

ABC COURTHOMES ASSOCIATION

METROPOLITAN, MINNESOTA



RDA REPORT™ - RESERVE ANALYSIS FOR FISCAL YEAR 2008

RESERVE DATA ANALYSIS, INC. - MPLS (612) 616-4817 TOLL FREE (866) 780-7943 WWW.RDAMIDWEST.COM

UPDATED REPORT WITH SITE VISIT - VERSION 002

RESERVE DATA ANALYSIS, INC.



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May 28, 2007

Ms. Property Manager, CMCA
ABC Courthomes Association
c/o Professional Management Company
123 Any Street
Suburban, Minnesota 55XXX

Dear Ms. Property Manager:

Enclosed is the completed RDA REPORT™ update, **version 002**, for ABC Courthomes Association for the fiscal year beginning January 1, 2008. This report compares three different funding plans: Full Funding (RDA Segregated Component Funding, RDA), Cash Flow Specific (CFS - current funding level), and Baseline Funding (Cash Flow Minimum, CFM). **Each method is more fully explained beginning on page 1-5 of this report.**

Pages 2-1 and 2-12 provide a summary based on **Full Funding** (RDA method) and accompanying 30 year projections. The initial monthly contribution to reserves required under this method is \$164.00 per unit per month. **This is \$124.82 per unit per month above the current rate.**

Pages 2-2 and 2-13 provide a summary based on **Baseline Funding** (CFM method) and accompanying 30 year projections. The initial monthly contribution to reserves required under this method is \$129.20 per unit per month. (Beyond 2022 this plan becomes overly aggressive) **This is the minimum funding needed to meet the projected expenditures and fulfill the mandates of state statutes and the association's governing documents. This is \$90.02 per unit per month above the current rate.**

Pages 2-3 and 2-14 provide a summary based on a **Cash Flow Specific [CFS] Analysis** (current funding level of \$39.18 per unit per month [\$43,251.96 annually]) and accompanying 30 year projections. **The projections illustrate the inadequacy of the current funding rate; rendering cash deficits no later than 2017 with a total projected shortfall of more than \$2.5 million over the next 30 years.**

Therefore, we recommend you include a declarative statement under item 12 of your Resale Disclosure Statements to decrease Association (and individual board member) liability for damages resulting from the association's failure to ***"...provide from year to year, on a cumulative basis, for adequate reserve funds to cover the replacement of those parts of the common interest community which the association is obligated to replace."*** and for failing to disclose that information. At this time, you might consider a statement similar to this:

"The association has commissioned a professional Reserve Study which meets or exceeds the National Study Standards of The Community Associations Institute, Alexandria, VA (www.caionline.org) and the American Institute of Certified Public Accountants. The analysis was performed by a credentialed Reserve Specialist from Reserve Data Analysis, Inc. The preliminary findings indicate the current reserve funding rate is insufficient to meet the association's long term maintenance and replacement obligations detailed in the study. It projects the current rate of funding, if increased annually for inflation, to first yield a cash deficit no later than 2017, with a total projected shortfall of more than \$2.5 million by 2037 (\$27,335.67 per unit).

The study suggests the association's reserve funding should immediately be increased at least \$90.02 per unit per month to enable the association to meet it's obligations as detailed in the Maintenance section of the Declaration and mandated in Minnesota Statute 515B.3-114. The final findings of the study and the association's new budget are expected to be available for association members and prospective homebuyers review by: mm/dd/yyyy."

The four graphs following page 2-14 illustrate the projected performance of the three plans over a 30 year period.

Your RDA REPORT™ is presented in three parts:

Part 1 offers an easy-to-understand introduction to reserve budgeting and terminology along with a Users' Guide to your reserve analysis study.

Part 2 is your reserve analysis study, including report summaries, a Distribution of Accumulated Reserves report, a Fund Status Report, an Asset Listing Summary, 30-year projections with graphs, an Annual Expenditure Schedule (lists future expenses in future costs), Detail Reports for each asset, and an alphabetical Detail Report Index.

Part 3 includes various supplementary information: COLOR PHOTOS, a specially formatted copy of the Minnesota Common Interest Ownership Act, historical inflation data, sample reserve policy language, a sample maintenance matrix, a reserve study update worksheet and a **Minnesota Resale Disclosure Certificate** form.

We hope that you find our report format both informative and useful. ***Our services include a meeting with the board to discuss the results of the study, and to review the report and the revision process.*** Please call to schedule this meeting with your board.

Our services also include one free revision for the fiscal year 2008 report after your review and consideration of this initial draft (within about 90 days please). Each component detail report should be reviewed. These reports are found on pages 2-20 through 2-48. An index is found on page 2-50. Please also review the report parameters (interest yield, tax rate on earnings) on summary pages 2-1 thru 2-3. Note any desired revisions on these pages and forward them to us. We will then prepare a revised report.

All of us at RDA have enjoyed serving you and providing ABC Courthomes Association with the most detailed, comprehensive and useful reserve analysis study available.

I wish you the greatest success in maintaining and enhancing property values in your community.

Thank you,

Gregory L. Pettersen, RS
President

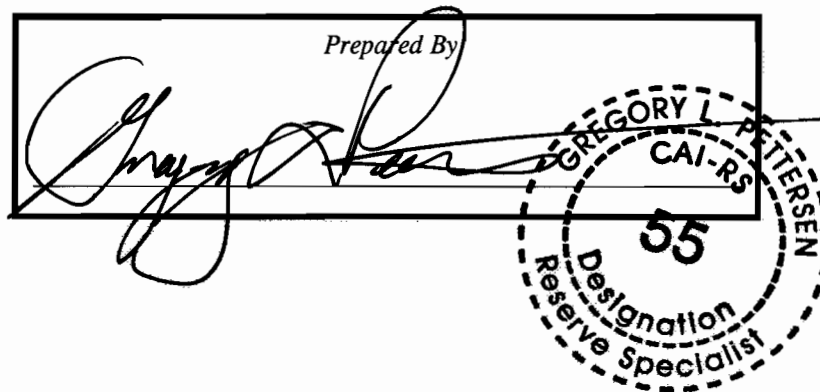


RDA REPORT

ABC Courthomes Association
Metropolitan, Minnesota
Account 15080 - Version 999
June 26, 2007

RESERVE DATA ANALYSIS - MIDWEST

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This reserve analysis study and the parameters under which it has been completed are based upon information provided to us in part by representatives of the association, its contractors, assorted vendors, specialists and independent contractors, the Community Associations Institute, various construction pricing and scheduling manuals including, but not limited to: Marshall & Swift Valuation Service, RS Means Facilities Maintenance & Repair Cost Data, RS Means Repair & Remodeling Cost Data, National Construction Estimator, National Repair & Remodel Estimator, Dodge Cost Manual and the McGraw Hill Book Company. Additionally, costs are obtained from numerous vendor catalogues, actual quotations or historical costs, and our own experience in the field of property management and preparation of reserve analysis studies.

It has been assumed, unless otherwise noted in this report, that all assets have been designed and constructed properly and each estimated useful life will approximate that of the norm per industry standards and/or manufacture specifications used. In some cases, estimates may have been used on assets which have an indeterminable but potential liability to the association. The decision for the inclusion of these as well as all assets considered is left to the client.

We recommend that your reserve analysis study be updated annually. Fluctuating interest rates, inflationary changes and the unpredictable nature of the lives of many of the assets under consideration require continual adaptation. The funding plan must be updated routinely to maintain adequacy. All the information collected during our inspection of the association and subsequent computations made in preparing this reserve analysis study are retained in our computer files. Therefore, annual updates may be completed quickly and inexpensively each year.

Never exceed intervals of three years between updates.

Reserve Data Analysis would like to thank you for using our services, and we invite you to call us at any time should you have any questions, comments or require assistance. In addition, any of the parameters and estimates used in this study may be changed at your request, after which we will provide you with a revised study.

RESERVE DATA ANALYSIS, MINNEAPOLIS

(866) 780-7943

Disclosures

1. The financial funding model(s) utilized:

- ☒ Cash Flow Method
- ☒ Component Method

See detailed descriptions beginning on page 1-5

2. The funding strategy, or objective, is:

- ☒ Full [Ideal] Funding (RDA)
- ☒ Baseline Funding (CFM)
- ☐ Threshold Funding (CFM)
- ☐ Statutory Funding (CFS)
- ☒ Funding as specified by client (CFS)
- ☒ Current Funding rate (CFS)

See detailed descriptions beginning on page 1-5

3. This Reserve Study is:

- ☐ A Full Study
- ☒ *An Update with on-site inspection
- ☐ *An Update without on-site inspection

See detailed descriptions beginning on page 1-2

** Updated reports are reliant on the validity of prior studies and the client is considered to have deemed previously developed quantities as accurate and reliable.*

Involvement(s) with client which could result in actual or perceived conflicts of interest:

N/A

Inventory compilation: ☒ field measurements ☒ representative sampling ☐ drawings

Condition assessments ☐ included ☒ did not include destructive or invasive analysis.

All information provided by the client regarding financial, physical, quantity or historical issues has been deemed reliable by the consultant, including unaudited data used to determine the beginning reserve balance. The study is a reflection of information gathered by and provided to the consultant and assembled for the client's use, not for purposes of performing an audit, quality/forensic analyses, or background checks of historical records.

Information provided about reserve projects is considered reliable. Any on-site inspection should not be considered a project audit of quality inspection.

The following issues which, if not disclosed, would cause a distortion of the client's condition:

N/A


Signature of preparer

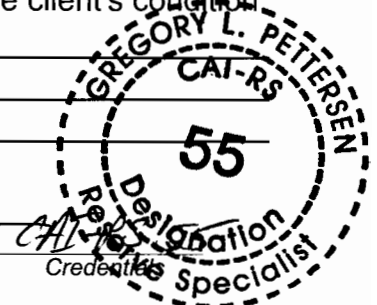


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PART I - INTRODUCTION

Preparing the annual budget and overseeing the association's finances are perhaps the most important responsibilities of board members. The annual operating and reserve budgets reflect the planning and goals of the association and set the level and quality of service for all of the association's activities.

■ 1. Funding Options

When a major repair or replacement is required in a community, an association has essentially four options available to address the expenditure:

The first option is to pass a "special assessment" to the membership in an amount required to cover the expenditure. Although not commonplace, there have been special assessments in the amount of \$10,000 per member assessed in associations in Virginia and southern California. When a special assessment is passed, the association has the authority and responsibility to collect the assessments, even by means of foreclosure if necessary. However, an association operating on a special assessment basis cannot guarantee that an assessment, when needed, will be passed. Consequently, it cannot guarantee its ability to perform the required repairs or replacements to those major components for which the association is obligated to maintain when the need arises. Additionally, while relatively new communities require very little in the way of major "reserve" expenditures, associations reaching 12 to 15 years of age and older find many components reaching the end of their effective useful lives. These required expenditures, all accruing at the same time, can be devastating to an association's overall budget.

The second option is for the association to acquire a loan from a lending institution in order to effect the required repairs. In many cases, banks will lend money to an association using "future homeowner assessments" as collateral for the loan. With this method, not only is the current board of directors pledging the future assets of an association, they are also required to pay interest fees on the loan payback in addition to the original principal. In the case of a \$150,000 roofing replacement, the association may be required to pay back the loan over a three to five year period, with interest; whereas, if the association was setting aside reserves for this purpose, using the

vehicle of the regularly assessed membership dues, it would have had the full term of the life of the roof in order to accumulate the necessary moneys. Additionally, those contributions would have been evenly distributed over the entire membership and would have earned interest as part of that contribution.

The third option, too often used, is simply to defer the required repair or replacement. This option can create an environment of declining property values due to the increasing deferred maintenance and the association's financial inability to keep pace with the normal aging process of the common area components. This, in turn, can have a seriously negative impact on sellers in the Association by making it difficult or even impossible for potential buyers to obtain financing from lenders. Increasingly, many lending institutions are requesting copies of the association's most recent reserve study before granting loans, either for the association, a prospective purchaser, or for an individual within such association.

The fourth option is to collect an adequate level of reserves as part of the regular membership assessment. It's the only logical means the board of directors has to ensure its ability to maintain the assets for which it is obligated. By collecting reserve contributions monthly, the board distributes the costs of the replacements over the entire membership in a uniform and equitable manner. The community is not only comprised of present members, but also future members. Any decision by the board of directors to adopt a calculation method or funding plan which would disproportionately burden future members in order to make up for past reserve deficits would be a breach of its fiduciary responsibility to those future members. Unlike individuals determining their own course of action, the board is responsible to the "community" as a whole.

■ 2. The Reserve Study

There are two components of a reserve study – a physical analysis and a financial analysis. During the physical analysis, a reserve provider evaluates information regarding the physical status and repair/replacement cost of the association's major common area components. To do so, the provider conducts a component inventory, a condition assessment, and life and valuation estimates. A financial analysis assesses the association's reserve balance or "fund status" (measured in cash or as percent funded) to determine a recommendation for an appropriate reserve contribution rate in the future known as the "funding plan."

Reserve studies fit into one of three categories: 1) Full Study; 2) Update - with site inspection; and 3) Update - without site inspection.

1. In a **Full reserve study**, the reserve provider conducts a component inventory, a condition assessment (based upon on-site visual observations), and life and valuation estimates to determine both a "fund status" and "funding plan."

2. In an **Update – with site inspection**, the reserve provider conducts a component inventory (verification only, not quantification), a condition assessment (based on on-site visual observations), and life and valuation estimates to determine both the “fund status” and “funding plan.”
3. In an **Update – without site inspection**, the reserve provider conducts life and valuation estimates to determine the “fund status” and “funding plan.”

■ 3. Developing a Component List

The budget process begins with an accurate inventory of all the major components for which the association is responsible. The determination of whether an expense should be labeled as operational, reserve, or excluded altogether is sometimes subjective. Since this labeling may have a major impact on the financial plans of the association, subjective determinations should be minimized. We suggest the following considerations when labeling an expense:

OPERATIONAL EXPENSES occur at least annually, no matter how large the expense, and can be effectively budgeted for each year. They are characterized as being reasonably predictable both in terms of frequency and cost. Operational expenses include all minor expenses which would not otherwise adversely affect an operational budget from one year to the next. Examples of Operational Expenses include:

Utilities:

- Electricity
- Gas
- Water
- Telephone
- Cable TV

Services:

- Landscape Maintenance
- Pool Maintenance
- Street Cracks & Pothole Repairs
- Accounting & Management
- Reserve Study

Administrative:

- Supplies
- Bank Service Charges
- Dues & Publications
- Licenses, Permits & Fees

Repair Expenses:

- Roof Repairs
- Equipment Repairs
- Minor Concrete Repairs
- Operating Contingency

RESERVE EXPENSES are major expenses that occur other than annually and which must be budgeted for in advance in order to provide the necessary funds in time for their occurrence. Reserve expenses are reasonably predictable both in terms of frequency and cost. However, they may include significant assets which have an indeterminable but potential liability which may be demonstrated as a likely

occurrence. They are expenses that when incurred would have a significant affect on the smooth operation of the budgetary process from one year to the next if they were not reserved for in advance. Examples of Reserve Expenses include:

- Roof Replacements
- Painting
- Deck Replacement
- Fencing Replacement
- Street Slurry Coating
- Asphalt Overlays
- Pool Re-plastering
- Boiler Replace / Refurbishing
- Subterranean Utilities
- Window & Door Replacement
- Retaining Wall Refurbishment
- Pool Equipment Replacement
- Pool Furniture Replacement
- Tennis Court Resurfacing
- Park & Play Equipment
- Equipment Replacement
- Interior Furnishings
- Lighting Replacement
- Elevator Cab Refurbishing
- Siding Replacement
- Landscape Refurbishment
- Chiller Replacement

BUDGETING IS NORMALLY EXCLUDED FOR repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or community itself, or exceeding the legal life of the community as defined in an association's governing documents. Examples include the complete replacement of elevators, tile roofs, wiring and plumbing. Also excluded are insignificant expenses which may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Costs which are caused by acts of God, accidents or other occurrences which are more properly insured for, rather than reserved for, are also excluded.

■ 4. Preparing the Reserve Study

Once the reserve assets have been identified and quantified, their respective replacement costs, useful lives and remaining lives must be assigned so that a funding schedule can be constructed. Replacement costs and useful lives can be found in published manuals such as construction estimators, appraisal handbooks, and valuation guides. Remaining lives are calculated from the useful lives and ages of assets and adjusted according to conditions such as design, manufacture quality, usage, exposure to the elements and maintenance history.

By following the recommendations of an effective reserve study the association should avoid any major shortfalls. However, to remain accurate, the report should be updated on an annual basis to reflect such changes as shifts in economic parameters, additions of phases or assets, or expenditures of reserve funds. The association can assist in

simplifying the reserve analysis update process by keeping accurate records of these changes throughout the year.

■ 5. Funding Methods

From the simplest to most complex, reserve analysis providers use many different computational processes to calculate reserve requirements. However, there are two basic processes identified as industry standards: the cash-flow method and the component method.

The cash flow method develops a reserve-funding plan where contributions to the reserve fund are designed to offset the variable annual expenditures from the reserve fund. Different reserve funding plans are tested against the actual anticipated schedule of reserve expenses until the desired funding goal is achieved. This method sets up a “window” in which all future anticipated replacement costs are computed, based on the individual lives of the components under consideration.

The component method develops a reserve-funding plan where the total contribution is based on the sum of contributions for individual components. The funding is collected over the various respective useful lives. The segregated component method is the more conservative of the two funding options, and assures that the association will achieve and maintain an ideal level of reserves over time. This method also allows for computations on individual components in the analysis. The RDA Summary and RDA Projection Reports are based upon the component methodology.

■ 6. Funding Strategies

Once an association has established its funding goals, the association can select an appropriate funding plan. There are four basic strategies from which most associations select. It is recommended that associations consult professionals to determine the best strategy or combination of plans that best suit the association’s need. Additionally, associations should consult with their financial advisor to determine the tax implications of selecting a particular plan. Further, consultation with the American Institute of Certified Public Accountants (AICPA) for their reporting requirements is advisable. The four funding plans and descriptions of each are detailed below. Associations will have to update their reserve studies more or less frequently depending on the funding strategy they select.

- **Full (Ideal) Funding** — Given that the basis of funding for reserves is to evenly distribute the costs of the replacements over the lives of the components in question, it

follows that the ideal level of reserves would be proportionately related to those lives and costs. If an association has a component with an expected estimated useful life of ten years, it would set aside approximately one-tenth of the replacement cost each year. At the end of three years, one would expect that three-tenths of the replacement cost to have accumulated, and if so, that component would be "fully-funded." This model is important in that it is a measure of the adequacy of an association's reserves at any one point of time, and is independent of any particular method which may have been used for past funding or may be under consideration for future funding. The formula is based on current replacement cost, and is a measure in time, independent of future inflationary or investment factors:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

When an association's total accumulated reserves for all components meet this criteria, its reserves are *Ideally* or "fully-funded."

- **Baseline Funding - (RDA Cash Flow Minimum Reports)** — The goal of this funding method is to keep the reserve cash balance above zero. This means that while each individual component may not be fully funded, the reserve balance overall does not drop below zero during the projected period. An association using this funding method must understand that even a minor reduction in a component's remaining useful life can result in a deficit in the reserve cash balance.
- **Threshold Funding - (RDA Cash Flow Minimum Reports)** — This method is based on the baseline funding concept. The minimum reserve cash balance in threshold funding, however, is set at a predetermined dollar amount. For example, a funding plan could be calculated to keep the reserve cash balance above, say, \$8,000.00. The "threshold" provides a bit of a safety margin in the year the reserve balance is projected to be at its lowest point.
- **Client Specified Funding - (RDA Cash Flow Specific Reports)** This method is used to measure the performance of any particular funding plan against the projected future expenditures. The CFS funding plan is often included in a report to demonstrate the (in)adequacy of the client's current reserve funding level. There are no thresholds or minimum cash balance limits here.
- **Statutory Funding - (RDA Cash Flow Specific Reports)** This method is based on local statutes. To use it, associations set aside a specific minimum amount of reserves as required by statutes. As with the Client Specified Funding method, it measures the performance of the legally required funding plan against the projected future expenditures.

■ 7. Distribution of Accumulated Reserves

The "Distribution of Accumulated Reserves Report" can be viewed and printed after performing the "RDA Summary Calculations," which is a "Component or Segregated Calculation Process," as opposed to the "Cash Flow Calculation Process," also available to the user in the program.

When calculating reserves based upon the component methodology, a beginning reserve balance must be allocated for each of the individual components considered in the analysis before the individual calculations can be completed. When this distribution is not available, or of sufficient detail, the following method is suggested for allocating reserves:

The first step the program performs in this process is subtracting, from the total accumulated reserves, any amounts for assets which have predetermined (fixed) reserve balances. The user can "fix" the accumulated reserve balance within the program on the individual asset's detail page. If by error these amounts total more than the amount of funds available, then the remaining assets are adjusted accordingly. A provision for a contingency reserve is then deducted by the determined percentage used, and if there are sufficient remaining funds available.

