

**BY-LAWS OF  
LAKES COMMUNITY HOME OWNERS ASSOCIATION, INC.**

**Amended as of October 29<sup>th</sup>, 2011.**

The following are the By-laws of Lakes Community Home Owners Association, Inc. (the "Association"), a South Dakota non-profit corporation formed to govern Lakes Community Home Owners Association, Inc. pursuant to the provisions of these By-Laws and the Declaration of Covenants and Restrictions (the "Declaration") filed of record with the Lake County Register of Deeds.

**Article I.  
DEFINITIONS**

The terms used in these By-Laws shall have the same meaning as they have in the Declaration of Covenants, except as otherwise specified herein.

**Article II.  
REGISTERED OFFICE**

The registered office of the Association shall be located at PO BOX 175 in Wentworth, SD 57075

**Article III.  
MEMBERSHIP**

1. Members Defined. The person or persons defined as Owners in the Declaration shall, by virtue of such interest, be "Members" of the Association. Members shall consist of and represent each Owner of any lot by acceptance of a deed therefore, (hereinafter "Deeded Lot") whether or not it shall be so expressed in any such deed or other conveyance, shall be and hereby are deemed to be a member of the Association. A Living Unit shall consist of either a single-family dwelling, one-half (1/2) of a twin home, one-third (1/3) of a triplex home, or each separately maintained and separate living quarters within a town home. Members shall have one (1) vote for each Deeded Lot or Living Unit and one (1) assessment unit or allocation for each Deeded Lot or Living Unit. When one or more Owners of a Deeded Lot or Living Unit, all such persons shall be Members. The vote for such Deeded Lot or Living Unit shall be exercised as they determine, but in no event shall more than one (1) vote be cast with respect to any Deeded Lot or Living Unit. A person shall cease to be a Member at such time as that person has transferred such interest or estate.
2. Registration of Owner and Occupant. It shall be the duty of each Owner and Occupant to register with the Secretary of the Association, in writing, (i) the name and address of such Owner or Occupant; (ii) the nature and satisfactory evidence of such Owner's or Occupant's interest or estate in a Deeded Lot or Living Unit, (iii) the addresses at which such Owner or Occupant desires to receive notice, if entitled to such notice, of any duly called meeting of the Members; (iv) the name of the Owner or Occupant, if there is more than one (1) Owner or Occupant with respect to a Deeded Lot or Living Unit who shall be authorized to cast the vote with respect to such Deeded Lot or Living Unit and (v) the name and address of the First Mortgagee of the Deeded Lot or Living Unit. If an Owner or Occupant does not register as provided in this paragraph, the HOA shall be under no duty to recognize the rights of such person hereunder and shall not recognize such

person's right to vote as provided herein, but such failure to register shall not relieve an Owner or Occupant of any obligation, covenant or restriction under the Declaration or these By-Laws. If there is more than one (1) Owner or Occupant of a Deeded Lot or Living Unit, each must execute the registration as provided in this paragraph.

3. Non-Transfer of Membership. The interest, rights and obligations of a Member in the Association cannot be assigned, pledged, encumbered or transferred in any manner, except as an appurtenance to the owner's Lot.

