. Participation in a meeting in this manner constitutes presence at a meeting. When a meeting is conducted under this Section, reasonable measures shall be implemented to ensure each person deemed present and entitled to vote at the meeting (a) is an individual entitled to vote at meetings of the Members under Section 5 of this Article, and (b) has a reasonable opportunity to participate in and vote on matters at the meeting.

Section 9. Individual Participation in Meetings by Means of Remote Communications. A Member may participate in a meeting of the Members by any means of remote communication, including conference telephone, electronic communication, video conference, the Internet, or such other means by which persons not physically present in the same location may communicate with each other on a substantially simultaneous basis, through which that Member and other Members so participating and all Members physically present at the meeting may participate with each other during the meeting. Participation in a meeting in this manner constitutes presence at the meeting. When an individual participates in a meeting under this Section, reasonable measures shall be implemented to ensure each individual deemed present by remote communication and entitled to vote at the meeting (a) is an individual entitled to vote at meetings of the Members under Section 5 of this Article, and (b) has a reasonable opportunity to participate in and vote on matters at the meeting.

ARTICLE IV

Board of Directors

Section 1. General Powers. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers conferred upon the Board of Directors by these Bylaws, the Board of Directors may exercise all powers of the Corporation and perform all acts which are not prohibited to it by law, by the Articles or by these Bylaws, all as may be amended.

Section 2. Number. The Board of Directors of the Corporation shall be composed of not less than three (3) nor more than eleven (11) Directors, as determined from time to time by the Board of Directors of the Corporation. No decrease in the number of Directors pursuant to this section shall effect the removal of any Director then in office.

Section 3. Qualifications. Directors may only be adult natural persons. Each Director shall demonstrate his or her willingness to accept responsibility for governance and his or her availability to participate actively in governance activities. Directors shall be selected to bring a variety of interests and expertise to the Corporation and to reflect the community served. No vacancy in the number of Directors on the Board of Directors shall render any Board action void or voidable.

Section 4. Term of Office and Election. The Directors shall be elected to three (3) year terms at the annual Member meeting by the affirmative vote of a majority of the individuals eligible to vote at such meeting. Each Director of the Corporation shall serve until the expiration of his or her term of office, and thereafter until his or her successor has been elected or until his or her prior death, resignation, removal or cessation of representative qualifications. The first Board of Directors may establish staggered terms for the Directors so that approximately one-third (1/3) of Directors are elected each year. All Directors shall have equal voting rights.

Section 5. Appointment of Successor Directors. Vacancies on the Board of Directors caused by the expiration of a term of office shall be filled at the annual meeting of Members in the manner set forth in Article III of these Bylaws.

Section 6. Vacancy. Vacancies on the Board of Directors of elected Directors other than those caused by the expiration of term of office shall be filled by the appointment of a Director by the remaining Directors of the Corporation. A Director elected to fill a vacancy shall hold office for the remainder of the unexpired term of his or her predecessor and until his or her successor shall be elected and qualified. *[Note: An alternative approach would be to designate alternates at the annual meeting to fill vacancies during the year.]*

Section 7. Removal of Directors. Any Director may be removed, at any time, with or without cause, upon the affirmative vote of a majority of all Directors then in office, excluding the Director proposed for removal.

Section 8. Resignation. Any Director may resign at any time by giving written notice of such resignation to the Secretary of the Corporation. Such resignation shall be effective upon delivery, unless a later date is specified in the notice.

Section 9. Compensation. Directors shall not receive compensation for acting as such, but Directors shall be entitled to reasonable compensation for services rendered in other capacities in furthering the purposes of the Corporation as set forth in the Articles. The Corporation shall be entitled to purchase officers' and Directors' liability insurance without obtaining reimbursement of all or any part of the premium without violating these Bylaws.

ARTICLE V

Meetings of the Board of Directors

Section 1. Place of Meetings. The Board of Directors may hold its regular and special meetings at such places, within or without this state, as determined by the President or his or her designee. If no place is determined, the meeting shall be held at the Corporation's principal place of business. The Board of Directors may determine that one or more meetings of the Board of Directors shall be held solely by means of remote communication. Such authorization may be general or confined to specific instances.