The second step is to identify the ideal level of reserves for each asset. As indicated in the prior section, this is accomplished by evaluating the component's age proportionate to its estimated useful life and current replacement cost. Again, the equation used is as follows:

$$\text{Fully Funded Reserves} = \frac{\text{Age of Component}}{\text{Useful Life}} \times \text{Current Replacement Cost}$$

The RDA RESERVE MANAGEMENT SOFTWARE™ program performs the above calculations to the very month the component was placed-in-service. It also allows for the accumulation of the necessary reserves for the replacement to be available on the first day of the fiscal year it is scheduled to be replaced.

The next step the program performs is to arrange all of the assets used in the study in ascending order by remaining life, and alphabetically within each grouping of remaining life items. These assets are then assigned their respective ideal level of reserves until the amount of funds available are depleted, or until all assets are appropriately funded. If any assets are assigned a zero remaining life (schedule for replacement this fiscal year), then the amount assigned equals the current replacement cost and funding begins for the next cycle of replacement. If there are insufficient funds available to accomplish this, then the software automatically adjust the zero remaining life item to 1 year and that asset assumes its new grouping position alphabetically in the final printed report.

If at the completion of this task there are additional moneys which have not been distributed, the remaining reserves are then assigned, in ascending order, to a level equal to, but not exceeding, the current replacement cost for each component. If there are sufficient moneys available to fund all assets at their current replacement cost levels, then any excess funds are designated as such and are not factored into any of the report computations. If at the end of this assignment process there are designated excess funds, they can be used to offset the monthly contribution requirements recommended, or used in any other manner the client may desire.

Assigning the reserves in this manner defers the make-up period for any underfunding over the longest remaining life of all the assets under consideration, thereby minimizing the impact of deficiency. For example, if the report indicates an underfunding of \$50,000, this underfunding will be assigned to components with the longest remaining life possible in order to give more time to "replenish" the account. If the \$50,000 underfunding were to be assigned to short remaining life items, the impact would be immediately felt.

If the reserves are underfunded, the monthly contribution requirements as outlined in this report can be expected to be higher than normal. In future years, as individual assets are replaced, the funding requirements will return to their normal levels. In the case of a large deficiency, a special assessment may be considered. Our computer program can easily generate revised reports outlining how the monthly contributions would be affected by such an adjustment, or by any other changes which may be under consideration.

■ 8. Funding Reserves

Two contribution numbers are provided in the report, the "Monthly Membership Contribution" and the "Net Monthly Allocation." The association should contribute to reserves each month the "Monthly Membership Contribution" figure, when the interest earned on the reserves is left in the reserve accounts as part of the contribution. When interest is earned on the reserves, that interest must be left in reserves and only amounts set aside for taxes should be removed.

The second alternative is to allocate the "Net Monthly Allocation" to reserves (this is the member contribution plus the anticipated interest earned for the fiscal year). This method assumes that all interest earned will be assigned directly as operating income. This allocation takes into consideration the anticipated interest earned on accumulated reserves regardless of whether or not it is actually earned. When taxes are paid the amount due will be taken directly from the association's operating accounts as the reserve accounts are allocated only those moneys net of taxes.

■ 9. Users' Guide to Your Reserve Analysis Study

Part II of your RDA REPORT contains the reserve analysis study for your association. There are seven types of pages in the study as described below.

REPORT SUMMARY

The **Report Summary** lists all of the parameters which were used in calculating the report as well as the summary of your reserve analysis study.

INDEX REPORTS

The **Distribution of Accumulated Reserves** report lists all assets in remaining life order. It also identifies the ideal level of reserves which should have accumulated for the association as well as the actual reserves available.

The **Funding Status Report** lists all assets by category (i.e. roofing, painting, lighting, etc.) together with their Useful & remaining life, current cost, Fully Funded (or ideal) reserve level, and the assigned (actual) reserve level.

DETAIL REPORTS

The **Detail Report** itemizes each asset and lists all measurements, current and future costs and calculations for that asset. Provisions for percentage replacements, salvage values and one-time replacements can also be utilized.

The numerical listings for each asset are enhanced by extensive narrative detailing factors such as design, manufacture quality, usage, exposure to elements and maintenance history.

The **Annual Expenditure Detail Report** is a year-by-year chronological listing of the assets according to their projected replacement year together with their corresponding projected replacement costs.

The **Detail Report Index** is an alphabetical listing of all assets together with the page number of the asset's individual detail report and asset number.

PROJECTIONS AND CHARTS

Thirty-year Projections as well as *Charts and Graphs* of projected data add to the usefulness of your reserve analysis study.

■ 10. Definitions

REPORT I.D. - Includes the REPORT DATE (ex. November 15, 1992), VERSION (ex. 001), and ACCOUNT NUMBER (ex. 9773). Please use this information when referencing your report. (Displayed on the summary page.)

BUDGET YEAR BEGINNING/ENDING - The budgetary year for which the report is prepared. For associations with fiscal years ending December 31, the monthly contribution figures indicated are for the 12 month period beginning 1/1/20XX and ending 12/31/20XX.

NUMBER OF UNITS/PHASES - If applicable, the number of units and/or phases included in this version of the report.

INFLATION - This figure is used to approximate the future cost to repair or replace each component in the report. The current cost for each component is compounded on an annual basis by the number of remaining years to replacement and the total is used in calculating the monthly reserve contribution which will be necessary in order to accumulate the required funds in time for replacement.

ANNUAL CONTRIBUTION INCREASE - The percentage rate at which the association will increase its contribution to reserves at the end of each year until the year in which the asset is replaced. For example, in order to accumulate \$10,000 in 10 years, you could set aside \$1,000 per year. As an alternative, you could set aside \$795 the first year and increase that amount by 5% each year until the year of replacement. In either case you arrive at the same amount. The idea is that you start setting aside a lower amount and increase that number each year in accordance with the planned percentage. Ideally this figure should be equal to the rate of inflation. It can, however, be used to aid those associations that have not set aside appropriate reserves in the past by making the initial year's allocation less formidable.

INVESTMENT YIELD - The average interest rate anticipated by the association based upon its current investment practices.

TAXES ON YIELD - The estimated percentage of interest income which will be set aside for taxes.

ACCUMULATED RESERVE BALANCE - The anticipated reserve balance on the first day of the fiscal year for which this report has been prepared. Based upon information provided and not audited.

PERCENT FULLY FUNDED - The ratio, at the beginning of the fiscal year, of the actual (or projected) reserve balance to the calculated fully funded balance, expressed as a percentage.

PHASE INCREMENT DETAIL/AGE - Comments regarding aging of the components on the basis of construction date or date of acceptance by the association.

MONTHLY CONTRIBUTION - The contribution to reserves required by the association each month.

INTEREST CONTRIBUTION - The interest that should be earned on the reserves, net of taxes, based upon their beginning reserve balance and monthly contributions for one year. This figure is averaged for budgeting purposes.

NET MONTHLY ALLOCATION - The sum of the monthly contribution and interest contribution figures.

GROUP OR FACILITY NUMBER/CATEGORY NUMBER - The report may be prepared and sorted either by group or facility (location, building, phase, etc.) or by category (roofing, painting, etc.). Standard report printing format is by category.

PERCENTAGE OF REPLACEMENT - In some cases, an asset may not be replaced in its entirety or the cost may be shared with a second party. Examples are budgeting for a percentage of replacement of streets over a period of time, or sharing the expense to replace a common wall with a neighboring party.

PLACED-IN-SERVICE - The month and year that the asset was placed-in-service. - This may be the construction date, the first escrow closure date in a given phase, or the date of the last servicing or replacement.

ESTIMATED USEFUL LIFE - The estimated useful life of an asset based upon industry standards, manufacturer specifications, visual inspection, location, usage, association standards and prior history. All of these factors are taken into consideration when tailoring the estimated useful life to the particular asset. For example, the carpeting in a hallway or elevator (a heavy traffic area) will not have the same life as the identical carpeting in a seldom-used meeting room or office.

ADJUSTMENT TO USEFUL LIFE - Once the useful life is determined it may be adjusted +/- by this separate figure for the current cycle of replacement. This will allow for a current period adjustment without affecting the estimated replacement cycles for future replacements.

ESTIMATED REMAINING LIFE - This calculation is completed internally based upon the report's fiscal year date and the date the asset was placed-in-service.

REPLACEMENT YEAR - The year that the asset is scheduled to be replaced. The appropriate funds will be available by the first day of the fiscal year for which replacement is anticipated.

FIXED ACCUMULATED RESERVES - An optional figure which, if used, will override the normal process of allocating reserves to each asset.

FIXED MONTHLY CONTRIBUTION - An optional figure which, if used, will override all calculations and set the contribution at this amount.

SALVAGE VALUE - The salvage value of the asset at the time of replacement, if applicable.

ONE-TIME REPLACEMENT - Notation if the asset is to be replaced on a one-time basis.

CURRENT REPLACEMENT COST - The estimated replacement cost effective as of the beginning of the fiscal year for which the report is being prepared.

FUTURE REPLACEMENT COST - The estimated cost to repair or replace the asset at the end of its estimated useful life based upon the current replacement cost and inflation.

COMPONENT INVENTORY - The task of selecting and quantifying reserve components. This task can be accomplished through on-site visual observations, review of association design and organizational documents, a review of established association precedents and discussion with appropriate association representative(s).

■ 11. A Multi-Purpose Tool

Your RDA REPORT is an important part of your association's budgetary process. Following its recommendations should ensure the association's smooth budgetary transitions from one fiscal year to the next, and either decrease or eliminate the need for "special assessments".

In addition, your RDA reserve study serves a variety of useful purposes:

- Following the recommendations of a reserve study performed by a professional consultant can protect the Board of Directors in a community from personal liability concerning reserve components and reserve funding.
- A reserve analysis study is required by your accountant during the preparation of the association's annual audit.
- A reserve study is often requested by lending institutions during the process of loan applications, both for the community and, in many cases, the individual owners.
- Your RDA REPORT is also a detailed inventory of the association's major assets and serves as a management tool for scheduling, coordinating and planning future repairs and replacements.
- Your RDA REPORT is a tool which can assist the Board in fulfilling its legal and fiduciary obligations for maintaining the community in a state of good repair. If a community is operating on a special assessment basis, it cannot guarantee that an assessment, when needed, will be passed. Therefore, it cannot guarantee its ability to perform the required repairs or replacements to those major components which the association is obligated to maintain.
- Since the RDA reserve analysis study includes precise measurements and cost estimates of the client's assets, the detail reports may be used to evaluate the accuracy and price of contractor bids when assets are due to be repaired or replaced.
- The reserve study is an annual disclosure to the membership concerning the financial condition of the association, and may be used as a "consumers' guide" by prospective purchasers.

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RESERVE COMPONENT FUNDING SUMMARY REPORT

For the fiscal year beginning January 1, 2008

ABC Courthomes Association

Metropolitan, Minnesota

92 units

1. Current Reserve Component Budget:

	Annual Amount	Annual Per Unit (Average)	Monthly Per Unit (Average)
Reserve Component Assessment:	\$43,248.00	\$470.09	\$39.17

Note: If assessments vary by size or type of unit, the assessment applicable to a specific unit must accompany this document when included as part of a resale disclosure.

2. Based upon the most recent reserve study and other information available to the board of directors, will currently projected reserve account balances be sufficient at the end of each year to meet the association's obligation for major repairs and/or replacement of the Reserve Components during the next 30 years? NO

3. If the answer to #2 is no, list the first year in which an actual cash deficit is projected, the year of peak deficit, and the amount needed to cover the shortfalls:

First Year of Projected Cash Deficit	Amount of Shortfall	Average Cost Per Unit
2017	\$72,944.00	\$792.87

Year of Peak Projected Cash Deficit	Amount of Shortfall	Average Cost Per Unit
2037	\$2,515,109.00	\$27,338.14

Note: If assessments vary by size or type of unit, the assessment applicable to a specific unit must accompany this document when included as part of a resale disclosure.

4. Funding status for the fiscal year beginning January 1, 2008:

A) *Fully Funded Balance (total accrued depreciation) for reserved components	\$1,033,869.00
B) Reserve Fund Beginning Balance:	\$231,306.00
C) Total unfunded depreciation liability, where amount on line A is greater than B	\$802,563.00

**Fully Funded Balance = Effective Age of Component ÷ Estimated Useful Life X Current Replacement Cost, summed for all components.*

The following issues, if not disclosed, would cause a distortion of the association's condition:
N/A

Gregory L. Pettersen

Preparer


Signature/credentials



June 26, 2007

Date

NOTE: The financial representations set forth in this summary are based on information provided by the association and the best estimates of the preparer at the time the summary was prepared. The estimates are subject to change. A copy of the full reserve study report is available for review from the association upon request.

ABC Courthomes Association
Metropolitan, Minnesota
RDA Reserve Analysis Report Summary

Report Date	June 26, 2007	Parameters:	
Version	999	Inflation	3.90%
Account Number	15080	Annual Contribution Increase	3.90%
Budget Year Beginning	1/ 1/08	Investment Yield	4.50%
Ending	12/31/08	Taxes on Yield	30.00%
Total Units Included	92	Contingency	0.00%
Phase Development	1 of 1	Reserve Fund Balance as of	
		1/ 1/08:	\$231,306.38

Project Profile & Introduction

92 Clustered townhomes in 11 eight unit, & 1 four unit woodframe, 2 story buildings with attached garages, maintenance free exteriors, and private streets.
A common placed-in-service date of August 1997 was used for budgeting.
Original RDA inventory & on-site inspection: December 1, 2001
Most Recent RDA site visit: May 25, 2007
Management: XYZ Professional Management Company
Interest yield, tax rate and starting balance provided by client.
Inventory compiled by representative sampling wherever feasible.
All Reserve Studies must be updated regularly to maintain accuracy.

RDA Summary of Calculations

Monthly Contribution to Reserves Required:	\$15,088.10
(\$164.00 per unit per month)	
Average Net Monthly Interest Contribution This Year:	670.46
Net Monthly Allocation to Reserves 1/ 1/08 to 12/31/08:	\$15,758.56
(\$171.29 per unit per month)	

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ABC Courthomes Association
Metropolitan, Minnesota
CFM Reserve Analysis Report Summary

Report Date	June 26, 2007	Parameters:	
Version	999	Inflation	3.90%
Account Number	15080	Annual Contribution Increase	3.90%
Budget Year Beginning	1/ 1/08	Investment Yield	4.50%
Ending	12/31/08	Taxes on Yield	30.00%
		Contingency	0.00%
Total Units Included	92	Reserve Fund Balance as of	
Phase Development	1 of 1	1/ 1/08:	\$231,306.38

Project Profile & Introduction

92 Clustered townhomes in 11 eight unit, & 1 four unit woodframe, 2 story buildings with attached garages, maintenance free exteriors, and private streets.

A common placed-in-service date of August 1997 was used for budgeting.

Original RDA inventory & on-site inspection: December 1, 2001

Most Recent RDA site visit: May 25, 2007

Management: XYZ Professional Management Company

Interest yield, tax rate and starting balance provided by client.

Inventory compiled by representative sampling wherever feasible.

All Reserve Studies must be updated regularly to maintain accuracy.

Cash Flow Minimum Summary of Calculations

Monthly Contribution to Reserves Required:	\$11,886.74
(\$129.20 per unit per month)	
Average Net Monthly Interest Contribution This Year:	623.84
Net Monthly Allocation to Reserves 1/ 1/08 to 12/31/08:	\$12,510.58
(\$135.98 per unit per month)	

RDA Reserve Management Software

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ABC Courthomes Association
Metropolitan, Minnesota
CFS Reserve Analysis Report Summary

Report Date	June 26, 2007	Parameters:	
Version	999	Inflation	3.90%
Account Number	15080	Annual Contribution Increase	3.90%
Budget Year Beginning	1/ 1/08	Investment Yield	4.50%
Ending	12/31/08	Taxes on Yield	30.00%
		Contingency	0.00%
Total Units Included	92	Reserve Fund Balance as of	
Phase Development	1 of 1	1/ 1/08:	\$231,306.38

Project Profile & Introduction

92 Clustered townhomes in 11 eight unit, & 1 four unit woodframe, 2 story buildings with attached garages, maintenance free exteriors, and private streets.

A common placed-in-service date of August 1997 was used for budgeting.

Original RDA inventory & on-site inspection: December 1, 2001

Most Recent RDA site visit: May 25, 2007

Management: XYZ Professional Management Company

Interest yield, tax rate and starting balance provided by client.

Inventory compiled by representative sampling wherever feasible.

All Reserve Studies must be updated regularly to maintain accuracy.

Cash Flow Specific Summary of Calculations

Monthly Contribution to Reserves Required:	\$3,604.00
(\$39.17 per unit per month)	
Average Net Monthly Interest Contribution This Year:	503.20
Net Monthly Allocation to Reserves 1/ 1/08 to 12/31/08:	\$4,107.20
(\$44.64 per unit per month)	

RDA Reserve Management Software

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RESERVE DATA ANALYSIS • (866) 780-7943

• PAGE 2 - 3 •

ABC Courthomes Association
Distribution of Accumulated Reserves

REPORT DATE: June 26, 2007
 VERSION: 999
 ACCOUNT NUMBER: 15080

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Added Off-Street Parking - Chipcoat	0	140.03	140.03
Driveways - Asphalt Repairs	0	9,331.56	9,331.56
Driveways - Seal Coating	0	5,713.20	5,713.20
Irrigation Backflow Device	0	600.12	600.12
Irrigation Controllers	0	1,202.00	1,202.00
Lighting - Coach Lantern, Porch	0	16,102.00	16,102.00
Streets & Pkg - Asphalt Repairs	0	16,323.86	16,323.86
Streets & Pkg - Chipcoating	0	12,659.32	12,659.32
Landscape - Periodic Refurbishment	4	49,124.28	49,124.28
Mailboxes - Pedestal Sets	4	9,417.63	9,417.63
Signs - Traffic	4	1,460.26	1,460.26
Roofs - Composition Shingle	7	163,318.71	109,232.12
Added Off-Street Parking - Repair	8	48.80	0.00
Driveways - Asphalt Replacement	9	50,470.69	0.00
Fencing - Vinyl Patio	9	33,220.49	0.00
Streets & Pkg - Asphalt Overlay	9	47,668.99	0.00
Doors - Metal Entry & Storm Doors	11	32,432.88	0.00
Lighting - Street	11	4,058.75	0.00
Concrete Curbs, Patios, Sidewalks	14	83,732.08	0.00
Doors - Garage, Sectional Metal	14	27,281.57	0.00
Gutters & Downspouts	14	11,968.86	0.00
Retaining Walls- Keystone	14	22,633.53	0.00
Siding* - Vinyl	14	181,755.29	0.00
Soffit & Fascia, Prefinished Metal	14	57,466.30	0.00
Windows	14	162,283.28	0.00
ANTICIPATED SIGNAGE AND FENCE *2007	17	344.69	0.00
Added Off-Street Parking - Replace	18	118.21	0.00
Wrapped Jambs - Overhead Doors	24	627.89	0.00
Subterranean Utilities	34	32,363.98	0.00

ABC Courthomes Association
Distribution of Accumulated Reserves

DESCRIPTION	REM LIFE	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Total Asset Summary:		1,033,869.25	231,306.38
Contingency @ 0.00%:		0.00	0.00
Grand Total:		1,033,869.25	231,306.38
Excess Reserves Not Used:			0.00
Percent Fully Funded:	22%		