#### **Article IV.**

##### **ASSOCIATION MEETING OF MEMBERS**

1. Place. All meeting of the Members of the Association shall be held at the office of the Company or at such other place in Lake County, South Dakota, as may be designated by the HOA Board of Directors in any notice of a meeting of the Members.
2. Annual Meetings. An annual meeting of the Members shall be held at least once each fiscal year. The first annual meeting of Members shall be held during the fourth calendar month following the end of the first fiscal year of the Association as established by the first Board of Directors. Thereafter, annual meeting of the Members shall be held in the same calendar month in each succeeding fiscal year unless the Members at any annual or special meeting designate a different date for annual meetings. (Annual meeting date was changed to September, spring meeting to be secondary meeting). At each annual meeting of the Members, the persons who are to constitute the Board of Directors shall be elected. Any other matter which is properly brought before any annual meeting of the members, and is a proper subject for discussion or decision by the members, may be passed upon at the meeting.
3. Special Meetings. Special meetings of the Members may be called by the President. Special meetings of the Members must be called and scheduled to be held by the President or Secretary within 45 days of the written request of a majority of the Members of the Board of Directors or of Members possessing the right to vote one-fourth (1/4) of the total votes of the Membership. The requests shall state the purpose or purposes of the meeting requested. The business transacted as a special meeting shall be confined to the purposes stated in the notice thereof.
4. Notice of Meetings. At least seven (7), but no more than 30 days in advance of any annual or regularly scheduled meeting of the Members, and at least seven (7) days in advance of any special meeting of the Members, the Secretary shall send to each Owner of record notice of the time, place and complete agenda of the meeting, by United States Mail, or electronic mail to the address of the respective Owners and to such other address as any Owner may have designated in writing to the Secretary. Owners of record shall be those owners who are registered with the Secretary as provided in Article III, Paragraph 2 on a date specified by the Board of Directors (the "Record Date"). Such Owners of record shall be entitled to notice of any duly called meeting of the Members; provided that the Board of Directors may not specify a Record Date which is more than 35 days prior to the date of an annual meeting or more than 20 days prior to the date of a special meeting.
5. Quorum. The presence of Member in person or by proxy who have the authority to cast one-tenth (1/10) of the total votes of all Members of the Association shall be necessary to constitute a quorum at all meetings of the Members for the transaction of any business, except as otherwise provided in the Articles of Incorporation, the Declaration or these By-Laws. In the event a quorum shall not be present at any meeting of the members, the meeting may be adjourned from time to time, without notice other than announcement at the meeting of adjournment, until a

quorum shall be present, at which time any business may be transacted which might have been transacted at the meeting as initially called had a quorum then been present. The quorum, having once been established at a Meeting, shall continue to exist for that meeting, notwithstanding the departure of any Member previously in attendance in person or by proxy.

6. Association Cannot Vote. The Association may not cast any vote or be counted in determining a quorum as to any Lot of which the Association is an Owner.
7. Voting Register. At the beginning of each meeting of the Members, the Secretary shall present to the meeting a written list of the Lot addresses, the respective name or names of the Owners of Occupants entitled to notice of such meeting, and the name of the person (in the case of multiple Owners or Occupants) authorized to vote. The voting register shall be compiled based upon the information provided by the Owners pursuant to Article III, Paragraph 2.
8. Order of Business. The order of business at annual meetings of the Members, and at such other membership meetings of the Members as may be practical, shall be determined by the HOA Board of Directors.

## **Article V. VOTING**

1. Entitlement: Members shall have one (1) vote for each Deeded Lot or Living Unit and one (1) assessment unit or allocation for each Deeded Lot or Living Unit.
2. Authority to Cast Vote. At any meeting of the Members, the Member, or the Occupant of the Member's Deeded Lot or Living Unit who has been granted a proxy as provided in Paragraph 3 of this Article, and who is included on the Voting Register presented by the Secretary in accordance with Article IV, Paragraph 7, shall be entitled to cast the vote or votes attributable to the Deeded Lot or Living Unit of which the Member is an Owner. If there is more than one Owner or Occupant entitled to vote with respect to a Deeded Lot or Living Unit the vote attributable to that Deeded Lot or Living Unit may be cast only by the Owner or Occupant designated pursuant to Article IV, Paragraph 7, and any other votes for such Deeded Lot or Living Unit shall be disqualified.
3. Voting by Proxy. A Member may cast the vote to which the Member is entitled and be counted as present at any meeting of the Members by written proxy naming another person or persons entitled to act on that Member's behalf, and delivered to the Secretary before the commencement of any such meeting. Unless otherwise provided in writing between an Owner and Occupant, the transfer of possession of a Deeded Lot or Living Unit to an Occupant thereof under a contract for deed or under a lease for a term of more than one year shall, during the actual possession and occupancy of such Deeded Lot or Living Unit by the Occupant, serve to automatically grant to such Occupant an irrevocable proxy authorizing such Occupant to vote at all duly called meetings of the Members in the place and stead of the Owners of such Deeded Lot or Living Unit; provided that no such grant shall be deemed effective with respect to any meeting of the Members, unless such Occupant has, prior to the Record Date of such meeting, registered with the Secretary of the Association as provided in Article III, Paragraph 2, of these By-Laws. An Occupant who has been granted a proxy and has registered with the Secretary of the Association as provided in this paragraph shall be entitled to notice of any duly called meeting of the Members as provided in Article IV, Paragraph 4, of these By-Laws. Except for proxies which may be granted in favor of Occupants specifically provided for under this paragraph, all proxies granted by a Member shall be revocable by that Member by written notice or by personally