Section 2. Regular Meetings. The Board of Directors shall hold at least one (1) regular meeting each year at such time and place as the Board of Directors, or the President, shall determine. If no place is designated, the regular meetings shall be held at the Corporation's principal place of business. At each regular meeting, the Board of Directors shall conduct such business as may properly come before the meeting.

Section 3. Special Meetings. Special meetings of the Board of Directors may be called by: (a) President, or (b) upon written request of any two (2) or more Directors of the Corporation. A person entitled to call a special meeting of the Board of Directors may make a written request to the Secretary to call the meeting. The Secretary shall give written notice of the meeting in the manner provided below, and the meeting shall be held between three (3) and fourteen (14) days after receipt of the request to call a special meeting. If the Secretary fails to give notice of the meeting within three (3) days from the day on which the request was received by the Secretary, the person or persons who requested the special meeting may fix the time and place of meeting, and give notice thereof. If no place is identified, the meeting shall be held at the Corporation's principal place of business.

Section 4. Notice of Meetings. Not less than ten (10) days' written notice of a regular meeting and not less than three (3) days notice of a special meeting of the Board of Directors, excluding the day of the meeting, shall be given to all Directors. Said notice shall include proposed agenda items, but the failure to include an agenda item in the notice shall not prevent action from being taken with respect to such item, except that notice of a meeting at which an amendment to the Articles of the Corporation will be proposed must contain the substance of the proposed amendment. Notice of a meeting to be held solely by means of remote communication shall include a statement identifying the means by which the Directors may participate in such meeting.

Notice shall be delivered personally, sent by facsimile communication, sent by electronic mail, posted on an electronic network together with a separate notice to the Director of the specific posting, mailed, first class, postage prepaid, or by such other means as the Secretary deems fair and reasonable under the circumstances.

Any Director may waive notice of any meeting of the Board of Directors in writing before, at or after a meeting. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, unless he or she objects at the beginning of the meeting to the transaction of business because the meeting is not lawfully called or convened and does not participate in the meeting, 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 that item at the meeting. The waiver shall be filed with the person who has been designated to act as secretary of the meeting, who shall enter the waiver upon the records of the meeting.

Section 5. Quorum and Voting. The presence of a majority of the voting members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but the Directors present at any meeting, although less than a quorum, may adjourn the meeting from time to time. 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 proportion or number otherwise required for a quorum. At any meeting of the Board of Directors, each voting Director present at the meeting shall be entitled to cast one (1) vote on any question coming before the meeting. Except as otherwise provided in these Bylaws, a majority vote of the voting Directors present at any meeting shall be sufficient to transact any business. Proxy voting is not permitted.

Section 6. Rules of Procedure. The Board of Directors may adopt or establish rules of procedure for conducting meetings provided such rules are not inconsistent with the Corporation's Articles of Incorporation, these Bylaws or Minnesota law. In the absence of Board action, the Chair of the Board of Directors shall establish rules of procedure for conducting meetings provided such rules are not inconsistent with the Corporation's Articles, these Bylaws or Minnesota law.

Section 7. Action without Meeting. An action required or permitted to be taken at a Board Meeting may be taken by written action signed by the number of Directors that would be required to take the same action at a meeting of the Board of Directors at which all Directors were present; provided, however, that a Board of Directors' action requiring Member approval may be taken by written action only if signed by all of the Directors then in office. If any written action is taken by less than all of the Directors entitled to vote, all Directors entitled to vote shall be notified immediately of its text and effective date. The failure to provide such notice, however, shall not invalidate such written action. A Director who has not signed or consented to the written action has no liability for the action or actions taken thereby. A written action is effective when it is signed by all of the Directors required to take the action unless a different effective time is provided in the written action. For purposes of this Section, an electronic signature satisfies the requirement of a signature so long as the electronic communication containing the electronic signature sets forth sufficient information from which the Corporation can reasonably conclude that the communication was actually sent by the purported sender.