ABC Courthomes Association
Funding Status Report

REPORT DATE: June 26, 2007
 VERSION: 999
 ACCOUNT NUMBER: 15080

DESCRIPTION	USE LIFE	+/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
Concrete Curbs, Patios, Sidewalks	25	0	14	196,268	83,732	0
*** CATEGORY SUMMARY:				196,268	83,732	0
Added Off-Street Parking - Chipcoat	5	-3	0	140	140	140
Added Off-Street Parking - Repair	20	-10	8	361	49	0
Added Off-Street Parking - Replace	20	0	18	1,820	118	0
Driveways - Asphalt Repairs	10	+1	0	9,332	9,332	9,332
Driveways - Asphalt Replacement	20	0	9	94,077	50,471	0
Driveways - Seal Coating	3	0	0	5,713	5,713	5,713
Streets & Pkg - Asphalt Overlay	20	0	9	88,855	47,669	0
Streets & Pkg - Asphalt Repairs	10	-1	0	16,324	16,324	16,324
Streets & Pkg - Chipcoating	5	0	0	12,659	12,659	12,659
*** CATEGORY SUMMARY:				229,282	142,475	44,168
Roofs - Composition Shingle	18	0	7	273,069	163,319	109,232
*** CATEGORY SUMMARY:				273,069	163,319	109,232
Fencing - Vinyl Patio	20	0	9	61,923	33,220	0
*** CATEGORY SUMMARY:				61,923	33,220	0
Lighting - Coach Lantern, Porch	10	0	0	16,102	16,102	16,102
Lighting - Street	22	0	11	8,345	4,059	0
*** CATEGORY SUMMARY:				24,447	20,161	16,102
Doors - Garage, Sectional Metal	25	0	14	63,948	27,282	0
Doors - Metal Entry & Storm Doors	22	0	11	66,682	32,433	0
Gutters & Downspouts	25	0	14	28,055	11,969	0
Siding* - Vinyl	25	0	14	426,034	181,755	0
Soffit & Fascia, Prefinished Metal	25	0	14	134,701	57,466	0
Windows	25	0	14	380,392	162,283	0
Wrapped Jambs - Overhead Doors	25	0	24	18,711	628	0
*** CATEGORY SUMMARY:				1,118,523	473,816	0
ANTICIPATED SIGNAGE AND FENCE *2007	18	0	17	10,390	345	0
Irrigation Backflow Device	5	0	0	600	600	600
Irrigation Controllers	10	0	0	1,202	1,202	1,202
Landscape - Periodic Refurbishment	15	0	4	67,988	49,124	49,124
Mailboxes - Pedestal Sets	15	0	4	13,034	9,418	9,418
Retaining Walls- Keystone	25	0	14	53,053	22,634	0
Signs - Traffic	15	0	4	2,021	1,460	1,460
Subterranean Utilities	45	0	34	138,000	32,364	0
*** CATEGORY SUMMARY:				286,288	117,146	61,804

ABC Courthomes Association
Funding Status Report

DESCRIPTION	USE +/- LIFE	REM LIFE	CURRENT COST	FULLY FUNDED RESERVES	ASSIGNED RESERVES
TOTAL ASSET SUMMARY:			2,189,800	1,033,869	231,306
CONTINGENCY @ 0.00%:				0	0
GRAND TOTAL:				1,033,869	231,306
Percent Fully Funded:	22%				

ABC Courthomes Association
RDA Standard Projections



REPORT DATE: June 26, 2007
 VERSION: 999
 ACCOUNT NUMBER: 15080

Beginning Accumulated Reserves: \$231,306

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'08	2,189,800	181,057	8,046	62,072	358,337	1,117,277	32%
'09	2,275,202	180,407	14,080	0	552,824	1,272,626	43%
'10	2,363,935	183,174	20,335	0	756,333	1,438,392	53%
'11	2,456,129	190,018	26,734	6,408	966,677	1,608,495	60%
'12	2,551,918	196,481	30,663	96,775	1,097,046	1,695,775	65%
'13	2,651,443	203,330	37,503	16,224	1,321,654	1,875,030	70%
'14	2,754,849	210,237	45,071	7,187	1,569,775	2,075,734	76%
'15	2,862,288	215,210	41,895	356,928	1,469,952	1,925,462	76%
'16	2,973,917	219,249	50,155	490	1,738,865	2,145,084	81%
'17	3,089,900	219,978	47,477	353,563	1,652,757	2,011,547	82%
'18	3,210,406	215,301	53,315	82,626	1,838,747	2,160,160	85%
'19	3,335,612	201,269	58,043	114,285	1,983,775	2,287,614	87%
'20	3,465,701	203,390	66,072	9,042	2,244,196	2,535,702	89%
'21	3,600,863	210,427	74,786	0	2,529,409	2,809,422	90%
'22	3,741,297	208,029	13,842	2,191,082	560,199	821,926	68%
'23	3,887,207	211,989	19,907	33,928	758,167	1,005,200	75%
'24	4,038,808	218,891	27,418	0	1,004,477	1,238,145	81%
'25	4,196,322	226,770	34,768	19,910	1,246,105	1,467,016	85%
'26	4,359,978	235,777	42,779	15,000	1,509,661	1,717,758	88%
'27	4,530,018	244,625	46,320	171,790	1,628,815	1,823,529	89%
'28	4,706,688	253,978	51,883	121,136	1,813,540	1,994,529	91%
'29	4,890,249	264,065	61,397	12,759	2,126,242	2,293,605	93%
'30	5,080,969	274,610	71,952	0	2,472,804	2,626,749	94%
'31	5,279,127	285,591	83,188	0	2,841,582	2,982,389	95%
'32	5,485,012	296,809	93,181	61,178	3,170,394	3,298,197	96%
'33	5,698,928	306,107	81,954	745,530	2,812,925	2,925,539	96%
'34	5,921,186	317,365	94,520	0	3,224,810	3,323,612	97%
'35	6,152,112	328,803	107,337	16,051	3,644,899	3,731,609	98%
'36	6,392,045	341,814	121,431	1,054	4,107,090	4,182,606	98%
'37	6,641,335	353,021	112,666	742,609	3,830,168	3,892,672	98%

NOTE: In some cases, the projected ending reserves may exceed the fully funded reserves during years following high expenditures. This is a result of the provision for a contingency in the report, which in the projections, is never expended. The contingency is continually adjusted according to present needs - if any excess is redistributed among all assets considered.

ABC Courthomes Association
Cash Flow Minimum Projections

REPORT DATE: June 26, 2007
 VERSION: 999
 ACCOUNT NUMBER: 15080

Beginning Accumulated Reserves: \$231,306

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'08	2,189,800	142,641	7,486	62,072	319,361	1,117,277	29%
'09	2,275,202	148,204	12,365	0	479,930	1,272,626	38%
'10	2,363,935	153,984	17,581	0	651,495	1,438,392	45%
'11	2,456,129	159,989	22,946	6,408	828,022	1,608,495	51%
'12	2,551,918	166,229	25,791	96,775	923,266	1,695,775	54%
'13	2,651,443	172,712	31,503	16,224	1,111,257	1,875,030	59%
'14	2,754,849	179,447	37,898	7,187	1,321,415	2,075,734	64%
'15	2,862,288	186,446	33,539	356,928	1,184,472	1,925,462	62%
'16	2,973,917	193,717	40,660	490	1,418,359	2,145,084	66%
'17	3,089,900	201,272	36,961	353,563	1,303,030	2,011,547	65%
'18	3,210,406	209,122	42,048	82,626	1,471,574	2,160,160	68%
'19	3,335,612	217,278	46,542	114,285	1,621,109	2,287,614	71%
'20	3,465,701	225,751	54,808	9,042	1,892,626	2,535,702	75%
1	3,600,863	234,556	63,902	0	2,191,084	2,809,422	78%
2	3,741,297	243,703	3,550	2,191,082	247,255	821,926	30%
'23	3,887,207	253,208	10,506	33,928	477,041	1,005,200	47%
'24	4,038,808	263,083	19,077	0	759,201	1,238,145	61%
'25	4,196,322	273,343	27,608	19,910	1,040,242	1,467,016	71%
'26	4,359,978	284,004	36,902	15,000	1,346,148	1,717,758	78%
'27	4,530,018	295,080	41,829	171,790	1,511,266	1,823,529	83%
'28	4,706,688	306,588	48,892	121,136	1,745,610	1,994,529	88%
'29	4,890,249	318,545	60,019	12,759	2,111,415	2,293,605	92%
'30	5,080,969	330,968	72,299	0	2,514,682	2,626,749	96%
'31	5,279,127	343,876	85,375	0	2,943,932	2,982,389	99%
'32	5,485,012	357,287	97,333	61,178	3,337,374	3,298,197	101%
'33	5,698,928	371,221	88,239	745,530	3,051,304	2,925,539	104%
'34	5,921,186	385,699	103,134	0	3,540,136	3,323,612	107%
'35	6,152,112	400,741	118,462	16,051	4,043,289	3,731,609	108%
'36	6,392,045	416,370	135,249	1,054	4,593,854	4,182,606	110%
'37	6,641,335	432,608	129,382	742,609	4,413,234	3,892,672	113%



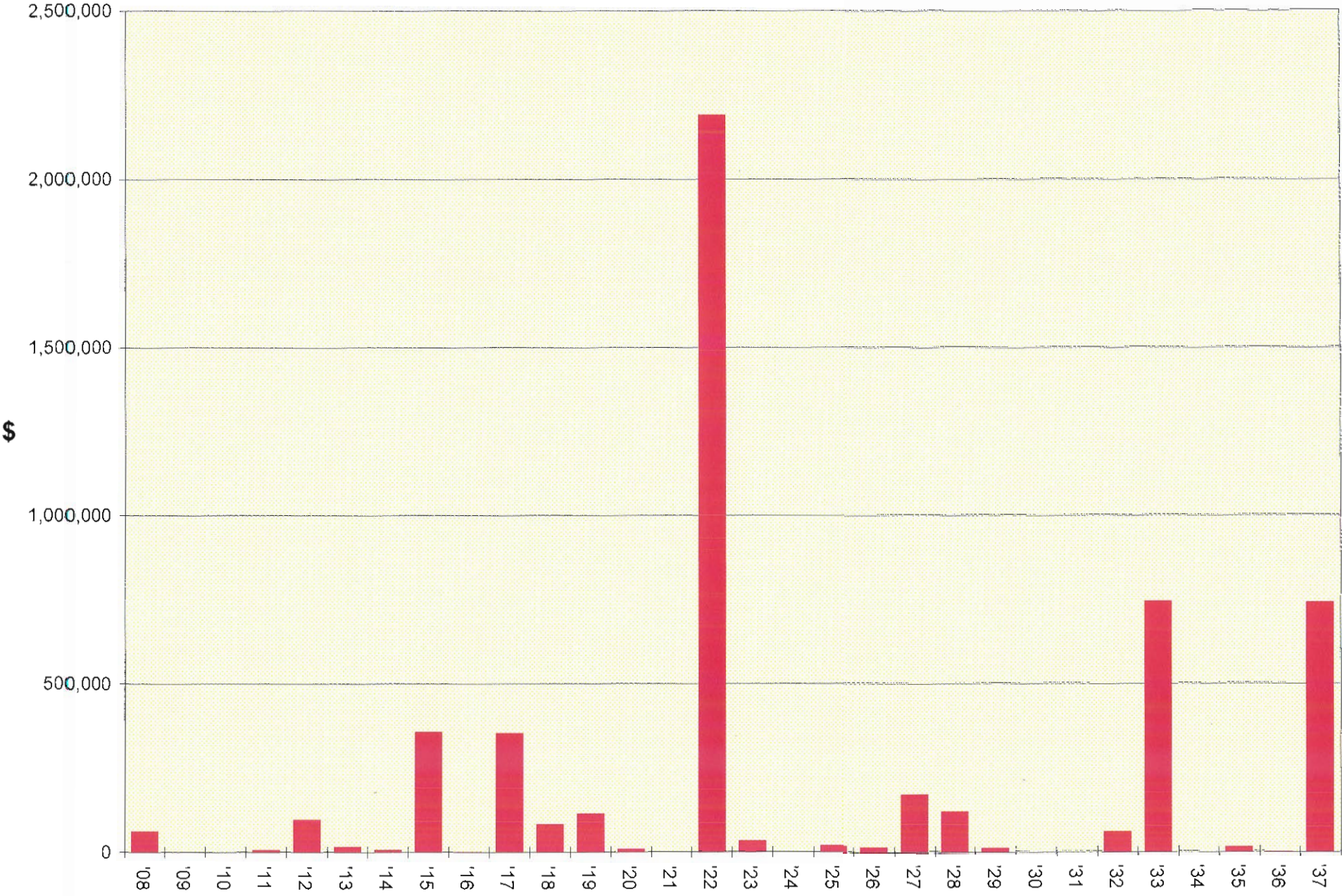
ABC Courthomes Association
Cash Flow Specific Projections

REPORT DATE: June 26, 2007
 VERSION: 999
 ACCOUNT NUMBER: 15080

Beginning Accumulated Reserves: \$231,306

YEAR	CURRENT REPLACEMENT COST	ANNUAL CONTRBTN	ANNUAL INTEREST CONTRBTN	ANNUAL EXPENDTRS	PROJECTED ENDING RESERVES	FULLY FUNDED RESERVES	PERCENT FULLY FUNDED
'08	2,189,800	43,248	6,038	62,072	218,521	1,117,277	20%
'09	2,275,202	44,935	7,638	0	271,093	1,272,626	21%
'10	2,363,935	46,687	9,344	0	327,124	1,438,392	23%
'11	2,456,129	48,508	10,956	6,408	380,180	1,608,495	24%
'12	2,551,918	50,400	9,791	96,775	343,596	1,695,775	20%
'13	2,651,443	52,365	11,225	16,224	390,962	1,875,030	21%
'14	2,754,849	54,408	13,057	7,187	451,240	2,075,734	22%
'15	2,862,288	56,529	3,837	356,928	154,678	1,925,462	8%
'16	2,973,917	58,734	5,783	490	218,705	2,145,084	10%
'17	3,089,900	61,025	889	353,563	-72,944	2,011,547	-4%
'18	3,210,406	63,405	923	82,626	-91,242	2,160,160	-4%
'19	3,335,612	65,877	959	114,285	-138,690	2,287,614	-6%
'20	3,465,701	68,447	997	9,042	-78,288	2,535,702	-3%
'21	3,600,863	71,116	1,036	0	-6,136	2,809,422	-0%
'22	3,741,297	73,890	1,076	2,191,082	-2,122,252	821,926	-258%
'23	3,887,207	76,771	1,118	33,928	-2,078,290	1,005,200	-207%
'24	4,038,808	79,765	1,162	0	-1,997,363	1,238,145	-161%
'25	4,196,322	82,876	1,207	19,910	-1,933,190	1,467,016	-132%
'26	4,359,978	86,108	1,254	15,000	-1,860,827	1,717,758	-108%
'27	4,530,018	89,467	1,303	171,790	-1,941,848	1,823,529	-106%
'28	4,706,688	92,956	1,354	121,136	-1,968,674	1,994,529	-99%
'29	4,890,249	96,581	1,407	12,759	-1,883,445	2,293,605	-82%
'30	5,080,969	100,348	1,462	0	-1,781,635	2,626,749	-68%
'31	5,279,127	104,261	1,519	0	-1,675,856	2,982,389	-56%
'32	5,485,012	108,328	1,578	61,178	-1,627,128	3,298,197	-49%
'33	5,698,928	112,552	1,639	745,530	-2,258,467	2,925,539	-77%
'34	5,921,186	116,942	1,703	0	-2,139,822	3,323,612	-64%
'35	6,152,112	121,503	1,770	16,051	-2,032,600	3,731,609	-54%
'36	6,392,045	126,241	1,839	1,054	-1,905,575	4,182,606	-46%
'37	6,641,335	131,165	1,910	742,609	-2,515,109	3,892,672	-65%

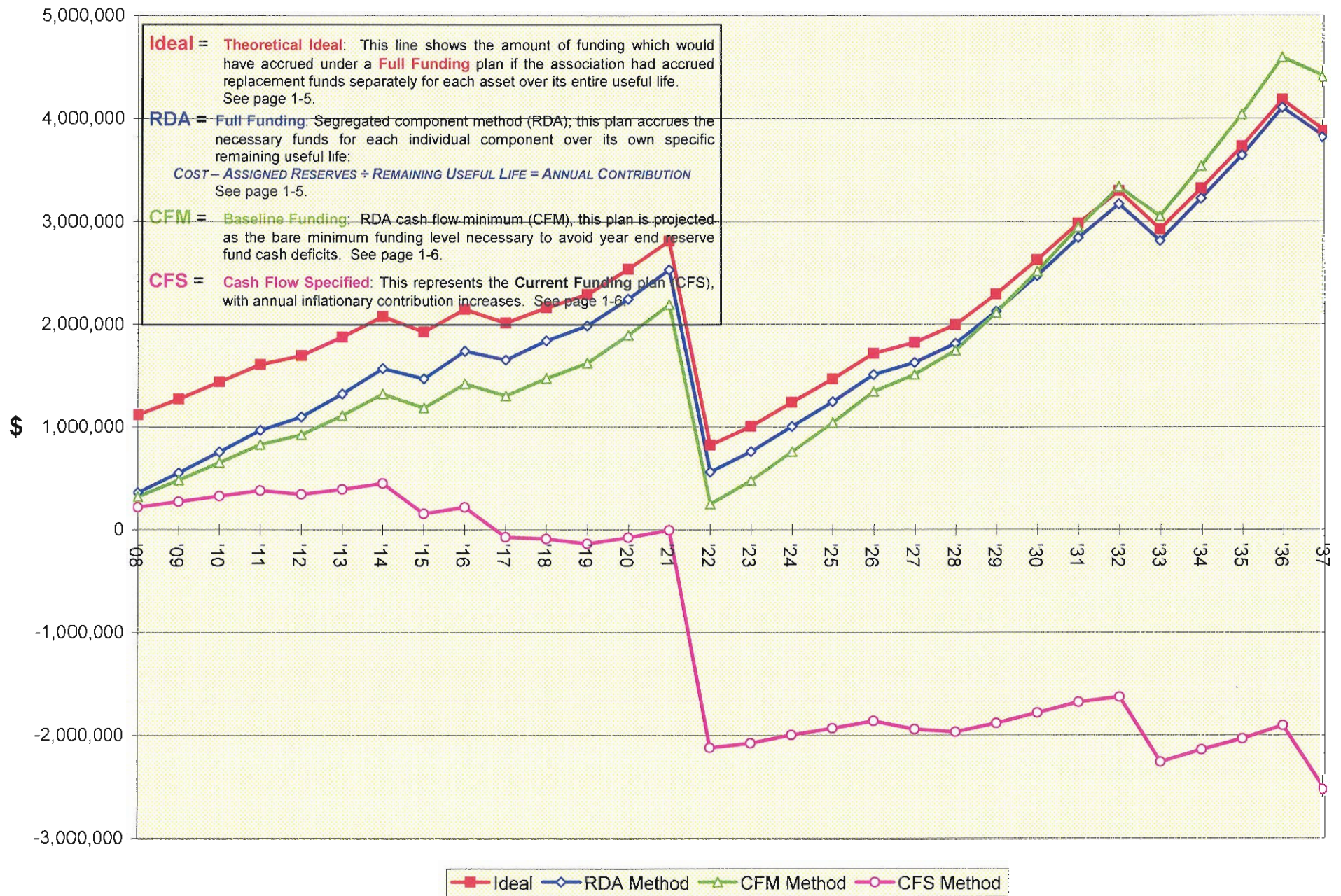
ABC Courthomes Association



Annual Reserve Expenditures

Reserve Data Analysis, Inc.