attending and voting at a meeting of the Members, and shall be invalid one year from the date thereof.

4. Vote Required. The concurring vote of Members who are entitled to cast a majority of the votes represented by all Members present, in person or by proxy, at any meeting of the Members, shall decide all matters properly brought before such meetings except where a different vote is specifically called for in the Governing Documents.

#### **Article VI. REPORTS**

The Treasurer shall be required to prepare an annual report on behalf of the Association to be provided to each Owner prior to each annual meeting of the Members. The report shall contain at a minimum the following:

- a. A statement of any capital expenditures in excess of One Thousand Dollars (\$1,000.00) anticipated by the Association during the current year or succeeding two fiscal years.
- b. A statement of the status and amount of any reserve for replacement fund and any portion of the fund designated for any specified project by the Board of Directors.
- c. A copy of the statement of financial condition for the Association for the last fiscal year.
- d. A statement of the status of any pending suits or judgments in which the Association is a party.
- e. A statement on the insurance coverage provided by the Association.
- f. A statement of any unpaid assessments by the Association by individual Lots, identifying the Lot and the amount of the unpaid assessment.

A copy of the foregoing report shall be delivered or sent by United States Mail or electronic mail to all Owners entitled to notice of an annual meeting of the Members at the address of their respective Lots at least seven (7) days in advance of any annual meeting of the Members and shall be made available to all Members at such annual meeting.

#### **Article VII. BOARD OF DIRECTORS**

1. Number and Qualifications. The affairs of the Association shall be managed by a Board of Directors composed of at least five (5) persons who must be Members, or spouses of Members; or, in the case of ownership by a partnership, shall be partners or employees of such partnership, or in the case of ownership by a corporation, shall be officers or employees of such corporation; or, in the case of ownership by a fiduciary, shall be officers or employees of such fiduciary. The members of persons comprising the Board of Directors may be increased to seven (7) by vote of members holding at least fifty-one percent (51%) of the voting interest in the Association at an annual meeting or at a special meeting called for that purpose.
2. Term of Office. The terms of office of directors comprising a five-member Board are as follows:  
Five- Member Board. Subject to Paragraph 4 of this Article VII, below, at the first annual meeting of the Association, or other annual meeting held subsequent to the events specified in Paragraph 4 of this Article VII below, the members shall elect two directors for a term of one (1) year, two directors for a term of two (2) years, and one director for a term of three (3) years. At the expiration of the initial term of office of each director, his successor shall be elected for a three (3)

year term, subject to Paragraph 4 of this Article VII below. A director shall hold office until his successor has been elected and shall have qualified or until he has been removed in accordance with the provisions of these By-Laws.