Section 8. Meeting Solely by Means of Remote Communication. Any meeting among Directors may be conducted solely by one or more means of remote communication, including

electronic communication, conference telephone, video conference, the Internet, or such other means by which persons not physically present in the same location may communicate with each other on a substantially simultaneous basis, through which all of the Directors may participate in the meeting, if the same notice is given of the meeting as would be required for a meeting, and if the number of Directors participating in the meeting is sufficient to constitute a quorum at a meeting. Participation in a meeting in this manner constitutes presence at a meeting.

Section 9. Individual Participation in Meetings by Means of Remote Communication. A Director may participate in a meeting of the Board of Directors by means of conference telephone, or if authorized by the Board of Directors, by such other means of remote communication including electronic communication, video conference, the Internet, or such other means by which persons not physically present in the same location may communicate with each other on a substantially simultaneous basis, through which that Director and other Directors so participating and all Directors physically present at the meeting may participate with each other during the meeting. Participation in a meeting in this manner constitutes presence at the meeting.

ARTICLE VI

Officers

Section 1. Number. The Corporation shall have the following officers: (a) a President; (b) a Secretary; (c) and a Treasurer. They must be natural persons that the Board of Directors elects or appoints from among the members of the Board of Directors. Subject to these Bylaws, the Board of Directors may also elect or appoint one or more additional officers or assistant officers as it may deem convenient or necessary. Except as provided in these Bylaws, the Board of Directors shall fix the powers and duties of all officers.

Section 2. Election and Term of Office. All officers of the Corporation shall be elected annually by the Board of Directors. Officers of the Corporation shall be Directors of the Corporation and shall hold office at the discretion of the Board of Directors. An officer shall hold office until his or her successor shall have been elected or until his or her prior death, resignation or removal from office as hereinafter provided. An individual may hold more than one office of the Corporation at the same time.

Section 3. Removal and Vacancies. Any officer or agent elected or appointed by the Board of Directors shall hold office at the pleasure of the Board of Directors and may be removed at any time, with or without cause, by a resolution approved by the affirmative vote of a majority of the Directors present. Any vacancy in an office of the corporation shall be filled by action of the Board of Directors. The removal of any individual as an officer of the Corporation shall not automatically affect such individual's employee status with the Corporation.

Section 4. President. Unless provided otherwise by a resolution adopted by the Board of Directors, the President shall have general active management of the business of the Corporation, shall preside at meetings of the Board of Directors, shall see that all orders and resolutions of the Board of Directors are carried into effect, shall sign and deliver in the name of

the Corporation any deeds, mortgages, bonds, contracts, or other instruments pertaining to the business of the corporation, except in cases in which the authority to sign and deliver is required by law to be exercised by another person or is expressly delegated by the Articles, these Bylaws, or the Board of Directors to some other officer or agent of the Corporation, may maintain records of and certify proceedings of the Board of Directors, and shall perform such other duties as may from time to time be prescribed by the Board of Directors. The President shall have the general powers and duties generally vested in the office of a Chief Executive Officer of a corporation and shall have such other powers and perform such other duties as the Board of Directors may prescribe from time to time.

Section 5. Treasurer. Unless provided otherwise by a resolution adopted by the Board of Directors, the Treasurer shall be chief financial officer of the Corporation, shall keep accurate financial records for the Corporation, shall deposit all moneys, drafts, and checks in the name of and to the credit of the Corporation in such banks and depositories as the Board of Directors shall designate from time to time, shall endorse for deposit all notes, checks, and drafts received by the Corporation as ordered by the Board of Directors, making proper vouchers therefor, shall disburse corporate funds and issue checks and drafts in the name of the Corporation as ordered by the Board of Directors, shall render to the President and the Board of Directors, whenever requested, an account of all such officer's transactions as chief financial officer and of the financial condition of the Corporation, and shall perform such other duties as may be prescribed by the Board of Directors or the chief executive officer from time to time. The Board of Directors may delegate the responsibilities of the Treasurer to one or more employees of the Corporation, provided, however, that such individual(s) shall be subject to the oversight and control of the Treasurer. The Treasurer shall at all times retain the ultimate responsibility for the financial affairs of the Corporation.