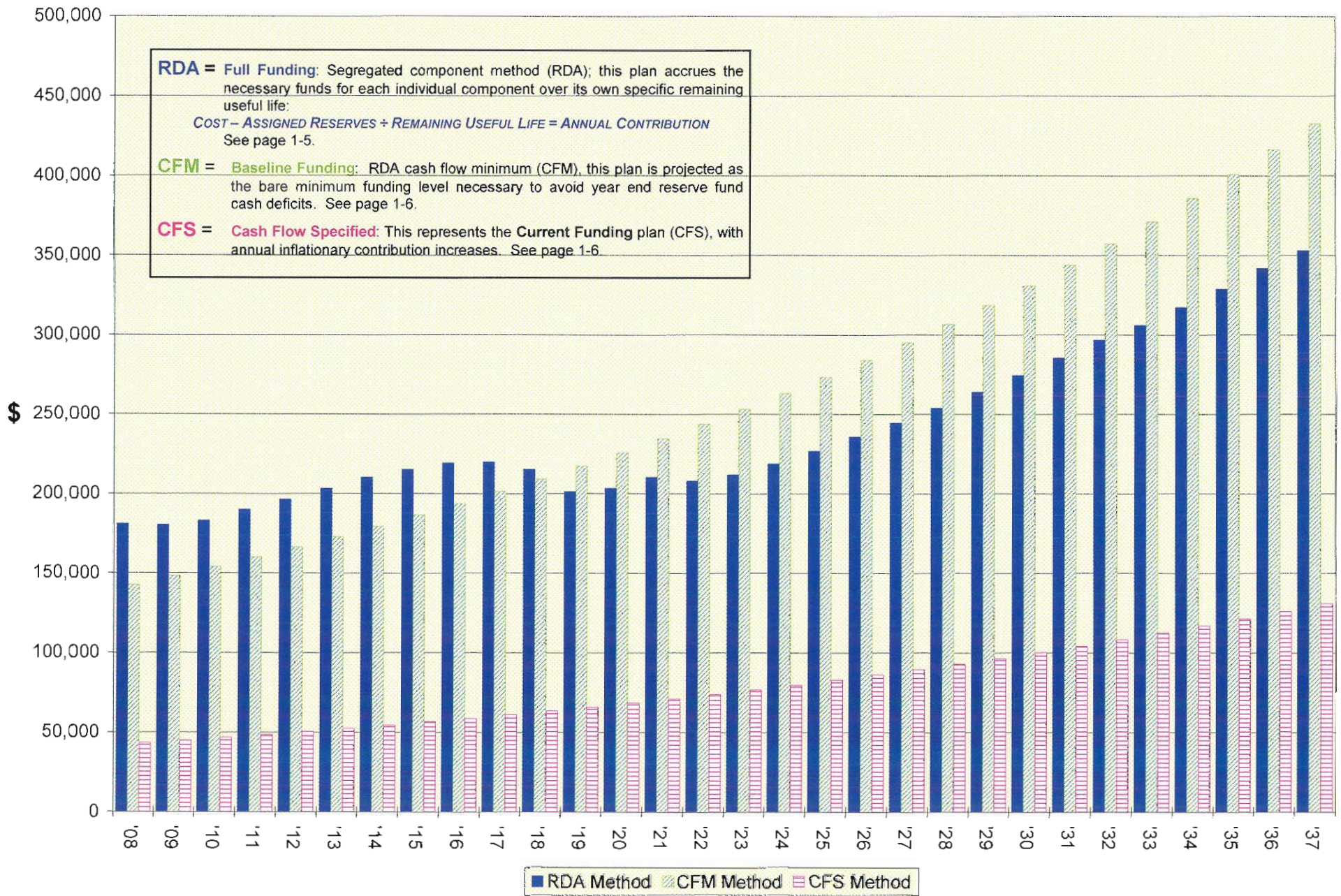
ABC Courthomes Association



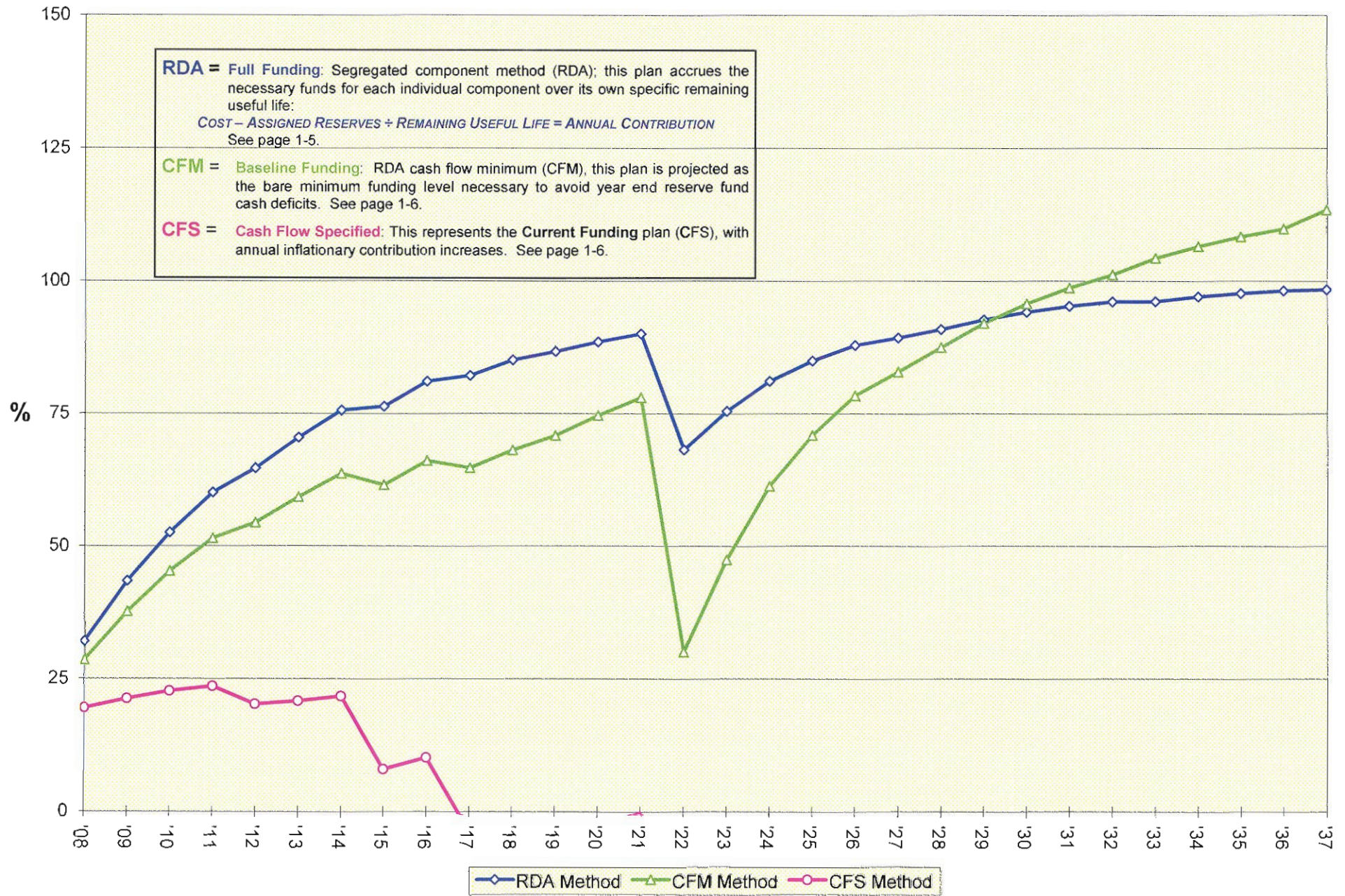
Year End Reserve Balances

Reserve Data Analysis, Inc.

ABC Courthomes Association



ABC Courthomes Association



Percentage Ideally Funded

Reserve Data Analysis, Inc.

ABC Courthomes Association
Annual Expenditure Detail

REPORT DATE: June 26, 2007
VERSION: 999
ACCOUNT NUMBER: 15080

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2008	
Added Off-Street Parking - Chipcoat	140.03
Driveways - Asphalt Repairs	9,331.56
Driveways - Seal Coating	5,713.20
Irrigation Backflow Device	600.12
Irrigation Controllers	1,202.00
Lighting - Coach Lantern, Porch	16,102.00
Streets & Pkg - Asphalt Repairs	16,323.86
Streets & Pkg - Chipcoating	12,659.32
*** ANNUAL TOTAL:	<hr/> 62,072.09
REPLACEMENT YEAR 2009	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2010	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2011	
Driveways - Seal Coating	6,408.04
*** ANNUAL TOTAL:	<hr/> 6,408.04
REPLACEMENT YEAR 2012	
Landscape - Periodic Refurbishment	79,230.87
Mailboxes - Pedestal Sets	15,189.38
Signs - Traffic	2,355.21
*** ANNUAL TOTAL:	<hr/> 96,775.46
REPLACEMENT YEAR 2013	
Added Off-Street Parking - Chipcoat	169.55
Irrigation Backflow Device	726.64
Streets & Pkg - Chipcoating	15,328.09
*** ANNUAL TOTAL:	<hr/> 16,224.28

ABC Courthomes Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2014	
Driveways - Seal Coating	7,187.40
*** ANNUAL TOTAL:	<hr/> 7,187.40
REPLACEMENT YEAR 2015	
Roofs - Composition Shingle	356,928.36
*** ANNUAL TOTAL:	<hr/> 356,928.36
REPLACEMENT YEAR 2016	
Added Off-Street Parking - Repair	490.43
*** ANNUAL TOTAL:	<hr/> 490.43
REPLACEMENT YEAR 2017	
Driveways - Asphalt Replacement	132,747.11
Driveways - Seal Coating	8,061.55
Fencing - Vinyl Patio	87,375.93
Streets & Pkg - Asphalt Overlay	125,378.12
*** ANNUAL TOTAL:	<hr/> 353,562.71
REPLACEMENT YEAR 2018	
Added Off-Street Parking - Chipcoat	205.30
Driveways - Asphalt Repairs	13,680.73
Irrigation Backflow Device	879.83
Irrigation Controllers	1,762.22
Lighting - Coach Lantern, Porch	23,606.70
Streets & Pkg - Asphalt Repairs	23,931.96
Streets & Pkg - Chipcoating	18,559.48
*** ANNUAL TOTAL:	<hr/> 82,626.22
REPLACEMENT YEAR 2019	
Doors - Metal Entry & Storm Doors	101,573.32
Lighting - Street	12,711.23
*** ANNUAL TOTAL:	<hr/> 114,284.55
REPLACEMENT YEAR 2020	
Driveways - Seal Coating	9,042.01

ABC Courthomes Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
*** ANNUAL TOTAL:	<hr/> 9,042.01
REPLACEMENT YEAR 2021	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2022	
Concrete Curbs, Patios, Sidewalks	335,325.91
Doors - Garage, Sectional Metal	109,255.84
Gutters & Downspouts	47,932.30
Retaining Walls- Keystone	90,641.61
Siding* - Vinyl	727,884.26
Soffit & Fascia, Prefinished Metal	230,138.08
Windows	649,903.74
*** ANNUAL TOTAL:	<hr/> 2,191,081.74
REPLACEMENT YEAR 2023	
Added Off-Street Parking - Chipcoat	248.58
Driveways - Seal Coating	10,141.72
Irrigation Backflow Device	1,065.31
Streets & Pkg - Chipcoating	22,472.09
*** ANNUAL TOTAL:	<hr/> 33,927.70
REPLACEMENT YEAR 2024	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2025	
ANTICIPATED SIGNAGE AND FENCE *2007	19,910.41
*** ANNUAL TOTAL:	<hr/> 19,910.41
REPLACEMENT YEAR 2026	
Added Off-Street Parking - Replace	3,624.47
Driveways - Seal Coating	11,375.18
*** ANNUAL TOTAL:	<hr/> 14,999.65
REPLACEMENT YEAR 2027	
Landscape - Periodic Refurbishment	140,646.05
Mailboxes - Pedestal Sets	26,963.32

ABC Courthomes Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
Signs - Traffic	4,180.81
*** ANNUAL TOTAL:	<hr/> 171,790.18
REPLACEMENT YEAR 2028	
Added Off-Street Parking - Chipcoat	300.98
Driveways - Asphalt Repairs	20,056.95
Irrigation Backflow Device	1,289.90
Irrigation Controllers	2,583.56
Lighting - Coach Lantern, Porch	34,609.14
Streets & Pkg - Asphalt Repairs	35,086.00
Streets & Pkg - Chipcoating	27,209.53
*** ANNUAL TOTAL:	<hr/> 121,136.06
REPLACEMENT YEAR 2029	
Driveways - Seal Coating	12,758.65
*** ANNUAL TOTAL:	<hr/> 12,758.65
REPLACEMENT YEAR 2030	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2031	
*** ANNUAL TOTAL:	0.00
REPLACEMENT YEAR 2032	
Driveways - Seal Coating	14,310.39
Wrapped Jambs - Overhead Doors	46,867.48
*** ANNUAL TOTAL:	<hr/> 61,177.87
REPLACEMENT YEAR 2033	
Added Off-Street Parking - Chipcoat	364.44
Irrigation Backflow Device	1,561.84
Roofs - Composition Shingle	710,658.41
Streets & Pkg - Chipcoating	32,945.70
*** ANNUAL TOTAL:	<hr/> 745,530.39
REPLACEMENT YEAR 2034	
*** ANNUAL TOTAL:	0.00

ABC Courthomes Association
Annual Expenditure Detail

DESCRIPTION	EXPENDITURES
REPLACEMENT YEAR 2035	
Driveways - Seal Coating	16,050.86
*** ANNUAL TOTAL:	<hr/> 16,050.86
REPLACEMENT YEAR 2036	
Added Off-Street Parking - Repair	1,054.11
*** ANNUAL TOTAL:	<hr/> 1,054.11
REPLACEMENT YEAR 2037	
Driveways - Asphalt Replacement	285,322.53
Fencing - Vinyl Patio	187,803.10
Streets & Pkg - Asphalt Overlay	269,483.83
*** ANNUAL TOTAL:	<hr/> 742,609.46

ABC Courthomes Association

BASELINE, Cash Flow Minimum Projections																				
Report Date: 6/26/07																				
Report Version: 999																				

ABC Courthomes Association

BASELINE, Cash Flow Minimum Project																
Report Date: 6/26/07																
Report Version: 999																
	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32	'33	'34	'35	'36	'37	
BEGINNING RESERVE BALANCE	247,255	477,041	759,201	1,040,242	1,346,148	1,511,266	1,745,610	2,111,415	2,514,682	2,943,932	3,337,374	3,051,304	3,540,136	4,043,289	4,593,854	
Member Contribution	253,208	263,083	273,343	284,004	295,080	306,588	318,545	330,968	343,876	357,287	371,221	385,699	400,741	416,370	432,608	
Interest Contribution	10,506	19,077	27,608	36,902	41,829	48,892	60,019	72,299	85,375	97,333	88,239	103,134	118,462	135,249	129,382	
Expenditures (detailed below)	33,928	0	19,910	15,000	171,790	121,136	12,759	0	0	61,178	745,530	0	16,051	1,054	742,609	
ENDING RESERVE BALANCE	477,041	759,201	1,040,242	1,346,148	1,511,266	1,745,610	2,111,415	2,514,682	2,943,932	3,337,374	3,051,304	3,540,136	4,043,289	4,593,854	4,413,234	
EXPENDITURE DETAIL																
Description	'23	'24	'25	'26	'27	'28	'29	'30	'31	'32	'33	'34	'35	'36	'37	
Concrete Curbs, Patios, Sidewalks																
Added Off-Street Parking - Chipcoat	249					301					364					
Added Off-Street Parking - Repair														1,054		
Added Off-Street Parking - Replace				3,624												
Driveways - Asphalt Repairs						20,057										
Driveways - Asphalt Replacement															285,322	
Driveways - Seal Coating	10,142			11,375			12,759			14,310			16,051			
Streets & Pkg - Asphalt Overlay															269,484	
Streets & Pkg - Asphalt Repairs						35,086										
Streets & Pkg - Chipcoating	22,472					27,210					32,946					
Roofs - Composition Shingle											710,658					
Fencing - Vinyl Patio															187,803	
Lighting - Coach Lantern, Porch						34,609										
Lighting - Street																
Doors - Garage, Sectional Metal																
Doors - Metal Entry & Storm Doors																
Gutters & Downspouts																
Siding* - Vinyl																
Soffit & Fascia, Prefinished Metal																
Windows																
Wrapped Jambs - Overhead Doors										46,868						
ANTICIPATED SIGNAGE AND FENCE *			19,910													
Irrigation Backflow Device	1,065					1,290					1,562					
Irrigation Controllers						2,584										
Landscape - Periodic Refurbishment					140,646											
Mailboxes - Pedestal Sets					26,963											
Retaining Walls- Keystone																
Signs - Traffic					4,181											
Subterranean Utilities																

ABC Courthomes Association
Cash Flow Detail Report by Category

REPORT DATE: June 26, 2007
VERSION: 999
ACCOUNT NUMBER: 15080

Concrete Curbs, Patios, Sidewalks

ASSET ID 1004
GROUP/FACILITY 0
CATEGORY 9

QUANTITY	1 Total
UNIT COST	196,268.000
PERCENT REPL	100.00%
CURRENT COST	196,268.00
FUTURE COST	335,325.95
SALVAGE VALUE	0.00

PLACED IN SERVICE 8/97
25 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2022
14 YEAR REM LIFE

REMARKS:

7,637 lineal feet surmountable concrete curb	@	\$ 15.40	=	\$ 117,610.00
7,360 sq ft of concrete patios	@	5.33	=	39,229.00
3,960 sq ft concrete sidewalks	@	5.33	=	21,107.00
1,320 sq ft concrete stoops	@	13.88	=	18,322.00

TOTAL				= \$ 196,268.00

NOTE: The client informs us reserve funds have been spent on repairs to sections of sidewalks. Total concrete replacement on an anticipated 25 year life cycle has been incorporated in this report.

This item provides funding for expected ongoing repairs and/or replacements of masonry infrastructure.

Masonry is often unfunded due to its extreme durability and its propensity to fail incrementally. However, due to the large quantity of masonry infrastructure and/or its age, condition, or historic performance, we recommend the client reserve funds for likely repairs or replacements that can reasonably be anticipated.

Should the client prefer to exclude this item from the funding plan at this time, we will gladly exclude it, with comment, in a revised report.

Accurate maintenance records should be kept regarding dates, quantities, costs, and vendors for all masonry services performed in order to facilitate accurate future updates to the reserve funding plan.

The cost used on this component includes the removal and disposal of the existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

Added Off-Street Parking - Chipcoat		QUANTITY	737 sq ft
		UNIT COST	0.190
ASSET ID	1032	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	140.03
CATEGORY	10	FUTURE COST	140.03
		SALVAGE VALUE	0.00
PLACED IN SERVICE 10/06			
5 YEAR USEFUL LIFE			
-3 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2008			
0 YEAR REM LIFE			

REMARKS:

The useful life has been adjusted to schedule these areas along with the rest of the chipcoating.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

Asphalt streets should be chipcoated within 3 years of their initial installation. Thereafter, a 4 to 6 year cycle should be observed and adjusted according to the pavement's particular needs.

In addition to this periodic application, annual maintenance should include sweeping, crack filling and any minor repairs necessary to ensure longevity of the asphalt mat.

The cost used here is for rolled rock chips in an oil emulsion and includes subsequent sweeping and disposal of excess rock chips.

ABC Courthomes Association
Cash Flow Detail Report by Category

Added Off-Street Parking - Repair		QUANTITY	737 sq ft
		UNIT COST	4.900
ASSET ID	1031	PERCENT REPL	10.00%
GROUP/FACILITY	0	CURRENT COST	361.13
CATEGORY	10	FUTURE COST	490.44
		SALVAGE VALUE	0.00
PLACED IN SERVICE 10/06			
20 YEAR USEFUL LIFE			
-10 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2016			
8 YEAR REM LIFE			

REMARKS:

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

It is estimated that a percentage of the asphalt areas will require repair or replacement. The actual condition of the asphalt should be monitored through time and the estimates adjusted accordingly.

To ensure the longevity of the asphalt surfaces the client's annual operating budget should include power sweeping, crack filling, and minor repairs.

Asphalt repair cost includes:

- Remove old asphalt & up to 30" of base & subgrade.
- Up to 22" compacted new sand fill.
- Minimum 6" compacted class five base.
- Minimum 2" compacted new asphalt.
- Tar emulsion sealer.

ABC Courthomes Association
Cash Flow Detail Report by Category

Added Off-Street Parking - Replace		QUANTITY	737 sq ft
		UNIT COST	2.470
ASSET ID	1030	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	1,820.39
CATEGORY	10	FUTURE COST	3,624.47
		SALVAGE VALUE	0.00
PLACED IN SERVICE 10/06			
20 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2026			
18 YEAR REM LIFE			

REMARKS:

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

At the time this report was prepared no detailed maintenance or replacement history was available for this item.

Should a historical record of the replacement or refurbishment activities for this item become available we will gladly incorporate it in a revised report.

(In order to accurately fund for future replacements, quantities and Placed-In-Service dates are required.)

In addition to this service, a consultant may be obtained to prepare the application specifications, and to work with the contractor during the actual installation. We recommend the client obtain bids for such a consultation near the end of the estimated useful life. As costs vary, we have not included such an expense in our cost estimates. Should the client request, we will be happy to incorporate this cost in our calculations.

ABC Courthomes Association
Cash Flow Detail Report by Category

Driveways - Asphalt Repairs		QUANTITY	38,088 sq. ft.
		UNIT COST	4.900
ASSET ID 1005		PERCENT REPL	5.00%
GROUP/FACILITY 0		CURRENT COST	9,331.56
CATEGORY 10		FUTURE COST	9,331.56
		SALVAGE VALUE	0.00

PLACED IN SERVICE 8/97
10 YEAR USEFUL LIFE
+1 YEAR ADJUSTMENT
REPLACEMENT YEAR 2008
0 YEAR REM LIFE

REMARKS:

Cost includes excavation and regrading.

* NOTE: may also use a smaller % over a shorter cycle.

Total quantity extrapolated from measurements of representative sampling.
Average of 414 sq ft X 92 units = 38,088 sq ft.

NOTE: The client has repaired (5) 16' driveways, and (4) 9' driveways.
Because this is only a small percentage of the total area requiring repairs, they have not been deducted from this entry.

It is estimated that a percentage of the asphalt areas will require repair or replacement. The actual condition of the asphalt should be monitored through time and the estimates adjusted accordingly.

To ensure the longevity of the asphalt surfaces the client's annual operating budget should include power sweeping, crack filling, and minor repairs.

Asphalt repair cost includes:

- Remove old asphalt & up to 30" of base & subgrade.
- Up to 22" compacted new sand fill.
- Minimum 6" compacted class five base.
- Minimum 2" compacted new asphalt.
- Tar emulsion sealer.

The useful life, and it's adjustment, have been assigned to provide funding for projected repairs midway between asphalt overlays or replacements.