3. Limitation of Term of Office. At the annual meeting held subsequent to the earlier of (i) December 31, 1998, or (ii) when three-fourths (3/4) of the Owners are other than the Developer, the terms of office of all then existing officers and directors shall terminate. Election of new directors at such meeting shall be conducted as provided in Paragraph 3, above, and Paragraph 8, below.
4. Meeting and Notice. Regular meetings of the Board of Directors shall be held without notice at such times and at places within Lake County, South Dakota, as may be fixed from time to time by a majority of the members of the Board of Directors. Special meetings of the Board of Directors shall be held when called by the President of the Association or by the Secretary within ten (10) days following the written request of any two (2) directors. Notice of any special meeting must be given to each director not less than four (4) days in advance thereof, and such notice shall state the time, place and complete agenda thereof. Notice to a director will be deemed to be given when deposited in the United States Mail, postage prepaid, to the Lot address of such director or when personally delivered by the secretary or when delivered by electronic mail. Any director may at any time, waive notice of any meeting of the Board of Directors in writing, and such waiver shall be deemed equivalent to the giving of necessary notice. Attendance by a director at any meeting of the Board of Directors shall constitute a waiver of notice by that director of the time and place thereof. If all the directors are present at and take part in any meeting of the Board of Directors, no notice shall be required.
5. Quorum. A majority of the members of the Board of Directors shall constitute a quorum for the transaction of business at any meeting thereof. A majority vote of the directors present at any meeting at which a quorum is present shall be sufficient to adopt any action.
6. Action Taken Without a Meeting. The Board of Directors shall have the right to take any action in the absence of a meeting which they could take at a meeting when authorized in writing signed by all the directors.
7. Election of Directors. The election of directors comprising a five-member Board shall be conducted as follows:

Five-Member Board. Directors of the Association shall be elected by vote as provided for in Article V hereof at the annual meeting of the Association. At the first annual meeting, and at the annual meeting subsequent to the events specified in Paragraph 4 of this Article VII, above, the one candidate receiving the greatest number of voting percentages shall serve a three (3) year term; the two candidates receiving the second and third greatest number of voting percentages shall serve two (2) year terms; and the two candidates receiving the fourth and fifth greatest number of voting percentages shall serve one (1) year terms of office. At all other annual meetings, the number of candidates to be elected shall equal the number of vacancies in the Board of Directors as of the date of the annual meeting, and the candidates receiving the highest voting percentages at such meetings shall be declared elected to serve three (3) year terms. Cumulative voting is not permitted.
8. Vacancies. Vacancies in the Board of Directors, except for the Interim Board of Directors, shall be filled by a majority vote by the remaining directors even though they

may constitute less than a quorum. Each person so elected shall serve as a director for the unexpired term of his predecessor.

9. Removal. After the first annual meeting of the Association, any director may be removed from the Board, with or without cause, by a majority vote of the members of the Association. Neither a director nor the entire Board may be removed unless the notice of the annual or special meeting at which removal is to be considered states such purpose, and the director whose removal has been proposed shall be given an opportunity to be heard at the meeting. In the event of removal of a director by the members, his successor shall be elected at the same meeting at which removal occurred, and such successor shall serve for the unexpired term of his predecessor.

10. Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expensed incurred in the performance of his duties.

11. Powers and Duties. The Board of Directors ( or Interim Board of Directors, when operative) shall have the powers and duties necessary for the administration of the affairs of the Association, and shall have all powers and duties granted, or not specifically prohibited, by statute, the Declaration, the Articles, or by these By-Laws. Such powers and duties of the Board of Directors shall include but shall not be limited to the following:

- a. Operation, maintenance, repair and replacement of the Common Property.
- b. Determination of what shall constitute common expenses required for the affairs of the Association, which shall include all ordinary and necessary operating expenses for the operation and maintenance of the Property, and the establishment of a reserve for future repair, replacement and improvement.
- c. Levy and collection of the assessment for common expenses from the Owners.
- d. Employment and dismissal of a managing agent and personnel necessary for the maintenance and operation of the Common Property at such compensation as may be determined by the Board of Directors; provided, that any contracts entered into for such purposes shall provide for termination upon ninety (90) days prior written notice and a maximum contract term of two (2) years.
- e. Adoption and implementation of Rules and Regulations governing the operation and the permitted used of the Common Property, and the personal conduct of Owners and Occupants, and their guests.
- f. Preparation and submission to the Members of an annual report required by Article VI above.
- g. Maintenance of bank accounts on behalf of the Association and designating the signatories required thereof.