Section 6. Secretary. The Secretary shall attend all meetings of the Board of Directors and Members and be responsible for ensuring that all actions and the minutes of all proceedings of the Board of Directors and Members are recorded in a book to be kept for that purpose, and shall be responsible for all documents and records of the Corporation, except those connected with the office of the Treasurer. He or she shall give or cause to be given any required notice of meetings of the Board of Directors and Members, and shall mail to all Directors and Members within thirty (30) days after each meeting copies of all said actions and minutes of said proceedings, and shall perform such other duties and have such other powers as the Board of Directors may from time to time prescribe.

Section 7. Other Officers. The Board of Directors may appoint such Vice President(s), Assistant Secretary(s) or Assistant Treasurer(s) to perform the duties of and exercise the powers of the President, Secretary or Treasurer, respectively in the absence or disability of such officer and may appoint such other officers in its discretion from time to time. Any other officers shall hold office at the discretion of the Board of Directors and shall have such powers, perform such duties and be responsible to such other officers as the Board of Directors may prescribe.

ARTICLE VII

Committees

Section 1. Committees. The Board of Directors may establish one or more committees. Such committees shall have the authority of the Board of Directors in the management of the business of the Corporation to the extent provided in such resolution. Such committees, however, shall at all times be subject to the direction and control of the Board of Directors. Committee members must be natural persons.

Section 2. Ex Officio Member. The President of the Corporation, or a representative appointed by the President, shall be an *ex officio* member, without voting rights, of each committee of the Corporation.

Section 3. Committee Procedures. The provisions of these Bylaws shall apply to committees and members thereof to the same extent they apply to the Board of Directors and Directors, including, without limitation, the provisions with respect to meetings and notice thereof, absent members, written actions and valid acts. Each committee shall keep regular minutes of its proceedings and report the same to the Board of Directors.

ARTICLE VIII

Fiscal Matters

Section 1. Accounting Year. The accounting year of the Corporation shall be the calendar year.

Section 2. Contracts. The Board of Directors may authorize such officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be either general or confined to specific instances. Contracts and other instruments entered into in the ordinary course of business may be executed by the President or, in the absence of or pursuant to a delegation by the President, by such officer designated to act in the place of or in the absence of the President, without specific Board of Directors authorization.

Section 3. Loans. No loans shall be contracted on behalf of the Corporation, and no evidence of indebtedness other than checks, drafts or other orders for payment of money issued in the ordinary course of business shall be issued in its name unless authorized by the Board of Directors of the Corporation. Such authorization and approval may be general or confined to specific instances.

Section 4. Checks, Drafts, Etc. All checks, drafts or other orders for the payment of money issued in the name of the Corporation shall be signed by such officer or officers, agent or

agents of the Corporation and in such manner as shall be determined by resolution of the Board of Directors or by the President or Treasurer upon delegation by the Board of Directors.

Section 5. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors or the President or Treasurer upon delegation by the Board of Directors may select.

Section 6. Maintenance of Records; Audit. The Corporation shall keep at its registered office correct and complete copies of its Articles and Bylaws, accounting records, voting agreements, and minutes of meetings of Members, Board of Directors, and committees having any of the authority of the Board of Directors for the last six (6) years. All such other records shall be open to inspection upon the demand of any member of the Board of Directors of the Corporation. The Board of Directors shall cause the books and records of account of the Corporation to be audited by certified public accountants, to be selected by the Board of Directors, and at such times as it may deem necessary or appropriate.

Section 7. Corporate Seal. The Corporation shall have no corporate seal.

ARTICLE IX

Indemnification

The Corporation shall indemnify its officers, Directors, Members, committee members and employees against judgments, penalties, fines, including without limitation, excise taxes assessed against the person with respect to an employee benefit plan, settlements, and reasonable expenses, including attorneys' fees, and disbursements incurred by such persons in connection with a proceeding in which they are or are threatened to be made a party by reason of their action on behalf of the Corporation to the fullest extent permitted under Minnesota law. In order to avail himself or herself of this indemnification provision, however, a person must: (1) not already be indemnified by another organization in connection to the same proceeding and the same acts or omissions; (2) have acted in good faith with respect to the acts or omissions complained of; (3) have received no improper personal benefit; (4) in the case of a criminal proceeding, have had no reasonable cause to believe his or her conduct was unlawful; (5) in the case of a civil proceeding, have reasonably believed that he or she was acting in the best interests of the Corporation.