ABC Courthomes Association
Cash Flow Detail Report by Category

Driveways - Asphalt Replacement	QUANTITY 38,088 sq. ft.
ASSET ID 1006	UNIT COST 2.470
GROUP/FACILITY 0	PERCENT REPL 100.00%
CATEGORY 10	CURRENT COST 94,077.36
	FUTURE COST 132,747.10
	SALVAGE VALUE 0.00
PLACED IN SERVICE 8/97	
20 YEAR USEFUL LIFE	
+0 YEAR ADJUSTMENT	
REPLACEMENT YEAR 2017	
9 YEAR REM LIFE	

REMARKS:

Cut and remove 2 " asphalt	@ \$.92
Minor Base course refurbishment	@ .46
2 " asphalt	@ 1.09

TOTAL	= \$ 2.47

It is likely that replacement, rather than overlay, will be required at the end of the useful life of the driveways.

Total quantity extrapolated from measurements of representative sampling.

In addition to this service, a consultant may be obtained to prepare the application specifications, and to work with the contractor during the actual installation. We recommend the client obtain bids for such a consultation near the end of the estimated useful life. As costs vary, we have not included such an expense in our cost estimates. Should the client request, we will be happy to incorporate this cost in our calculations.

To ensure the longevity of the asphalt surfaces the client's annual operating budget should include power sweeping, crack filling and minor repairs.

ABC Courthomes Association
Cash Flow Detail Report by Category

Driveways - Seal Coating		QUANTITY	38,088 sq. ft.
		UNIT COST	0.150
ASSET ID 1007		PERCENT REPL	100.00%
GROUP/FACILITY 0		CURRENT COST	5,713.20
CATEGORY 10		FUTURE COST	5,713.20
		SALVAGE VALUE	0.00

PLACED IN SERVICE 8/05
3 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2008
0 YEAR REM LIFE

REMARKS:

Total quantity extrapolated from measurements of representative sampling.

Asphalt surfaces should be Chipcoated or Slurry Sealed within 2 years of their initial installation. Thereafter, a 2 to 4 year cycle should be observed and adjusted according to the client's particular needs.

In addition to periodic seal coating, annual maintenance should include sweeping, crack filling and any minor repairs necessary to ensure longevity of the asphalt mat.

The cost used here is for a squeegee or broom applied liquid seal coating emulsion of coal tar and asphalt blend.

This 'slurry' should include "fines"- small aggregate to replace those which are routinely lost to traffic, plowing and ultraviolet exposure. They are also needed to fill the small fissures which form and begin to allow water to penetrate the asphalt mat.

When water gets beneath the asphalt it loosens the base and destroys the load bearing capacity of the roadbed. The asphalt breaks apart and will require reconstruction.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

ABC Courthomes Association
Cash Flow Detail Report by Category

Streets & Pkg - Asphalt Overlay	QUANTITY 1 total
ASSET ID 1001	UNIT COST 88,855.000
GROUP/FACILITY 0	PERCENT REPL 100.00%
CATEGORY 10	CURRENT COST 88,855.00
	FUTURE COST 125,378.13
	SALVAGE VALUE 0.00
PLACED IN SERVICE 8/97	
20 YEAR USEFUL LIFE	
+0 YEAR ADJUSTMENT	
REPLACEMENT YEAR 2017	
9 YEAR REM LIFE	

REMARKS:

66,628 sq. ft. of 2.0" overlay	@	\$ 1.10	=	\$ 73,291.00
66,628 sq ft of petromat	@	.12	=	7,995.00
11 manhole cover adjustments	@	458.40	=	5,042.00
18 valve cover adjustments	@	140.40	=	2,527.00

		TOTAL	=	\$ 88,855.00

Most asphalt areas can be expected to last approximately 20 years before it will become necessary for an overlay to be applied. This can double the life of the surface upon application. It will be necessary to adjust manhole and valve covers at the time the overlay is applied. Deflection testing should be conducted by an independent consultant near the end of the estimated useful life to determine the condition of the asphalt and estimated remaining life before the overlay is required.

In addition to this service, a consultant may be obtained to prepare the application specifications, and to work with the contractor during the actual installation. We recommend the client obtain bids for such a consultation near the end of the estimated useful life. As costs vary, we have not included such an expense in our cost estimates. Should the client request, we will be happy to incorporate this cost in our calculations.

ABC Courthomes Association
Cash Flow Detail Report by Category

Streets & Pkg - Asphalt Repairs	QUANTITY	66,628 sq. ft.
	UNIT COST	4.900
ASSET ID 1002	PERCENT REPL	5.00%
GROUP/FACILITY 0	CURRENT COST	16,323.86
CATEGORY 10	FUTURE COST	16,323.86
	SALVAGE VALUE	0.00
PLACED IN SERVICE 8/97		
10 YEAR USEFUL LIFE		
-1 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2008		
0 YEAR REM LIFE		

REMARKS:

Cost includes excavation and regrading.

* NOTE: may also use a smaller % over a shorter cycle.

It is estimated that a percentage of the asphalt areas will require repair or replacement. The actual condition of the asphalt should be monitored through time and the estimates adjusted accordingly.

To ensure the longevity of the asphalt surfaces the client's annual operating budget should include power sweeping, crack filling, and minor repairs.

Asphalt repair cost includes:

- Remove old asphalt & up to 30" of base & subgrade.
- Up to 22" compacted new sand fill.
- Minimum 6" compacted class five base.
- Minimum 2" compacted new asphalt.
- Tar emulsion sealer.

The useful life, and it's adjustment, have been assigned to provide funding for projected repairs midway between asphalt overlays or replacements.

ABC Courthomes Association
Cash Flow Detail Report by Category

Streets & Pkg - Chipcoating	QUANTITY	66,628 sq. ft.
	UNIT COST	0.190
ASSET ID 1003	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	12,659.32
CATEGORY 10	FUTURE COST	12,659.32
	SALVAGE VALUE	0.00
PLACED IN SERVICE 8/97		
5 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2008		
0 YEAR REM LIFE		

REMARKS:

Asphalt streets should be chipcoated within 3 years of their initial installation. Thereafter, a 4 to 6 year cycle should be observed and adjusted according to the pavement's particular needs.

In addition to this periodic application, annual maintenance should include sweeping, crack filling and any minor repairs necessary to ensure longevity of the asphalt mat.

The cost used here is for rolled rock chips in an oil emulsion and includes subsequent sweeping and disposal of excess rock chips.

At the time this report was prepared no detailed maintenance or replacement history was available for this item.

Should a historical record of the replacement or refurbishment activities for this item become available we will gladly incorporate it in a revised report.

(In order to accurately fund for future replacements, quantities and Placed-In-Service dates are required.)

ABC Courthomes Association
Cash Flow Detail Report by Category

Roofs - Composition Shingle	QUANTITY	105,432 sq ft
	UNIT COST	2.590
ASSET ID 1008	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	273,068.88
CATEGORY 20	FUTURE COST	356,928.35
	SALVAGE VALUE	0.00
PLACED IN SERVICE 8/97		
18 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2015		
7 YEAR REM LIFE		

REMARKS:

11 Buildings X 9,136 sq ft each	-	100,496 sq ft
1 Building	-	4,936

TOTAL	=	105,432 sq ft

In order to ensure a high quality installation, the client may wish to obtain the services of an independent roofing consultant to work with the client and the roofing contractor providing installation. Consultants are available for the preparation of installation specifications and, if desired, to work with the contractor during the installation process. We have been advised that fees vary upon the size of the job and the extent of detail required by the client. However, fees for a consultant should not exceed six to eight percent of the actual roof replacement cost. The costs we have used do not include this additional expense. Should the client request, we would be happy to incorporate this into our calculations.

The cost used on this component includes the removal and disposal of the existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

Fencing - Vinyl Patio

ASSET ID 1017
GROUP/FACILITY 0
CATEGORY 40

QUANTITY	1 total
UNIT COST	61,923.000
PERCENT REPL	100.00%
CURRENT COST	61,923.00
FUTURE COST	87,375.95
SALVAGE VALUE	0.00

PLACED IN SERVICE 8/97
20 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2017
9 YEAR REM LIFE

REMARKS:

858 lin. ft. of 5' fencing	@	\$ 37.20	=	\$ 31,918.00
658 lin. ft. of 7' fencing	@	45.60	=	30,005.00

TOTAL				= \$ 61,923.00

The cost used on this component includes the removal and disposal of the existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

Lighting - Coach Lantern, Porch

ASSET ID 1015
GROUP/FACILITY 0
CATEGORY 50

PLACED IN SERVICE 8/97
10 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2008
0 YEAR REM LIFE

QUANTITY	1 Total
UNIT COST	16,102.000
PERCENT REPL	100.00%
CURRENT COST	16,102.00
FUTURE COST	16,102.00
SALVAGE VALUE	0.00

REMARKS:

48 - Patio Globe fixtures, wall mounted	@	\$ 56.40	=	\$ 2,707.00
184 - Brass carriage fixtures, wall mounted	@	72.80	=	13,395.00

		TOTAL	=	\$ 16,102.00

The cost used on this component includes the removal and disposal of the existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

Lighting - Street	QUANTITY	6 fixtures
	UNIT COST	1,390.800
ASSET ID 1018	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	8,344.80
CATEGORY 50	FUTURE COST	12,711.21
	SALVAGE VALUE	0.00
PLACED IN SERVICE 8/97		
22 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2019		
11 YEAR REM LIFE		

REMARKS:

Replacement cost is based on a 800 watt mercury vapor fixture;
Carriage style aluminum; photoelectric control; Fiberglass pole.

The cost used on this component includes the removal and disposal of the
existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

Doors - Garage, Sectional Metal	QUANTITY	1 Total
	UNIT COST	63,948.000
ASSET ID 1012	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	63,948.00
CATEGORY 90	FUTURE COST	109,255.83
	SALVAGE VALUE	0.00
PLACED IN SERVICE 8/97		
25 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2022		
14 YEAR REM LIFE		

REMARKS:

22 - 9' x 7' doors	@	\$ 402.00	=	\$ 8,844.00
70 - 16' x 7' doors	@	787.20	=	55,104.00

		TOTAL	=	\$ 63,948.00

Cost is for prefinished uninsulated metal doors, track, hardware & springs.

The funding provided here is only for total replacement of the garage door assemblies at the specified intervals. This includes replacing sections, track, rollers, hinges and spring assemblies.

Legal restrictions may not allow reconnection of any existing openers.

No funding is included for interim, special or routine maintenance and repair of the doors or openers. Should the client wish to provide funding for such needs, we recommend it be included in the operational budget of the association due to the unpredictability of the useful life and cost of any such services.

Having reviewed the client's governing documents, it is our opinion the association is responsible for the replacement of this component and have therefore included it in this reserve funding plan.

Should the client determine funding of this item is not required, we will gladly exclude it from funding in a revised report.

We do, however, recommend the client first obtain a written legal opinion to that effect from a qualified legal authority so as to ensure that individual board members are not exposed to personal liability should the issue be legally contested in the future.

ABC Courthomes Association
Cash Flow Detail Report by Category

Doors - Metal Entry & Storm Doors

ASSET ID 1013
GROUP/FACILITY 0
CATEGORY 90

QUANTITY	1 Total
UNIT COST	66,682.000
PERCENT REPL	100.00%
CURRENT COST	66,682.00
FUTURE COST	101,573.32
SALVAGE VALUE	0.00

PLACED IN SERVICE 8/97
22 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2019
11 YEAR REM LIFE

REMARKS:

92 - 3'0" x 6'8" doors	@	\$ 514.80	=	\$ 47,362.00
92 - 3'0" x 6'8" storm doors	@	210.00	=	19,320.00

TOTAL				= \$ 66,682.00

The cost used on this component includes the removal and disposal of the existing material.

Having reviewed the client's governing documents, it is our opinion the association is responsible for the replacement of this component and have therefore included it in this reserve funding plan.

Should the client determine funding of this item is not required, we will gladly exclude it from funding in a revised report.

We do, however, recommend the client first obtain a written legal opinion to that effect from a qualified legal authority so as to ensure that individual board members are not exposed to personal liability should the issue be legally contested in the future.

ABC Courthomes Association
Cash Flow Detail Report by Category

Gutters & Downspouts	QUANTITY	3,100 lin. ft.
	UNIT COST	9.050
ASSET ID 1011	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	28,055.00
CATEGORY 90	FUTURE COST	47,932.26
	SALVAGE VALUE	0.00

PLACED IN SERVICE 8/97
25 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2022
14 YEAR REM LIFE

REMARKS:

11 Buildings X 192 LF of gutters	-	2,112 lin. ft.
1 Building X 68 LF of gutters	-	68
11 Buildings X 80 LF of downspouts	-	880
1 Building X 40 LF of downspouts	-	40

	TOTAL =	3,100 lin. ft.

The cost used on this component includes the removal and disposal of the existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

Siding* - Vinyl		QUANTITY	96,826 sq. ft.
		UNIT COST	4.400
ASSET ID	1009	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	426,034.40
CATEGORY	90	FUTURE COST	727,884.27
		SALVAGE VALUE	0.00
PLACED IN SERVICE 8/97			
25 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2022			
14 YEAR REM LIFE			

REMARKS:

11 Buildings X 8,248 sq ft each	-	90,728 sq. ft.
1 Building	-	6,098

TOTAL	=	96,826 sq. ft.

*Cost includes replacing metal trim around windows.

The cost used on this component includes the removal and disposal of the existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

Soffit & Fascia, Prefinished Metal

	QUANTITY	1 Total
UNIT COST		134,701.000
PERCENT REPL		100.00%
CURRENT COST		134,701.00
FUTURE COST		230,138.08
SALVAGE VALUE		0.00

PLACED IN SERVICE 8/97
25 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2022
14 YEAR REM LIFE

REMARKS:

Prefinished metal fascia cover and ventillated soffit.

12,632 sq ft vented soffit	@	\$ 5.51	=	\$ 69,602.00
12,332 lin ft of fascia	@	4.50	=	55,494.00
92 Square metal porch columns	@	104.40	=	9,605.00

		TOTAL	=	\$ 134,701.00

The cost used on this component includes the removal and disposal of the existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

Windows		QUANTITY	1 Total
		UNIT COST	380,392.000
ASSET ID	1014	PERCENT REPL	100.00%
GROUP/FACILITY	0	CURRENT COST	380,392.00
CATEGORY	90	FUTURE COST	649,903.75
		SALVAGE VALUE	0.00
PLACED IN SERVICE	8/97		
25 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR	2022		
14 YEAR REM LIFE			

REMARKS:

7,968 - sq ft Vinyl sliding windows	@	\$ 34.00	=	\$ 270,912.00
3,220 - sq ft of 5/0 x 6/8 patio doors	@	34.00	=	109,480.00

		TOTAL	=	\$ 380,392.00

The cost used on this component includes the removal and disposal of the existing material.

Having reviewed the client's governing documents, it is our opinion the association is responsible for the replacement of this component and have therefore included it in this reserve funding plan.

Should the client determine funding of this item is not required, we will gladly exclude it from funding in a revised report.

We do, however, recommend the client first obtain a written legal opinion to that effect from a qualified legal authority so as to ensure that individual board members are not exposed to personal liability should the issue be legally contested in the future.

ABC Courthomes Association
Cash Flow Detail Report by Category

Wrapped Jambs - Overhead Doors

ASSET ID 1029
 GROUP/FACILITY 0
 CATEGORY 90

QUANTITY	2,606 ln ft
UNIT COST	7.180
PERCENT REPL	100.00%
CURRENT COST	18,711.08
FUTURE COST	46,867.52
SALVAGE VALUE	0.00

PLACED IN SERVICE 3/07
 25 YEAR USEFUL LIFE
 +0 YEAR ADJUSTMENT
 REPLACEMENT YEAR 2032
 24 YEAR REM LIFE

REMARKS:

Prefinished metal cover over wood jambs.

16' Overhead door jambs (70 doors x 30 ln ft)	-	2,100 ln ft
9' Overhead door jambs (22 doors x 23 ln ft)	-	506

TOTAL	=	2,606 ln ft

The current cost used on this asset is based upon actual expenditures incurred at last replacement, and has been adjusted for inflation where applicable.

The cost used on this component includes the removal and disposal of the existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

ANTICIPATED SIGNAGE AND FENCE *2007		QUANTITY	1 Total
		UNIT COST	10,390.000
ASSET ID 1033		PERCENT REPL	100.00%
GROUP/FACILITY 0		CURRENT COST	10,390.00
CATEGORY 100		FUTURE COST	19,910.39
		SALVAGE VALUE	0.00
PLACED IN SERVICE 6/07			
18 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2025			
17 YEAR REM LIFE			

REMARKS:

The client informs us of their intentions to add unspecified types and amounts of Fence and Signage in 2007.

After completion of these projects, we will gladly incorporate detailed information on these components in any future reports.

This asset, and the information contained herein, has been provided by the client and incorporated into our report at their request.

The cost estimates on this asset have been provided by the client and incorporated into our report at their request.

ABC Courthomes Association
Cash Flow Detail Report by Category

Irrigation Backflow Device

ASSET ID 1022
GROUP/FACILITY 0
CATEGORY 100

QUANTITY	1 total
UNIT COST	1,800.000
PERCENT REPL	33.34%
CURRENT COST	600.12
FUTURE COST	600.12
SALVAGE VALUE	0.00

PLACED IN SERVICE 8/02
5 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2008
0 YEAR REM LIFE

REMARKS:

Anti-backflow devices must be inspected annually and repaired or replaced as needed, at intervals not to exceed 5 years in accordance with state law.

The cost used here is to rebuild the unit at 1/3 the cost of replacement.

The actual date this item was placed-in-service was not available. For budgeting purposes, we have estimated this date based upon its present condition.

At the time this report was prepared no detailed maintenance or replacement history was available for this item.

Should a historical record of the replacement or refurbishment activities for this item become available we will gladly incorporate it in a revised report.

(In order to accurately fund for future replacements, quantities and Placed-In-Service dates are required.)

ABC Courthomes Association
Cash Flow Detail Report by Category

Irrigation Controllers

ASSET ID 1021
GROUP/FACILITY 0
CATEGORY 100

PLACED IN SERVICE 8/97
10 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2008
0 YEAR REM LIFE

QUANTITY	1 total
UNIT COST	1,202.000
PERCENT REPL	100.00%
CURRENT COST	1,202.00
FUTURE COST	1,202.00
SALVAGE VALUE	0.00

REMARKS:

1 - Rain Bird Irrigation controller: 24 zone @ \$ 1,202.40 = \$ 1,202.00

TOTAL = \$ 1,202.00

ABC Courthomes Association
Cash Flow Detail Report by Category

Landscape - Periodic Refurbishment	QUANTITY	92 Homes
	UNIT COST	739.000
ASSET ID 1028	PERCENT REPL	100.00%
GROUP/FACILITY 0	CURRENT COST	67,988.00
CATEGORY 100	FUTURE COST	79,230.88
	SALVAGE VALUE	0.00
PLACED IN SERVICE 8/97		
15 YEAR USEFUL LIFE		
+0 YEAR ADJUSTMENT		
REPLACEMENT YEAR 2012		
4 YEAR REM LIFE		

REMARKS:

Many Associations do not reserve funds for periodic refurbishment, replacement, or improvement to their landscaping. We recommend that the client consider including at least a modest amount of long term funding for future landscaping needs to maintain & enhance curb appeal & resale values.

At roughly 15 years of age many ornamental shrubs require replacement since it becomes impossible to maintain them at a high level of appearance.

Other landscape items will likely require aggressive maintenance at roughly this same interval. Such as edging and decorative rock beds.

ABC Courthomes Association
Cash Flow Detail Report by Category

<div style="border: 1px solid black; padding: 2px; margin-bottom: 5px;">Mailboxes - Pedestal Sets</div> <div>ASSET ID 1026 GROUP/FACILITY 0 CATEGORY 100</div> <div>PLACED IN SERVICE 8/97 15 YEAR USEFUL LIFE +0 YEAR ADJUSTMENT REPLACEMENT YEAR 2012 4 YEAR REM LIFE</div>	<table border="0" style="width: 100%;"><tr><td style="text-align: right;">QUANTITY</td><td style="text-align: right;">1 Total</td></tr><tr><td style="text-align: right;">UNIT COST</td><td style="text-align: right;">13,034.000</td></tr><tr><td style="text-align: right;">PERCENT REPL</td><td style="text-align: right;">100.00%</td></tr><tr><td style="text-align: right;">CURRENT COST</td><td style="text-align: right;">13,034.00</td></tr><tr><td style="text-align: right;">FUTURE COST</td><td style="text-align: right;">15,189.38</td></tr><tr><td style="text-align: right;">SALVAGE VALUE</td><td style="text-align: right;">0.00</td></tr></table>	QUANTITY	1 Total	UNIT COST	13,034.000	PERCENT REPL	100.00%	CURRENT COST	13,034.00	FUTURE COST	15,189.38	SALVAGE VALUE	0.00
QUANTITY	1 Total												
UNIT COST	13,034.000												
PERCENT REPL	100.00%												
CURRENT COST	13,034.00												
FUTURE COST	15,189.38												
SALVAGE VALUE	0.00												

REMARKS:

1 set of 12 boxes	@	\$ 1,376.00	=	\$ 1,376.00
6 sets of 16 boxes	@	1,943.00	=	11,658.00

		TOTAL	=	\$ 13,034.00

Historically, cluster box units have been maintained, as needed, by the Postal Service.