### **Article VIII.**

#### **OFFICERS**

1. Principal Officers. The principal officers of the Association shall be a President, Vice-President, a Secretary, a Treasurer, and a Member at Large, all of whom shall be elected by the Board of Directors and all of whom must be members of the board of Directors. The Board of Directors may from time to time elect such other officers and designate their duties as in their judgment may be necessary to manage the affairs of the Association. No person may hold more than one office, except for the offices of Secretary and Treasurer.

2. Election of Officers. The officers of the Association shall be elected annually by the Board of Directors and shall hold office at the pleasure of the Board.
3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board, any officer may be removed, with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board of Directors called for that purpose.
4. President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of president of a corporation, including without limitation the duty to supervise all other officers, to preside at all Member and Board meetings and to execute all contracts and similar obligations on behalf of the Association. The President shall have such other duties as may from time to time be prescribed by the Board of Directors.
5. Vice President. The Vice President shall take the place of the President and perform those 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 shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be prescribed by the Board of Directors.
6. Secretary. The Secretary shall record the minutes of all meetings of the Board of Directors and the Members. The Secretary shall keep and have charge of the books and records of the Board and the Association, and shall give all notices required by the Governing Documents.
7. Treasurer. The Treasurer shall have 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 Board of Directors may require. The Treasurer shall keep the assessment rolls and accounts of the Owners. The Treasurer shall keep the books of the Association in accordance with good accounting practices and shall submit them to the Board of Directors for its examination upon request. The Treasurer shall deposit all monies and other valuable effects in the named of or to the credit of the Association in such depositories as may be designated by the Board of Directors and shall disburse the funds of the Association as ordered by the Board of Directors 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 undertaken by a managing agent. The Treasurer shall prepare and distribute an annual report as required by Article VI of these By-Laws.
8. Compensation. Except as authorized by the Board of Directors, officers of the Association shall receive no compensation for their services in such capacity. Such officers may be reimbursed for out-of-pocket expenses incurred in the performance of their duties.
9. Delegation of Officers' Duties. The Board of Directors may delegate some or all of the duties of the Secretary and the Treasurer to be undertaken by a managing agent.

#### **Article IX.**

##### **OPERATION OF THE PROPERTY**

1. Common Expenses. Common expenses shall mean and include all expenses approved or incurred by the Board of Directors pursuant to authority given to the Board of Directors by law, in the performance of the powers and duties of the Board of Directors,

and those items identified as common expenses in the Declaration of Covenants and these By-Laws.

2. Budget; Levy. The Board of Directors shall, from time to time, and at least annually, prepare a budget for the Association and allocate, assess and levy such assessments equally among the Deeded Lots or Living Units. The levy shall be deemed to occur upon the vote adopting the resolution which sets forth the common expenses and the allocation to the Deeded Lots or Living Units. The assessments shall include such other amounts as the Board of Directors may deem proper for the operation and maintenance of the Property; provided, however, that the assessment for common expense shall include an adequate reserve fund for maintenance, repairs and replacement of the Common Property (and such parts of the buildings as are maintained by the Association) that must be replaced on a periodic basis, and shall, when practicable, be payable in regular installments. The Board of Directors shall fix the amount of the annual assessment against each Lot and mail written notice thereof to the Members (including the amount payable for each Lot) at least thirty (30) days prior to the start of the year for which the assessment is made, and shall, upon request by the Member, furnish copies of each budget on which such common expenses and the assessment are based to such Member and to his First Mortgagee. In the event an annual assessment proves to be insufficient, the budget and assessments thereof may be amended, or a special assessment levied, at any time by the Board of Directors.