ARTICLE X

Director Conflict of Interest

Section 1. Policy. It shall be the policy of the Corporation that all officers, Directors, and committee members thereof shall scrupulously avoid any conflict between their own respective individual interests and the interests of the Corporation in any and all actions taken by them on behalf of the Corporation in their representative capacities. Officers, Directors, and

committee members shall comply with all governmental statutes, ordinances and regulations, including, but not limited to compliance with Minnesota law governing conflicts of interest, Minnesota Statutes Chapter 317A.251, or any successor statute thereto.

Section 2. Definitions. The following are considered a “direct or indirect interest or a relationship” which would trigger this Conflict of Interest Policy. As a result, the requirements of Section 3 below must be met if the Corporation is contemplating a transaction with any of the following:

- a. an officer, Director, or person in a position to exercise substantial influence over the affairs of the Corporation, or a member of the family of such person (a member of the family is a spouse, parent, child, spouse of a child, brother, sister, or spouse of a brother or sister);
- b. an organization in which an officer, Director or person in a position to exercise substantial influence over the affairs of the Corporation, or a member of the family of such person, is a Director, officer, or legal representative; or
- c. an organization in which an officer, Director, or person in a position to exercise substantial influence over the affairs of the Corporation, or a member of the family of such person, has a material financial interest.

Section 3. Procedures. The Corporation may enter into a transaction involving a Conflict of Interest *if any of the following are true*:

- a. Fairness and Reasonableness:** The contract or transaction was fair and reasonable to the Corporation. Whether a contract or transaction is fair and reasonable to the Corporation will be determined by looking to the time the contract or transaction was authorized, approved or ratified. The party asserting the validity of the contract or transaction has the burden of establishing the contract or transaction’s fairness and reasonableness to the Corporation.
- b. Disclosure of Material Facts to Board:** The material facts about both the contract or transaction and a Director’s interest in the contract or transaction are either fully disclosed or known to the board or a committee of Corporation. In such cases, the contract or transaction must be authorized, ratified, or approved in good faith by a majority of the board or committee. The vote of any interested Director does not count for purpose of determining what constitutes a majority vote, and the presence of any interested Director at a meeting at which such a vote is taken does not count in determining the presence of a quorum.

If this Section 3 is satisfied, a Director of the Corporation may be a party to the contract or transaction and may be present at the meeting at which the contract or transaction was authorized, approved, or ratified, but may not vote on approving such transaction.

Section 4. Compensation. A voting member of the Board whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Corporation for services is precluded from voting on matters pertaining to that member's compensation. When establishing the compensation of any officer, Director or other individual in a position to exercise substantial influence over the affairs of Corporation, the Board shall approve such compensation in advance of its payment, obtain and rely on appropriate data as to comparability (such as compensation surveys) prior to making its decision, document in writing the date and terms of the approved compensation arrangement, record in writing the decision made by each individual Director who voted on the compensation arrangement, and document the basis for such decision.

Section 5. Publication of Policy. A copy of this statement shall be furnished to each officer, Director, or committee member who is presently serving the Corporation or who may hereafter become associated with the Corporation. This policy shall be called to the attention of the Board of Directors of the Corporation, at least annually at a regular meeting thereof, and such action shall be recorded in the minutes of such meeting.

ARTICLE XI

Amendments

The Corporation's Articles and Bylaws may be altered, amended or restated by the Board of Directors to omit or include any provision which could be lawfully omitted or included at the time of such amendment, provided that the Members of the Corporation shall approve all such amendment(s) before the same shall become effective except that the Board of Directors may amend the Articles to change the Corporation's registered address without Member approval.

CERTIFICATION

The undersigned, as Secretary of Christmas Lake Homeowners Association, a Minnesota nonprofit corporation, hereby certifies that the foregoing Bylaws of the Corporation were adopted by the Board of Directors on the ___ day of _____, 2006.

Harley Feldman, Secretary

(No Corporate Seal)

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