However, we are hearing FREQUENT reports of the Postal Service declining to repair or REPLACE these boxes.

Therefore, we have included funding for replacement of the mailboxes.

Should the client wish to EXCLUDE funding for this item at this time, we will gladly exclude replacement of the mailboxes in a revised report.

NOTE:

We strongly urge the client to obtain a written statement from their local postmaster as to their position on REPLACEMENT of the boxes at the end of their estimated useful life (approx 15 years).

ABC Courthomes Association
Cash Flow Detail Report by Category

Retaining Walls- Keystone

ASSET ID 1027
GROUP/FACILITY 0
CATEGORY 100

PLACED IN SERVICE 8/97
25 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2022
14 YEAR REM LIFE

QUANTITY	1,378 sq ft
UNIT COST	38.500
PERCENT REPL	100.00%
CURRENT COST	53,053.00
FUTURE COST	90,641.61
SALVAGE VALUE	0.00

REMARKS:

Due to the effects of freeze-thaw cycles on dry-cast block retaining walls, it is our opinion that a typical life expectancy of 20-25 years should be anticipated.

This presumes the base, subgrade and geo grid are sufficiently engineered and constructed for the specific retaining wall, especially as it pertains to surface drainage and subterranean hydraulics.

ABC Courthomes Association
Cash Flow Detail Report by Category

Signs - Traffic

ASSET ID 1019
GROUP/FACILITY 0
CATEGORY 100

QUANTITY	1 total
UNIT COST	2,021.000
PERCENT REPL	100.00%
CURRENT COST	2,021.00
FUTURE COST	2,355.20
SALVAGE VALUE	0.00

PLACED IN SERVICE 8/97
15 YEAR USEFUL LIFE
+0 YEAR ADJUSTMENT
REPLACEMENT YEAR 2012
4 YEAR REM LIFE

REMARKS:

Traffic signs, reflectorized, with steel post.

2 - "STOP" - 24" x 24"	@	\$ 270.00	=	\$ 540.00
2 - Street Signs	@	229.20	=	458.00
2 - Speed Limit	@	214.80	=	430.00
2 - "Private Road - No Soliciting"	@	296.40	=	593.00

TOTAL				= \$ 2,021.00

The cost used on this component includes the removal and disposal of the existing material.

ABC Courthomes Association
Cash Flow Detail Report by Category

Subterranean Utilities		QUANTITY	92 Total
		UNIT COST	1,500.000
ASSET ID 1024		PERCENT REPL	100.00%
GROUP/FACILITY 0		CURRENT COST	138,000.00
CATEGORY 100		FUTURE COST	506,766.27
		SALVAGE VALUE	0.00
PLACED IN SERVICE 8/97			
45 YEAR USEFUL LIFE			
+0 YEAR ADJUSTMENT			
REPLACEMENT YEAR 2042			
34 YEAR REM LIFE			

REMARKS:

The client is responsible for the maintenace, repair and replacement to the subterranean utilities on the common grounds.

This infrastructure represents a significant potential expense, so here we provide for replacement funding to be accumulated over time to provide for the inevitable replacement of these components.

Since these components are concealed, and not easily inspected, costs have been arbitrarily estimated and may, over time, prove to be inadequate.

These amounts may be altered at the request of the client, should they so desire.

Civil Engineering drawings are sometimes available from the municipality or County Recorder.

ABC Courthomes Association
Cash Flow Detail Report by Category

DETAIL REPORT INDEX

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1030	Added Off-Street Parking - Replace	2-23
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TOTAL ASSET LINES INCLUDED: 29



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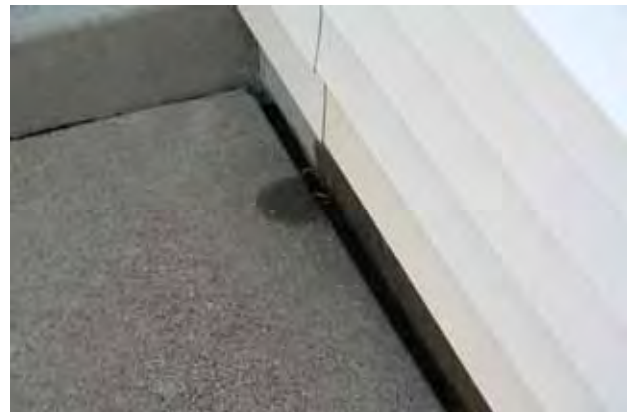
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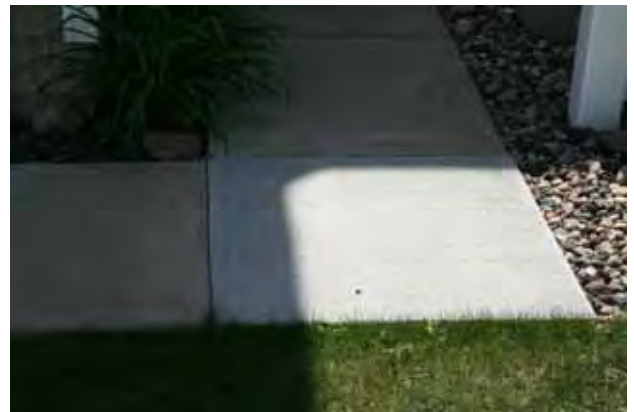
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It's a whole new ballgame!

MN Statute 515B to get major tune-up in 2010, including:

- Prohibition against using or borrowing from replacement reserves to fund operating expenses.
- Requirement to reevaluate the adequacy of replacement reserves every 3 years.
- Annual Report must identify reserve components & amount of accrued savings.
- Resale Disclosure must list reserve components and the total accrued reserves funding.
- Resale Disclosure must list components and describe funding plans for items not reserved.

Unless otherwise required by your Declaration:

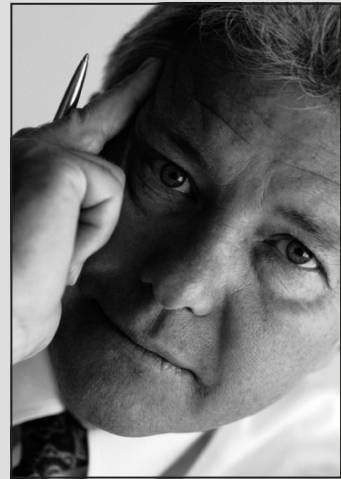
- Funding is optional for components with a remaining useful life greater than 30 years.
- Funding is optional for Limited Common Elements.

If your Declaration provides AND subject to Board & Owners approval every 3 years:

- Certain components *may* be funded by planned future Special Assessments.

Declarant's Disclosure must identify:

- The components for which reserves are budgeted & the amount reserved.
- The components whose replacement is planned to be funded by Special or Limited Assessments at the time the expense is incurred [515B.3-115(c)or(e)] pursuant to new stipulations in 515B.3-114(a).



A radically different approach.

Reserve funding rules for Minnesota CICs will become extremely flexible, focused more on disclosure than actually saving funds for all future expenses. It's a dramatic shift from the past mandate to annually budget adequate reserves for everything the association must replace. Yet this new language does not supersede or invalidate existing Declarations. Since disclosure of both funded *and* unfunded components is required, you must identify & disclose all the components for which the association is responsible and explain how the funds will be collected. Your association's declaration determines the amount of flexibility you have—which components *must* be reserved for; which are *optional* and whether approval of *both* the Board *and* 51% of the owners is required to forgo reserve funding. Confused? Get started by reviewing your declaration and making a list of all the specific components in your community which the association is responsible to maintain, repair and replace.

An RDA Comprehensive Scope Reserve Study™ helps simplify your planning.

If you're uncertain about your funding obligations and options, an RDA Comprehensive Scope Reserve Study™ will help simplify your planning. It starts with a detailed 'global' inventory—complete with replacement costs, condition assessments and remaining life estimates—for all components the association is responsible to replace. The initial draft of the report serves as a working document as you determine policies for each component, to reserve or not, as your documents allow. A revised final version of the report is then produced, accurately reflecting *your plans*, policies, procedures and intentions. If this approach is more than you need or want an RDA Selective Scope Reserve Study™, based on your selected parameters, is also available.

Your RDA Comprehensive Reserve Study™ provides...

- A comprehensive analysis of your operating guidelines and other governing documents to help you determine the full extent of your maintenance responsibilities and identify your funding options.
- A detailed and complete inventory of all assets for which the association is responsible.
- A complete collection of detail reports for each asset showing placed in service date, useful life, replacement year, quantity, unit cost, percentage replacement, current cost, future cost, accumulated reserves, salvage value, required monthly contribution to reserves, accumulated interest, net monthly allocation, and remarks detailing factors such as design, manufacture quality, usage, exposure to the elements and maintenance history. Valuable information even for components not funded by reserves!
- A long-term reserve budget guide providing highly-accurate thirty-year projections listing total current replacement costs, annual membership contributions, annual expenditures, projected and ideal ending reserves and yearly percentages of ideal funding. In addition, color graphs make the projected data easy to read and use for planning purposes.
- A payment plan which enables your association to satisfy its reserves obligations with the lowest possible monthly contributions. **Adequate funding *and* affordable monthly fees.**

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Part III Appendix



Legal Issues Affecting Common Interest Developments-

MINNESOTA STATUTE 515B [©2005]

In addition to the broad, general fiduciary responsibilities legally imposed on Directors and Officers of all corporations, the state of Minnesota has specific statutes relating to the creation, operation, maintenance, management, and reporting practices of Common Interest Communities. The following is the text of Minnesota Statute 515B, the Minnesota Common Interest Ownership Act, which specifically addresses issues affecting Common Interest Communities. For most intents and purposes, Chapter 515B supersedes Chapter 515A and much of 515; see 515B1-102, *APPLICABILITY*.

The legislature routinely amends statutes. Specific questions regarding your legal obligations should be referred to your association attorney, accountant or manager.

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Minnesota Statutes 2005, Chapter 515B.

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515B.1-101 SHORT TITLE.

Sections 515B.1-101 through 515B.4-118 may be cited as the Minnesota Common Interest Ownership Act.

HIST: 1993 c 222 art 1 s 1

515B.1-102 APPLICABILITY.

(a) Except as provided in this section, this chapter, and not chapters 515 and 515A, applies to all common interest communities created within this state on and after June 1, 1994.

(b) The applicability of this chapter to common interest communities created prior to June 1, 1994, shall be as follows:

(1) This chapter shall apply to condominiums created under chapter 515A with respect to events and circumstances occurring on and after June 1, 1994; provided (i) that this chapter shall not invalidate the declarations, bylaws or condominium plats of those condominiums, and (ii) that chapter 515A, and not this chapter, shall govern all rights and obligations of a declarant of a condominium created under chapter 515A, and the rights and claims of unit owners against that declarant.

(2) The following sections in this chapter apply to condominiums created under chapter 515: 515B.1-104 (Variation by Agreement); 515B.1-105 (Separate Titles and Taxation); 515B.1-106 (Applicability of Local Ordinances, Regulations, and Building Codes); 515B.1-107 (Eminent Domain); 515B.1-108 (Supplemental General Principles of Law Applicable); 515B.1-109 (Construction Against Implicit Repeal); 515B.1-112 (Unconscionable Agreement or Term of Contract); 515B.1-113 (Obligation of Good Faith); 515B.1-114 (Remedies to be Liberally Administered); 515B.1-115 (Notice); 515B.1-116 (Recording); 515B.2-103 (Construction and Validity of Declaration and Bylaws); 515B.2-104 (Description of Units); 515B.2-108(d) (Allocation of Interests); 515B.2-109(c) (Common Elements and Limited Common Elements); 515B.2-112 (Subdivision or Conversion of Units); 515B.2-113 (Alteration of Units); 515B.2-114 (Relocation of Boundaries Between Adjoining Units); 515B.2-115 (Minor Variations in Boundaries); 515B.2-118 (Amendment of Declaration); 515B.2-119 (Termination of Common Interest Community); 515B.3-102 (Powers of Unit Owners' Association); 515B.3-103(a), (b), and (g) (Board; Directors and Officers; Period of Declarant Control); **515B.3-107 (Upkeep of Common Interest Community)**; 515B.3-108 (Meetings); 515B.3-109 (Quorums); 515B.3-110 (Voting; Proxies); 515B.3-111 (Tort and Contract Liability); 515B.3-112 (Conveyance or Encumbrance of Common Elements); 515B.3-113 (Insurance); **515B.3-114 (Reserves; Surplus Funds)**; **515B.3-115 (c), (e), (f), (g), (h), and (i) (Assessments for Common Expenses)**; 515B.3-116 (Lien for Assessments); 515B.3-117 (Other Liens); 515B.3-118 (Association Records); 515B.3-119 (Association as Trustee); 515B.3-121 (Accounting Controls); 515B.4-107 (Resale of Units); 515B.4-108 (Purchaser's Right to Cancel Resale); and 515B.4-116 (Rights of Action; Attorney's Fees). Section 515B.1-103 (Definitions)

shall apply to the extent necessary in construing any of the sections referenced in this section. Sections 515B.1-105, 515B.1-106, 515B.1-107, 515B.1-116, 515B.2-103, 515B.2-104, 515B.2-118, 515B.3-102, 515B.3-110, 515B.3-111, 515B.3-113, 515B.3-116, 515B.3-117, 515B.3-118, 515B.3-121, 515B.4-107, 515B.4-108, and 515B.4-116 apply only with respect to events and circumstances occurring on and after June 1, 1994. All other sections referenced in this section apply only with respect to events and circumstances occurring after July 31, 1999. A section referenced in this section does not invalidate the declarations, bylaws or condominium plats of condominiums created before August 1, 1999. But all sections referenced in this section prevail over the declarations, bylaws, CIC plats, rules and regulations under them, of condominiums created before August 1, 1999, except to the extent that this chapter defers to the declarations, bylaws, CIC plats, or rules and regulations issued under them.

(3) This chapter shall not apply to cooperatives and planned communities created prior to June 1, 1994; except by election pursuant to subsection (d), and except that sections 515B.1-116, subsections (a), (c), (d), (e), (f), and (h), 515B.4-107, and 515B.4-108, apply to all planned communities and cooperatives regardless of when they are created, unless they are exempt under subsection (e).

(c) This chapter shall not invalidate any amendment to the declaration, bylaws or condominium plat of any condominium created under chapter 515 or 515A if the amendment was recorded before June 1, 1994. Any amendment recorded on or after June 1, 1994, shall be adopted in conformity with the procedures and requirements specified by those instruments and by this chapter. If the amendment grants to any person any rights, powers or privileges permitted by this chapter, all correlative obligations, liabilities and restrictions contained in this chapter shall also apply to that person.

(d) Any condominium created under chapter 515, any planned community or cooperative which would be exempt from this chapter under subsection (e), or any planned community or cooperative created prior to June 1, 1994, may elect to be subject to this chapter, as follows:

(1) The election shall be accomplished by recording a declaration or amended declaration, and a new or amended CIC plat where required, and by approving bylaws or amended bylaws, which conform to the requirements of this chapter, and which, in the case of amendments, are adopted in conformity with the procedures and requirements specified by the existing declaration and bylaws of the common interest community, and by any applicable statutes.

(2) In a condominium, the preexisting condominium plat shall be the CIC plat and an amended CIC plat shall be required only if the amended declaration or bylaws contain provisions inconsistent with the preexisting condominium plat. The condominium's CIC number shall be the apartment ownership number or condominium number originally assigned to it by the recording officer. In a cooperative in which the unit owners' interests are characterized as real estate, a CIC plat shall be required.

In a planned community, the preexisting plat recorded pursuant to chapter 505, 508, or 508A, or the part of the plat upon which the common interest community is located, shall be the CIC plat.

(3) The amendment shall comply with section 515B.2-118(a)(3).

(4) Except as permitted by paragraph (3), no declarant, affiliate of declarant, association, master association nor unit owner may acquire, increase, waive, reduce or revoke any previously existing warranty rights or causes of action that one of said persons has against any other of said persons by reason of exercising the right of election under this subsection.

(5) A common interest community which elects to be subject to this chapter may, as a part of the election process, change its form of ownership by complying with section 515B.2-123.

(e) Except as otherwise provided in this subsection, this chapter shall not apply, except by election pursuant to subsection (d), to the following:

(1) a planned community which consists of two units, which utilizes a common interest community plat complying with section 515B.2-110(d)(1) and (2), which is not subject to any rights to subdivide or convert units or to add additional real estate, and which is not subject to a master association;

(2) a common interest community where the units consist solely of separate parcels of real estate designed or utilized for detached single family dwellings or agricultural purposes, and where the association or a master association has no obligation to maintain any building containing a dwelling or any agricultural building;

(3) a cooperative where, at the time of creation of the cooperative, the unit owners' interests in the dwellings as described in the declaration consist solely of proprietary leases having an unexpired term of fewer than 20 years, including renewal options;

(4) planned communities utilizing a common interest community plat complying with section 515B.2-110(d)(1) and (2) and cooperatives, which are limited by the declaration to nonresidential use; or

(5) real estate subject only to an instrument or instruments filed primarily for the purpose of creating or modifying rights with respect to access, utilities, parking, ditches, drainage, or irrigation.

(f) Section 515B.1-106 shall apply to all common interest communities.

HIST: 1993 c 222 art 1 s 2; 1994 c 388 art 4 s 1; 1995 c 92 s 4; 1999 c 11 art 2 s 1; 2000 c 260 s 72; 2000 c 320 s 3; 2001 c 7 s 82; 2005 c 121 s 1

515B.1-103 DEFINITIONS.

In the declaration and bylaws, unless specifically provided otherwise or the context otherwise requires, and in this chapter:

(1) "Additional real estate" means real estate that may be added to a flexible common interest community.

(2) "Affiliate of a declarant" means any person who controls, is controlled by, or is under common control with a declarant.

(A) A person "controls" a declarant if the person (i) is a general partner, officer, director, or employer of the declarant, (ii) directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing, more than 20 percent of the voting interest in the declarant, (iii) controls in any manner the election of a majority of the directors of the declarant, or (iv) has contributed more than 20 percent of the capital of the declarant.

(B) A person "is controlled by" a declarant if the declarant (i) is a general partner, officer, director, or employer of the person, (ii) directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing, more than 20 percent of the voting interest in the person, (iii) controls in any manner the election of a majority of the directors of the person, or (iv) has contributed more than 20 percent of the capital of the person.

(C) Control does not exist if the powers described in this subsection are held solely as a security interest and have not been exercised.

(3) "Allocated interests" means the following interests allocated to each unit: (i) in a condominium, the undivided interest in the common elements, the common expense liability, and votes in the association; (ii) in a cooperative, the common expense liability and the ownership interest and votes in the association; and (iii) in a planned community, the common expense liability and votes in the association.

(4) "Association" means the unit owners' association organized under section 515B.3-101.

(5) "Board" means the body, regardless of name, designated in the articles of incorporation, bylaws or declaration to act on behalf of the association, or on behalf of a master association when so identified.

(6) "CIC plat" means a common interest community plat described in section 515B.2-110.

(7) "Common elements" means all portions of the common interest community other than the units.

(8) "Common expenses" means expenditures made or liabilities incurred by or on behalf of the association, or

master association when so identified, together with any allocations to reserves.

(9) "Common expense liability" means the liability for common expenses allocated to each unit pursuant to section 515B.2-108.

(10) "Common interest community" or "CIC" means contiguous or noncontiguous real estate within Minnesota that is subject to an instrument which obligates persons owning a separately described parcel of the real estate, or occupying a part of the real estate pursuant to a proprietary lease, by reason of their ownership or occupancy, to pay for (i) real estate taxes levied against; (ii) insurance premiums payable with respect to; (iii) maintenance of; or (iv) construction, maintenance, repair or replacement of improvements located on, one or more parcels or parts of the real estate other than the parcel or part that the person owns or occupies. Real estate which satisfies the definition of a common interest community is a common interest community whether or not it is subject to this chapter. Real estate subject to a master association, regardless of when the master association was formed, shall not collectively constitute a separate common interest community unless so stated in the master declaration recorded against the real estate pursuant to section 515B.2-121, subsection (f)(1).

(11) "Condominium" means a common interest community in which (i) portions of the real estate are designated as units, (ii) the remainder of the real estate is designated for common ownership solely by the owners of the units, and (iii) undivided interests in the common elements are vested in the unit owners.

(12) "Conversion property" means real estate on which is located a building that at any time within two years before creation of the common interest community was occupied for residential use wholly or partially by persons other than purchasers and persons who occupy with the consent of purchasers.