3. Payment of Assessments. All Owners shall be obligated to pay the common expenses assessed and levied by the Board of Directors. The annual assessment shall be due in full on the first day of January each year or when designated by the Board of Directors in the case of a special assessment. Any mortgagee acquiring a first mortgage interest from any Owner and its appurtenant interest in the Common Property may, as a condition of the loan, include in the mortgage note or deed a requirement that the mortgagor, upon execution of the mortgage deed, make a monthly deposit with the mortgagee of an amount each month sufficient to pay when due and payable all common expenses attributable to that Lot. The mortgage note or deed may further provide that a default in making such deposit shall be a default under the terms of the mortgage deed. In the event that mortgagee collects the monthly installments, such mortgagee may remit the installments quarterly instead of monthly to the Association.

4. Default in Payment of Assessments. Payment of assessments made after thirty (30) days when due, shall incur penalty fees. The due dates of any special assessment shall be as indicated by the resolution authorizing such special assessment. The pro-ration of any annual or special assessment may be negotiated between the transferor and transferee of lots within the Addition. In the event any Owner does not make payment on or before thirty (30) days after the date when due, such Owner shall be obligated to pay penalty fees in addition to the full assessment payment. The penalty fees will be determined by the Board of Directors. In the event of a default of more than thirty (30) days in payment of any assessment or installment of assessment upon notice thereof to the Owner, and thereupon the entire unpaid balance of the assessment with all penalty fees shall become due and payable upon the date stated in the notice. The Board of Directors shall have the right and duty to attempt to recover all assessments for common expenses, together with penalty fees thereon, together with expenses of the proceeding, including reasonable attorney fees, in an action to recover the same brought against an Owner or by foreclosure of the lien on a request of a First Mortgagee, notice of a default of more than thirty (30) days in payment of any assessment or installment of an assessment for common expenses or any other default in the



performance of any obligation by the Owner shall be given in writing to the First Mortgagee by the Secretary of the Association.

5. Foreclosure of Liens for Unpaid Assessments. In any action brought by the association to foreclose a lien on a Lot, because of any unpaid assessments or installments of assessments, the Owner may be required by the Board of Directors to pay a reasonable rental for the use of the Lot, and the Association shall be entitled to the appointment of a receiver to collect the same.

6. Records. The Board of Directors shall cause to be kept at the registered office of the Association or at such other place as the Board of Directors may determine, records of the actions of the Board of Directors, minutes of the meetings of the Board of Directors, minutes of the meetings of the Members of the Association, names of the Owners and First Mortgagees, and detailed and accurate records, in chronological order, of the receipts and expenditures and the vouchers authorizing payments shall be available for examination by the Owners or Mortgagees at convenient hours of weekdays. Separate accounts shall be maintained for each deeded lot or living unit setting forth the amount of the assessment against the deeded lot or living unit, the date when due, amount paid thereon and the balance remaining unpaid.

#### **Article X.**

##### **AMENDMENT TO BY-LAWS**

1. These By-Laws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy<sup>2</sup>. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration of Covenants and these By-Laws, the Declaration of Covenants shall control.

#### **Article XI.**

##### **INDEMNIFICATION OF OFFICERS AND DIRECTORS**

The association shall indemnify every Director and officer, heirs, executors and administrators, against all loss, cost and expense, including attorney's fees reasonably incurred in connection with any action, suit or proceeding to which may be made a party by reason of being or having been a director or officer of the Association, except as to matters as to which shall be finally adjudged in such action, suit or proceeding to be liable for gross negligence or willful misconduct. In the event of a settlement, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified has not been guilty of gross negligence or willful misconduct in the performance of duty as such director or officer in relation to the matter involved. The foregoing rights shall not be exclusive of other rights to which such director or officer may be entitled. All liability, loss, damage, costs and expenses incurred or suffered by the Association by reason or arising out of or in connection with the foregoing indemnification provisions shall be treated and handled by the Association as a common expense; provided, however, that nothing in this Article shall be deemed to obligate the Association to indemnify any Owner who is or has been a director or officer of the Association, with respect to any duties or obligations assumed. Or damage or liabilities incurred solely in capacity as an Owner.