(13) "Cooperative" means a common interest community in which the real estate is owned by an association, each of whose members is entitled by virtue of the member's ownership interest in the association to a proprietary lease.

(14) "Dealer" means a person in the business of selling units for the person's own account.

(15) "Declarant" means:

(i) if the common interest community has been created, (A) any person who has executed a declaration, or an amendment to a declaration to add additional real estate, except secured parties, persons whose interests in the real estate will not be transferred to unit owners, or, in the case of a leasehold common interest community, a lessor who possesses no special declarant rights and who is not an affiliate of a declarant who possesses special declarant rights, or (B) any person who reserves, or succeeds under section 515B.3-104 to any special declarant rights; or

(ii) any person or persons acting in concert who have offered prior to creation of the common interest community to

transfer their interest in a unit to be created and not previously transferred.

(16) "Declaration" means any instrument, however denominated, that creates a common interest community.

(17) "Dispose" or "disposition" means a voluntary transfer to a purchaser of any legal or equitable interest in the common interest community, but the term does not include the transfer or release of a security interest.

(18) "Flexible common interest community" means a common interest community to which additional real estate may be added.

(19) "Leasehold common interest community" means a common interest community in which all or a portion of the real estate is subject to a lease the expiration or termination of which will terminate the common interest community or reduce its size.

(20) "Limited common element" means a portion of the common elements allocated by the declaration or by operation of section 515B.2-102(d) or (f) for the exclusive use of one or more but fewer than all of the units.

(21) "Master association" means an entity created on or after June 1, 1994, that directly or indirectly exercises any of the powers set forth in section 515B.3-102 on behalf of one or more members described in section 515B.2-121(b), (i), (ii) or (iii), whether or not it also exercises those powers on behalf of one or more property owner's associations described in section 515B.2-121(b)(iv). A person (i) hired by an association to perform maintenance, repair, accounting, bookkeeping or management services, or (ii) granted authority under an instrument recorded primarily for the purpose of creating rights or obligations with respect to utilities, access, drainage, or recreational amenities, is not, solely by reason of that relationship, a master association.

(22) "Master declaration" means a written instrument, however named, (i) recorded on or after June 1, 1994, against property subject to powers exercised by a master association and (ii) complying with section 515B.2-121, subsection (f)(1).

(23) "Period of declarant control" means the time period provided for in section 515B.3-103(c) during which the declarant may appoint and remove officers and directors of the association.

(24) "Person" means an individual, corporation, limited liability company, partnership, trustee under a trust, personal representative, guardian, conservator, government, governmental subdivision or agency, or other legal or commercial entity capable of holding title to real estate.

(25) "Planned community" means a common interest community that is not a condominium or a cooperative. A condominium or cooperative may be a part of a planned community.

(26) "Proprietary lease" means an agreement with a cooperative association whereby a member of the association is entitled to exclusive possession of a unit in the cooperative.

(27) "Purchaser" means a person, other than a declarant, who by means of a voluntary transfer acquires a legal or equitable interest in a unit other than (i) a leasehold interest of less than 20 years, including renewal options, or (ii) a security interest.

(28) "Real estate" means any fee simple, leasehold or other estate or interest in, over, or under land, including structures, fixtures, and other improvements and interests that by custom, usage, or law pass with a conveyance of land though not described in the contract of sale or instrument of conveyance. "Real estate" may include spaces with or without upper or lower boundaries, or spaces without physical boundaries.

(29) "Residential use" means use as a dwelling, whether primary, secondary or seasonal, but not transient use such as hotels or motels.

(30) "Secured party" means the person owning a security interest as defined in paragraph (31).

(31) "Security interest" means a perfected interest in real estate or personal property, created by contract or conveyance, which secures payment or performance of an obligation. The term includes a mortgagee's interest in a mortgage, a vendor's interest in a contract for deed, a lessor's interest in a lease intended as security, a holder's interest in a sheriff's certificate of sale during the period of redemption, an assignee's interest in an assignment of leases or rents intended as security, a lender's interest in a cooperative share loan, a pledgee's interest in the pledge of an ownership interest, or any other interest intended as security for an obligation under a written agreement.

(32) "Special declarant rights" means rights reserved in the declaration for the benefit of a declarant to:

(i) complete improvements indicated on the CIC plat, planned by the declarant consistent with the disclosure statement or authorized by the municipality in which the CIC is located;

(ii) add additional real estate to a common interest community;

(iii) subdivide or combine units, or convert units into common elements, limited common elements and/or units;

(iv) maintain sales offices, management offices, signs advertising the common interest community, and models;

(v) use easements through the common elements for the purpose of making improvements within the common interest community or any additional real estate;

(vi) create a master association and provide for the exercise of authority by the master association over the common interest community or its unit owners;

(vii) merge or consolidate a common interest community with another common interest community of the same form of ownership;

or

(viii) appoint or remove any officer or director of the association, or the master association where applicable, during any period of declarant control.

(33) "Time share" means a right to occupy a unit or any of several units during three or more separate time periods over a period of at least three years, including renewal options, whether or not coupled with an estate or interest in a common interest community or a specified portion thereof.

(34) "Unit" means a portion of a common interest community the boundaries of which are described in the common interest community's declaration and which is intended for separate ownership or separate occupancy pursuant to a proprietary lease.

(35) "Unit identifier" means English letters or Arabic numerals, or a combination thereof, which identify only one unit in a common interest community and which meet the requirements of section 515B.2-104.

(36) "Unit owner" means a declarant or other person who owns a unit, a lessee under a proprietary lease, or a lessee of a unit in a leasehold common interest community whose lease expires simultaneously with any lease the expiration or termination of which will remove the unit from the common interest community, but does not include a secured party. In a common interest community, the declarant is the unit owner of a unit until that unit has been conveyed to another person.

HIST: 1993 c 222 art 1 s 3; 1994 c 388 art 4 s 2; 1995 c 92 s 5; 1999 c 11 art 2 s 2; 2000 c 260 s 73; 2005 c 121 s 2

515B.1-104 VARIATION BY AGREEMENT.

The provisions of this chapter may not be varied by agreement, and rights conferred by it may not be waived, except as expressly provided in this chapter. A declarant may not act under a power of attorney, or use any other device, to evade the limitations or prohibitions of this chapter or the declaration.

HIST: 1993 c 222 art 1 s 4

515B.1-105 SEPARATE TITLES AND TAXATION.

(a) In a cooperative:

(1) The unit owners' interests in units and their allocated interests are wholly personal property, unless the declaration provides that the interests are wholly real estate. The characterization of these interests as real or personal property shall not affect whether homestead exemptions or classifications apply.

(2) The ownership interest in a unit which may be sold, conveyed, voluntarily or involuntarily encumbered, or otherwise transferred by a unit owner, is the right to possession of that unit under a proprietary lease coupled with the allocated interests of that unit, and the association's interest in that

unit is not affected by the transaction.

(b) In a condominium or planned community:

(1) Each unit, and its allocated interest in the common elements, constitutes a separate parcel of real estate.

(2) If there is any unit owner other than a declarant, each unit shall be separately taxed and assessed, and no separate tax or assessment may be rendered against any common elements.

(c) A unit used for residential purposes together with not more than three units used for vehicular parking, and their common element interests, shall be treated as one parcel of real estate in determining whether homestead exemptions or classifications apply.

HIST: 1993 c 222 art 1 s 5; 1994 c 388 art 4 s 3; 1997 c 84 art 1 s 5

515B.1-106 APPLICABILITY OF LOCAL REQUIREMENTS.

(a) Except as provided in subsections (b) and (c), a zoning, subdivision, building code, or other real estate use law, ordinance, charter provision, or regulation may not directly or indirectly prohibit the common interest community form of ownership or impose any requirement upon a common interest community, upon the creation or disposition of a common interest community or upon any part of the common interest community conversion process which it would not impose upon a physically similar development under a different form of ownership. Otherwise, no provision of this chapter invalidates or modifies any provision of any zoning, subdivision, building code, or other real estate use law, ordinance, charter provision, or regulation.

(b) Subsection (a) shall not apply to any ordinance, rule, regulation, charter provision or contract provision relating to the financing of housing construction, rehabilitation, or purchases provided by or through a housing finance program established and operated pursuant to state or federal law by a state or local agency or local unit of government.

(c) A statutory or home rule charter city, pursuant to an ordinance or charter provision establishing standards to be applied uniformly within its jurisdiction, may prohibit or impose reasonable conditions upon the conversion of buildings occupied wholly or partially for residential use to the common interest community form of ownership only if there exists within the city a significant shortage of suitable rental dwellings available to low and moderate income individuals or families or to establish or maintain the city's eligibility for any federal or state program providing direct or indirect financial assistance for housing to the city. Prior to the adoption of an ordinance pursuant to the authority granted in this subsection, the city shall conduct a public hearing. Any ordinance or charter provision adopted pursuant to this subsection shall not apply to any existing or proposed conversion common interest community (i) for which a bona fide loan commitment for a consideration has been issued by a lender and is in effect on

the date of adoption of the ordinance or charter provision, or (ii) for which a notice of conversion or intent to convert required by section 515B.4-111, containing a termination of tenancy, has been given to at least 75 percent of the tenants and subtenants in possession prior to the date of adoption of the ordinance or charter provision.

(d) For purposes of providing marketable title, a statement in the declaration that the common interest community is not subject to an ordinance or that any conditions required under an ordinance have been complied with shall be prima facie evidence that the common interest community was not created in violation of the ordinance.

(e) A violation of an ordinance or charter provision adopted pursuant to the provisions of subsection (b) or (c) shall not affect the validity of a common interest community. This subsection shall not be construed to in any way limit the power of a city to enforce the provisions of an ordinance or charter provision adopted pursuant to subsection (b) or (c).

(f) Any ordinance or charter provision enacted hereunder shall not be effective for a period exceeding 18 months.

HIST: 1993 c 222 art 1 s 6; 2005 c 121 s 3

515B.1-107 EMINENT DOMAIN.

(a) If a unit is acquired by eminent domain, or if part of a unit is acquired by eminent domain leaving the unit owner with a remnant which may not practically or lawfully be used for any material purpose permitted by the declaration, the award shall compensate the unit owner and secured party in the unit as their interests may appear, whether or not any common element interest is acquired. Upon acquisition, unless the order or final certificate otherwise provides, that unit's allocated interests are automatically reallocated among the remaining units in proportion to their respective allocated interests prior to the taking, and the association shall promptly prepare, execute, and record an amendment to the declaration reflecting the allocations. Any remnant of a unit remaining after part of a unit is taken under this subsection is thereafter a common element.

(b) Except as provided in subsection (a), if part of a unit is acquired by eminent domain, the award shall compensate the unit owner and secured party for the reduction in value of the unit and its interest in the common elements, whether or not any common elements are acquired. Upon acquisition, unless the order or final certificate otherwise provides, (i) that unit's allocated interests are reduced in proportion to the reduction in the size of the unit, or on any other basis specified in the declaration and (ii) the portion of the allocated interests divested from the partially acquired unit are automatically reallocated to that unit and to the remaining units in proportion to the respective allocated interests of those units before the taking, with the partially acquired unit participating in the reallocation on the basis of its reduced allocated interests.

(c) If part of the common elements is acquired by eminent domain, the portion of the award attributable to the common elements taken shall be paid to the association. In an eminent domain proceeding which seeks to acquire a part of the common elements, jurisdiction may be acquired by service of process upon the association. Unless the declaration provides otherwise, any portion of the award attributable to the acquisition of a limited common element shall be equally divided among the owners of the units to which that limited common element was allocated at the time of acquisition and their secured parties, as their interests may appear or as provided by the declaration.

(d) In any eminent domain proceeding the units shall be treated as separate parcels of real estate for valuation purposes, regardless of the number of units subject to the proceeding.

(e) Any distribution to a unit owner from the proceeds of an eminent domain award shall be subject to any limitations imposed by the declaration or bylaws.

(f) The court order or final certificate containing the final awards shall be recorded in every county in which any portion of the common interest community is located.

HIST: 1993 c 222 art 1 s 7; 2005 c 121 s 4

515B.1-108 THIS CHAPTER PREVAILS; SUPPLEMENTAL LAW.

The principles of law and equity, including the law of corporations, the law of real property, the law relative to capacity to contract, principal and agent, eminent domain, estoppel, fraud, misrepresentation, duress, coercion, mistake, receivership, substantial performance, or other validating or invalidating cause supplement the provisions of this chapter, except to the extent inconsistent with this chapter.

HIST: 1993 c 222 art 1 s 8

515B.1-109 CONSTRUCTION AGAINST IMPLICIT REPEAL.

This chapter being a general act intended as a unified coverage of its subject matter, no part of it shall be construed to be impliedly repealed by subsequent legislation if that construction can reasonably be avoided.

HIST: 1993 c 222 art 1 s 9

515B.1-110 REPEALED, 1996 C 310 S 1

515B.1-111 REPEALED, 1996 C 310 S 1

515B.1-112 UNCONSCIONABLE AGREEMENT OR TERM OF CONTRACT.

(a) The court, upon finding as a matter of law that a contract or contract clause was unconscionable at the time the contract was made, may refuse to enforce the contract, enforce

the remainder of the contract without the unconscionable clause, or limit the application of any unconscionable clause in order to avoid an unconscionable result.

(b) Whenever it is claimed, or appears to the court, that a contract or any contract clause is or may be unconscionable, the parties, in order to aid the court in making the determination, shall be afforded a reasonable opportunity to present evidence as to:

(1) the commercial setting of the negotiations;

(2) whether a party has knowingly taken advantage of the inability of the other party reasonably to protect the other party's interests by reason of physical or mental infirmity, illiteracy, inability to understand the language of the agreement, or similar factors;

(3) the effect and purpose of the contract or clause; and

(4) if a sale, any gross disparity, at the time of contracting, between the amount charged for the property and the value of that property measured by the price at which similar property was readily obtainable in similar transaction, provided, that this factor shall not, of itself, render the contract unconscionable.

HIST: 1993 c 222 art 1 s 12

515B.1-113 OBLIGATION OF GOOD FAITH.

Every contract or duty governed by this chapter imposes an obligation of good faith in its performance or enforcement.

HIST: 1993 c 222 art 1 s 13

515B.1-114 REMEDIES TO BE LIBERALLY ADMINISTERED.

(a) The remedies provided by this chapter shall be liberally administered to the end that the aggrieved party is put in as good a position as if the other party had fully performed. However, consequential, special, or punitive damages may not be awarded except as specifically provided in this chapter or by other rule of law.

(b) Any right or obligation declared by this chapter is enforceable by judicial proceeding, unless the provision declaring it provides otherwise.

HIST: 1993 c 222 art 1 s 14

515B.1-115 NOTICE.

Except as otherwise stated in this chapter all notices required by this chapter shall be in writing and shall be effective upon hand delivery, or upon mailing if properly addressed with postage prepaid and deposited in the United States mail.

HIST: 1993 c 222 art 1 s 15

515B.1-116 RECORDING.

(a) A declaration, bylaws, any amendment to a declaration or bylaws, and any other instrument affecting a common interest community shall be entitled to be recorded. In those counties which have a tract index, the county recorder shall enter the declaration in the tract index for each unit or other tract affected. The county recorder shall not enter the declaration in the tract index for lands described as additional real estate, unless such lands are added to the common interest community pursuant to section 515B.2-111. The registrar of titles shall file the declaration in accordance with section 508.351 or 508A.351. The registrar of titles shall not file the declaration upon certificates of title for lands described as additional real estate, unless such lands are added to the common interest community pursuant to section 515B.2-111.

(b) The recording officer shall upon request promptly assign a number (CIC number) to a common interest community to be formed or to a common interest community resulting from the merger of two or more common interest communities.

(c) Documents recorded pursuant to this chapter shall in the case of registered land be filed, and references to the recording of documents shall mean filed in the case of registered land.

(d) Subject to any specific requirements of this chapter, if a recorded document relating to a common interest community or a master association purports to require a certain vote or signatures approving any restatement or amendment of the document by a certain number or percentage of unit owners or secured parties, and if the amendment or restatement is to be recorded, an affidavit of the president or secretary of the association stating that the required vote or signatures have been obtained shall be attached to the document to be recorded and shall constitute prima facie evidence of the representations contained therein.

(e) If a common interest community is located on registered land, the recording fee for any document affecting two or more units shall be \$46 for the first ten affected certificates and \$10 for each additional affected certificate. This provision shall not apply to recording fees for deeds of conveyance, with the exception of deeds given pursuant to sections 515B.2-119 and 515B.3-112. The same fees shall apply to recording any document affecting two or more units or other parcels of real estate subject to a master declaration.

(f) Except as permitted under this subsection, a recording officer shall not file or record a declaration creating a new common interest community, unless the county treasurer has certified that the property taxes payable in the current year for the real estate included in the proposed common interest community have been paid. This certification is in addition to the certification for delinquent taxes required by section 272.12. In the case of preexisting common interest communities, the recording officer shall accept, file, and record the

following instruments, without requiring a certification as to the current or delinquent taxes on any of the units in the common interest community: (i) a declaration subjecting the common interest community to this chapter; (ii) a declaration changing the form of a common interest community pursuant to section 515B.2-123; or (iii) an amendment to or restatement of the declaration, bylaws, or CIC plat. In order for an instrument to be accepted and recorded under the preceding sentence, the instrument must not create or change unit or common area boundaries.

HIST: 1993 c 222 art 1 s 16; 1994 c 388 art 4 s 4; 1995 c 92 s 6; 1997 c 84 art 1 s 6; 1999 c 11 art 2 s 3; 2000 c 320 s 4; 2001 c 50 s 28; 2003 c 127 art 5 s 45; 2005 c 121 s 5; 2005 c 136 art 14 s 11; 1Sp2005 c 7 s 15

515B.2-101 CREATION OF COMMON INTEREST COMMUNITIES.

(a) On and after June 1, 1994, a common interest community may be created only as follows:

(1) A condominium may be created only by recording a declaration.

(2) A cooperative may be created only by recording a declaration and by recording a conveyance of the real estate subject to that declaration to the association.

(3) A planned community which includes common elements may be created only by simultaneously recording a declaration and a conveyance of the common elements subject to that declaration to the association.

(4) A planned community without common elements may be created only by recording a declaration.

(b) Except as otherwise expressly provided in this chapter, the declaration shall be executed by all persons whose interests in the real estate will be conveyed to unit owners or to the association, except vendors under contracts for deed, and by every lessor of a lease the expiration or termination of which will terminate the common interest community. The declaration shall be recorded in every county in which any portion of the common interest community is located. Failure of any party not required to execute a declaration, but having a recorded interest in the common interest community, to join in the declaration shall have no effect on the validity of the common interest community; provided that the party is not bound by the declaration until that party acknowledges the existence of the common interest community in a recorded instrument.

(c) In a condominium, a planned community utilizing a CIC plat complying with section 515B.2-110(c), or a cooperative where the unit boundaries are delineated by a structure, a declaration, or an amendment to a declaration adding units, shall not be recorded unless the structural components of the structures containing the units and the mechanical systems serving more than one unit, but not the units, are substantially completed, as evidenced by a recorded certificate executed by a registered engineer or architect.

(d) A project which (i) meets the definition of a "common interest community" in section 515B.1-103(10), (ii) is created after May 31, 1994, and (iii) is not exempt under section 515B.1-102(e), is subject to this chapter even if this or other sections of the chapter have not been complied with, and the declarant and all unit owners are bound by all requirements and obligations of this chapter.

(e) The association shall be incorporated pursuant to section 515B.3-101 and the CIC plat shall be recorded as and if required by section 515B.2-110.

HIST: 1993 c 222 art 2 s 1; 1999 c 11 art 2 s 4; 2005 c 121 s

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515B.2-102 UNIT BOUNDARIES.

(a) The declaration shall describe the boundaries of the units as provided in section 515B.2-105(5). The boundaries need not be delineated by a physical structure. The unit may consist of noncontiguous portions of the common interest community.

(b) In a condominium, a cooperative, or a planned community utilizing a CIC plat complying with section 515B.2-110(c), except as the declaration otherwise provides, if the walls, floors, or ceilings of a unit are designated as its boundaries, then the boundaries shall be the interior, unfinished surfaces of the perimeter walls, floors, ceilings, doors, windows, and door and window frames of the unit. All paneling, tiles, wallpaper, paint, floor covering, and any other finishing materials applied to the interior surfaces of the perimeter walls, floors or ceilings, are a part of the unit, and all other portions of the perimeter walls, floors, ceilings, doors, windows, and door and window frames, are a part of the common elements.

(c) In a planned community utilizing a CIC plat complying with section 515B.2-110(d)(1) and (2), except as the declaration otherwise provides, the unit boundaries shall be the lot lines designated on a plat recorded pursuant to chapter 505.