#### **Article XII.**

## BONDS AND INSURANCE

1. Fidelity Bonds. All directors, managers, trustees, officers, employees or volunteers of the Association responsible for handling funds belonging to or administered by the Association shall furnish adequate fidelity bonds. The premium on such bonds shall be paid by the Association and in a common expense. Such fidelity bonds shall name the Association as obligee, and be written in an amount equal to at least one hundred fifty percent (150%) of the estimated annual operating expenses and reserves of the Association. 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. All such bonds shall provide that they may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least thirty (30) days prior written notice to the Association and to the holders of all first mortgages of record covering the Lots.
2. Liability Insurance. All Board members and officers of the Association shall be protected from personal liability in the management of the Association's affairs by personal liability insurance. The premiums on such insurance shall be paid by the Association, and be a common expense. The Association shall indemnify such persons, for such expense and liabilities, in such manner, under such circumstances and to such extent as permitted by Section 317.16, Subdivision 2 (15) of South Dakota Statutes, as not enacted or hereafter amended.
3. Public Liability Insurance. The Association shall have a comprehensive policy of public liability insurance covering all of the Common Areas and Facilities, as defined in the Declaration. Coverage shall be for at least One Million Dollars (\$1,000,000.00) per occurrence, for personal injury and/or property damage. Such insurance policy shall contain a "severability of interest" endorsement which shall preclude the insurer from denying the claim of an Owner because of negligent acts of the Association. Such policy shall also contain cross-liability endorsements to cover liability of all owners of Lots as a group to each Lot Owner. The premium on such insurance shall be paid by the Association and be a common expense.
4. Notice of Change in Insurance Coverage. Electronic mail or written notices, deposited in the United States Mail, postage prepaid, shall be given to each member and owner at least sixty (60) days prior to the date of effectiveness of any decision by the Board of Directors to change casualty and fire insurance on the Living Units from a blanket policy to individual policies.

## Article XIII

### MISCELLANEOUS

1. Notices. All notices required hereunder to be given to the Association or the Board of Directors shall be sent by certified mail or electronic mail to the Board of Directors at the office of the Association or to such other address as the Board of Directors may hereafter designate from time to time by written notice given in the manner hereinafter prescribed. All notices to any Owner/Member, or Occupant entitled to any notice shall be sent by United States Mail or electronic mail to the lot address or to such other address as may be designated in writing from time to time to the Association. All notices shall be deemed to have been given when deposited in the United States Mail, postage prepaid, except notices of change of address, which shall be deemed to have been given when received; if the notice server does not receive an undeliverable notice, the electronic mail will be deemed given.

2. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these By-Laws.
3. Captions. The captions herein are inserted only as a matter of convenience and for reference and in no way define, limit or describe the scope of these By-Laws or the intent of any provision hereof.
4. Waiver. No restriction, condition, obligation or provision contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which may occur.
5. No Corporate Seal. The Association shall have no corporate seal.
6. Election under the Internal Revenue Code. The Board shall make and file all elections and documents required pursuant to Section 528 of the Internal Revenue Code of 1954 in order to be exempt from taxation, insofar as possible, the income of the Association consisting of assessments paid by Owners.
7. Fiscal Year. The fiscal year of the Association shall be established by the Board of Directors at the first meeting at said Board of Directors following the date of incorporation.

IN WITNESS WHEREOF, we, being all of the directors of Lakes Community Home Owners Association, Inc. have hereunto set our hands this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
\_\_\_\_\_

**CERTIFICATION**

I, the undersigned, to hereby certify:

That I am the duly elected and acting Secretary of Lakes Community Home Owners Association, Inc., a South Dakota corporation, and

That the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the \_\_\_\_\_ day of \_\_\_\_\_, 2011.

IN WITNESS WHEREOF, I have hereunto subscribed my name this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_  
Secretary