(d) If any chute, flue, duct, wire, pipe, conduit, bearing wall, bearing column, or any other fixture serving fewer than all units lies partially within and partially outside of the boundaries of the unit or units served, any portion thereof serving only that unit or units is a limited common element allocated solely to that unit or units, and any portion thereof serving any portion of the common elements is a part of the common elements.

(e) Subject to subsection (d), all spaces, interior partitions, and other fixtures and improvements within the boundaries of a unit are a part of the unit.

(f) Improvements such as shutters, awnings, window boxes, doorsteps, stoops, porches, balconies, decks, patios, perimeter doors and windows, and their frames, constructed as part of the original construction to serve a single unit, and authorized replacements and modifications thereof, if located wholly or

partially outside the unit's boundaries, are limited common elements allocated exclusively to that unit.

HIST: 1993 c 222 art 2 s 2; 2005 c 121 s 7

515B.2-103 CONSTRUCTION AND VALIDITY OF DECLARATION AND BYLAWS.

(a) All provisions of the declaration and bylaws are severable.

(b) The rule against perpetuities may not be applied to defeat any provision of the declaration or this chapter, or any instrument executed pursuant to the declaration or this chapter.

(c) In the event of a conflict between the provisions of the declaration and the bylaws, the declaration prevails except to the extent that the declaration is inconsistent with this chapter.

(d) The declaration and bylaws must comply with section 500.215.

HIST: 1993 c 222 art 2 s 3; 2005 c 168 s 3

515B.2-104 DESCRIPTION OF UNITS.

(a) A description of a unit is legally sufficient if it sets forth (i) the unit identifier of the unit, (ii) the number assigned to the common interest community by the recording officer, and (iii) the county in which the unit is located.

(b) If the CIC plat for a planned community complies with chapter 505, 508, or 508A, then a description of a unit in the planned community is legally sufficient if it is stated in terms of a plat or registered land survey. In planned communities whose CIC plats comply with section 515B.2-110(c), and in all condominiums and cooperatives created under this chapter, a unit identifier shall contain no more than six characters, only one of which may be a letter.

(c) A description which complies with this section shall be deemed to include all rights, obligations, and interests appurtenant to the unit which were created by the declaration or bylaws, by a master declaration, or by this chapter, whether or not those rights, obligations, or interests are expressly described.

(d) If the CIC plat for a planned community complies with section 515B.2-110(c) a description of the common elements is legally sufficient if it sets forth (i) the words "common elements," (ii) the number assigned to the common interest community by the recording officer, and (iii) the county in which the common elements are located. The common elements may consist of separate parcels of real estate, in which case each parcel shall be separately identified on the CIC plat and in any recorded instrument referencing a separate parcel of the common elements.

HIST: 1993 c 222 art 2 s 4; 1994 c 388 art 4 s 5; 1995 c 92 s 7; 1999 c 11 art 2 s 5; 2005 c 121 s 8

515B.2-105 DECLARATION CONTENTS; ALL COMMON INTEREST COMMUNITIES.

(a) The declaration shall contain:

(1) the number of the common interest community, whether the common interest community is a condominium, planned community or cooperative, and the name of the common interest community, which shall appear at the top of the first page of the declaration in the following format:

Common Interest Community No.

(Type of Common Interest Community)

(Name of Common Interest Community)

DECLARATION

(2) a statement as to whether the common interest community is or is not subject to a master association;

(3) the name of the association, a statement that the association has been incorporated and a reference to the statute under which it was incorporated;

(4) a legally sufficient description of the real estate included in the common interest community, a statement identifying any appurtenant easement necessary for access to a public street or highway, and a general reference to any other appurtenant easements;

(5) a description of the boundaries of each unit created by the declaration and the unit's unit identifier;

(6) in a planned community containing common elements, a legally sufficient description of the common elements;

(7) in a cooperative, a statement as to whether the unit owners' interests in all units and their allocated interests are real estate or personal property;

(8) an allocation to each unit of the allocated interests in the manner described in section 515B.2-108;

(9) a statement of (i) the total number of units and (ii) which units will be restricted to residential use and which units will be restricted to nonresidential use;

(10) a statement of the maximum number of units which may be created by the subdivision or conversion of units owned by the declarant pursuant to section 515B.2-112;

(11) any material restrictions on use, occupancy, or alienation of the units, or on the sale price of a unit or on the amount that may be received by an owner on sale, condemnation or casualty loss to the unit or to the common interest community, or on termination of the common interest community; provided, that these requirements shall not affect the power of the association to adopt, amend or revoke rules and

regulations pursuant to section 515B.3-102;

(12) a statement as to whether time shares are permitted;

(13) a statement as to whether the common interest community includes any shoreland, as defined in section 103F.205, and, if the common interest community includes shoreland, a statement that the common interest community may be subject to county, township, or municipal ordinances or rules affecting the development and use of the shoreland area; and

(14) all matters required by sections 515B.1-103(32), Special Declarant Rights; 515B.2-107, Leaseholds; 515B.2-109, Common Elements and Limited Common Elements; 515B.2-110, Common Interest Community Plat; 515B.3-115, Assessments for Common Expenses; and 515B.2-121, Master Associations.

(b) The declaration may contain any other matters the declarant considers appropriate.

HIST: 1993 c 222 art 2 s 5; 1994 c 388 art 4 s 6; 1995 c 92 s 8; 1999 c 11 art 2 s 6; 2000 c 260 s 74; 2001 c 7 s 83; 2005 c 121 s 9

515B.2-106 DECLARATION OF FLEXIBLE COMMON INTEREST COMMUNITIES.

(a) The declaration for a flexible common interest community shall include, in addition to the matters specified in section 515B.2-105:

(1) a reservation of any rights to add additional real estate;

(2) a statement of any time limit, not exceeding ten years after the recording of the declaration, upon which any right reserved under paragraph (1) will lapse, together with a statement of any circumstances that will terminate the option before the expiration of the time limit. If no time limit is set forth in the declaration, the time limit shall be ten years after the recording of the declaration; provided, that the time limit may be extended by an amendment to the declaration approved in writing by the declarant, and by the vote or written agreement of unit owners, other than the declarant or an affiliate of the declarant, to whose units are allocated at least 67 percent of the votes in the association;

(3) a statement of any limitations on any rights reserved under paragraph (1), other than limitations created by or imposed pursuant to law;

(4) a legally sufficient description of the additional real estate;

(5) a statement as to whether portions of any additional real estate may be added at different times;

(6) a statement of (i) the maximum number of units, based upon the declarant's good faith estimate, that may be created within any additional real estate, and (ii) how many of those units will be restricted to residential use;

(7) a statement that any buildings and units erected upon the additional real estate, when and if added, will be compatible with the other buildings and units in the common interest community in terms of architectural style, quality of construction, principal materials employed in construction, and size, or a statement of any differences with respect to the buildings or units, or a statement that no assurances are made in those regards;

(8) a statement that all restrictions in the declaration affecting use, occupancy, and alienation of units will apply to units created in the additional real estate, when and if added, or a statement of any differences with respect to the additional units;

(9) a statement as to whether any assurances made in the declaration regarding additional real estate pursuant to paragraphs (5) through (8) will apply if the real estate is not added to the common interest community.

(b) A declarant need not have an interest in the additional real estate in order to identify it as such in the declaration, and the recording officer shall index the declaration as provided in section 515B.1-116(a). Identification of additional real estate in the declaration does not encumber or otherwise affect the title to the additional real estate.

HIST: 1993 c 222 art 2 s 6; 2005 c 121 s 10

515B.2-107 DECLARATION OF LEASEHOLD COMMON INTEREST COMMUNITIES.

(a) Any lease the expiration or termination of which may terminate the common interest community or reduce its size, or a memorandum thereof, shall be recorded. The declaration of a leasehold common interest community shall include:

(1) the recording data for the lease, or the memorandum of lease, and a statement of where the complete lease may be inspected if only a memorandum is recorded;

(2) the date on which the lease expires;

(3) a legally sufficient description of the real estate subject to the lease;

(4) any right of the unit owners to purchase the lessor's interest in the lease and the procedure for exercise of those rights, or a statement that they do not have those rights;

(5) any right of the unit owners to remove any improvements within a reasonable time after the expiration or termination of the lease, or a statement that they do not have those rights; and

(6) any rights of the unit owners to renew the lease and the conditions of any renewal, or a statement that they do not have those rights.

(b) After the declaration of a leasehold condominium or

leasehold planned community is recorded, neither the lessor who has joined in the declaration nor any successor in interest may terminate the leasehold interest of a unit owner who makes timely payment of the unit owner's share of the rent and otherwise complies with all covenants which, if violated, would entitle the lessor to terminate the lease. A unit owner's leasehold interest in a condominium or planned community is not affected by failure of any other person to pay rent or fulfill any other covenant.

(c) Acquisition of the leasehold interest of any unit owner by the owner of the reversion or remainder does not merge the leasehold and fee simple interest unless the leasehold interest of all unit owners subject to that reversion or remainder are acquired.

(d) If the expiration or termination of a lease decreases the number of units in a common interest community, the allocated interests shall be reallocated in accordance with section 515B.1-107 as if those units had been taken by eminent domain. Reallocations must be confirmed by an amendment to the declaration prepared, executed, and recorded by the association.

HIST: 1993 c 222 art 2 s 7

515B.2-108 ALLOCATION OF INTERESTS.

(a) The declaration shall allocate to each unit:

(1) in a condominium, a fraction or percentage of undivided interests in the common elements and in the common expenses of the association and a portion of the votes in the association;

(2) in a cooperative, an ownership interest in the association, a fraction or percentage of the common expenses of the association and a portion of the votes in the association; and

(3) in a planned community, a fraction or percentage of the common expenses of the association and a portion of the votes in the association.

(b) The declaration shall state the formulas used to establish allocations of interests. If the fractions or percentages are all equal the declaration may so state in lieu of stating the fractions or percentages. The declaration need not allocate votes to units that are auxiliary to other units, such as garage units or storage units. The allocations shall not discriminate in favor of units owned by the declarant or an affiliate of the declarant, except as provided in sections 515B.2-121 and 515B.3-115.

(c) If units may be added to the common interest community, the formulas used to reallocate the allocated interests among all units included in the common interest community after the addition shall be the formulas stated in the declaration.

(d) The declaration may authorize special allocations: (i) of unit owner votes among certain units or classes of units on particular matters specified in the declaration, or (ii) of

common expenses among certain units or classes of units on particular matters specified in the declaration. Special allocations may only be used to address operational, physical or administrative differences within the common interest community. A declarant may not utilize special allocations for the purpose of evading any limitation or obligation imposed on declarants by this chapter nor may units constitute a class because they are owned by a declarant.

(e) The sum of each category of allocated interests allocated at any time to all the units must equal one if stated as a fraction or 100 percent if stated as a percentage. In the event of a discrepancy between an allocated interest and the result derived from application of the pertinent formula, the allocated interest prevails.

(f) In a condominium or planned community, the common elements are not subject to partition, and any purported conveyance, encumbrance, judicial sale, or other voluntary or involuntary transfer of an undivided interest in the common elements made without the unit to which that interest is allocated is void. The granting of easements, licenses or leases pursuant to section 515B.3-102 shall not constitute a partition.

(g) In a cooperative, any purported conveyance, encumbrance, judicial sale, or other voluntary or involuntary transfer of an ownership interest in the association made without the possessory interest in the unit to which that interest is related is void.

HIST: 1993 c 222 art 2 s 8; 1999 c 11 art 2 s 7; 2005 c 121 s 11

515B.2-109 COMMON ELEMENTS AND LIMITED COMMON ELEMENTS.

(a) Except as limited by the declaration or this chapter, common elements other than limited common elements may be used in common by all unit owners. Limited common elements are designated for the exclusive use of the unit owners of the unit or units to which the limited common elements are allocated, subject to subsection (b) and the rights of the association as set forth in the declaration, the bylaws or this chapter.

(b) Except for the limited common elements described in section 515B.2-102, subsections (d) and (f), the declaration shall specify to which unit or units each limited common element is allocated.

(c) An allocation of limited common elements may be changed by an amendment to the declaration executed by the unit owners between or among whose units the reallocation is made and the association. The amendment shall be approved by the board of directors of the association as to form, and compliance with the declaration and this chapter. The association shall establish fair and reasonable procedures and time frames for the submission and processing of the reallocations, and shall maintain records thereof. If approved, the association shall cause the amendment to be recorded promptly. The amendment shall be effective when recorded. The association may require

the unit owners requesting the reallocation to pay all fees and costs for reviewing, preparing and recording the amendment and any amended CIC plat.

HIST: 1993 c 222 art 2 s 9; 1995 c 92 s 9; 1999 c 11 art 2 s 8

515B.2-110 COMMON INTEREST COMMUNITY PLAT (CIC PLAT).

(a) A CIC plat is required for condominiums and planned communities, and cooperatives in which the unit owners' interests are characterized as real estate. The CIC plat is a part of the declaration in condominiums, in planned communities utilizing a CIC plat complying with subsection (c), and in cooperatives in which the unit owners' interests are characterized as real estate, but need not be physically attached to the declaration.

(1) In a condominium, or a cooperative in which the unit owners' interests are characterized as real estate, the CIC plat shall comply with subsection (c).

(2) In a planned community, a CIC plat which does not comply with subsection (c) shall consist of all or part of a subdivision plat or plats complying with subsections (d)(1) and (d)(2). The CIC plat need not contain the number of the common interest community and may be recorded at any time before the recording of the declaration; provided, that if the CIC plat complies with subsection (c), the number of the common interest community shall be included and the CIC plat shall be recorded at the time of recording of the declaration.

(3) In a cooperative in which the unit owners' interests are characterized as personal property, a CIC plat shall not be required. In lieu of a CIC plat, the declaration or any amendment to it creating, converting, or subdividing units in a personal property cooperative shall include an exhibit containing a scale drawing of each building, identifying the building, and showing the perimeter walls of each unit created or changed by the declaration or any amendment to it, including the unit's unit identifier, and its location within the building if the building contains more than one unit.

(b) The CIC plat, or supplemental or amended CIC plat, for condominiums, for planned communities using a plat complying with subsection (c), and for cooperatives in which the unit owners' interests are characterized as real estate, shall contain certifications by a licensed professional land surveyor and licensed professional architect, as to the parts of the CIC plat prepared by each, that (i) the CIC plat accurately depicts all information required by this section, and (ii) the work was undertaken by, or reviewed and approved by, the certifying land surveyor or architect. The portions of the CIC plat depicting the dimensions of the portions of the common interest community described in subsections (c)(8), (9), (10), and (12), may be prepared by either a land surveyor or an architect. The other portions of the CIC plat shall be prepared only by a land surveyor. A certification of the CIC plat or supplemental CIC plat, or an amendment to it, under this subsection by an architect is not required if all parts of the CIC plat, supplemental CIC plat, or amendment are prepared by a land

surveyor. Certification by the land surveyor or architect does not constitute a guaranty or warranty of the nature, suitability, or quality of construction of any improvements located or to be located in the common interest community.

(c) A CIC plat for a condominium, or a cooperative in which the unit owners' interests are characterized as real estate, shall show:

(1) the number of the common interest community, and the boundaries, dimensions and a legally sufficient description of the land included therein;

(2) the dimensions and location of all existing, material structural improvements and roadways;

(3) the intended location and dimensions of any contemplated common element improvements to be constructed within the common interest community after the filing of the CIC plat, labeled either "MUST BE BUILT" or "NEED NOT BE BUILT";

(4) the location and dimensions of any additional real estate, labeled as such, and a legally sufficient description of the additional real estate;

(5) the extent of any encroachments by or upon any portion of the common interest community;

(6) the location and dimensions of all recorded easements within the land included in the common interest community burdening any portion of the land;

(7) the distance and direction between noncontiguous parcels of real estate;

(8) the location and dimensions of limited common elements, except that with respect to limited common elements described in section 515B.2-102, subsections (d) and (f), only such material limited common elements as porches, balconies, decks, patios, and garages shall be shown;

(9) the location and dimensions of the front, rear, and side boundaries of each unit and that unit's unit identifier;

(10) the location and dimensions of the upper and lower boundaries of each unit with reference to an established or assumed datum and that unit's unit identifier;

(11) a legally sufficient description of any real estate in which the unit owners will own only an estate for years, labeled as "leasehold real estate";

(12) any units which may be converted by the declarant to create additional units or common elements identified separately.

(d) A CIC plat for a planned community either shall comply with subsection (c), or it shall:

(1) comply with chapter 505; and

(2) comply with the platting requirements of any

governmental authority within whose jurisdiction the planned community is located, subject to the limitations set forth in section 515B.1-106.

(e) If a declarant adds additional real estate, the declarant shall record a supplemental CIC plat or plats for the real estate being added, conforming to the requirements of this section which apply to the type of common interest community in question. If less than all additional real estate is being added, the supplemental CIC plat for a condominium, a planned community whose CIC plat complies with subsection (c), or a cooperative in which the unit owners' interests are characterized as real estate, shall also show the location and dimensions of the remaining portion.

(f) If, pursuant to section 515B.2-112, a declarant subdivides or converts any unit into two or more units, common elements or limited common elements, or combines two or more units, the declarant shall record an amendment to the CIC plat showing the location and dimensions of any new units, common elements or limited common elements thus created.

(g) A CIC plat which complies with subsection (c) is not subject to chapter 505.

HIST: 1993 c 222 art 2 s 10; 1994 c 388 art 4 s 7; 1995 c 92 s 10; 1999 c 11 art 2 s 9; 2005 c 121 s 12

515B.2-111 EXPANSION OF FLEXIBLE COMMON INTEREST COMMUNITY.

(a) To add additional real estate pursuant to a right reserved under section 515B.2-106(a)(1), the declarant and all persons whose interests in the additional real estate will be conveyed to unit owners or the association, except vendors under a contract for deed, shall execute and record a supplemental declaration as provided in this section. The supplemental declaration shall be titled a "supplemental declaration," shall be limited to matters authorized by this section, and shall include:

(1) a legally sufficient description of the real estate added by the supplemental declaration;

(2) a description of the boundaries of each unit created by the supplemental declaration, consistent with the declaration, and the unit's unit identifier;

(3) in a planned community containing common elements, a legally sufficient description of the common elements;

(4) a reallocation of the common element interests, votes in the association, and common expense liabilities as applicable, in compliance with the declaration and section 515B.2-108;

(5) a description of any limited common elements formed out of the additional real estate, designating the unit to which each is allocated to the extent required by section 515B.2-109;

(6) a statement as to whether or not the period of

declarant control has terminated, regardless of the reason for such termination; and

(7) an attached affidavit attesting to the giving of the notice required by subsection (b), if such notice is required.

(b) If the period of declarant control has terminated, a declarant shall give notice of its intention to add additional real estate to the association (Attention: president of the association) by a notice given in the manner provided in section 515B.1-115 not less than 15 days prior to recording the supplemental declaration which adds the additional real estate. A copy of the supplemental declaration shall be attached to the notice. The supplemental declaration may be in proposed form; however, following notice, the supplemental declaration shall not be changed so as to materially and adversely affect the rights of unit owners or the association unless a new 15-day notice is given in accordance with this section.

(c) A lien upon the additional real estate that is not also upon the existing common interest community is a lien only upon the units, and their respective interest in the common elements (if any), that are created from the additional real estate. Units within the common interest community as it existed prior to expansion are transferred free of liens that existed only upon the additional real estate, notwithstanding the fact that the interest in the common elements is a portion of the entire common interest community, including the additional real estate.

(d) If a supplemental declaration in a planned community creates common elements, then a conveyance of the common elements to the association shall be recorded simultaneously with the supplemental declaration. If a supplemental declaration adds additional real estate to a cooperative, then a conveyance of the additional real estate to the association shall be recorded simultaneously with the supplemental declaration.

HIST: 1993 c 222 art 2 s 11; 2005 c 121 s 13

515B.2-112 SUBDIVISION, COMBINATION, OR CONVERSION OF UNITS.

(a) If the declaration so provides, (i) one or more units may be subdivided into two or more units or combined into a lesser number of units, or (ii) a unit or units owned exclusively by a declarant may be subdivided, combined, or converted into one or more units, limited common elements, common elements, or a combination of units, limited common elements or common elements.

(b) If the unit or units are not owned exclusively by a declarant, the unit owners of the units to be combined or subdivided shall cause to be prepared and submitted to the association for approval an application for an amendment to the declaration and amended CIC plat, for the purpose of subdividing or combining the unit or units. The application shall contain, at a minimum, a general description of the proposed subdivision or combination, and shall specify in detail the matters required by subsection (c)(2) and (3). The basis for disapproval of the application by the association shall be limited to (i) health or

safety considerations, (ii) liability considerations for the association and other unit owners, (iii) aesthetic changes to the common elements or another unit, (iv) any material and adverse impact on the common elements or another unit, or (v) a failure to comply with the declaration, this chapter, or governmental laws, ordinances, or regulations. The association shall give written notice of its decision and required changes to the unit owner or owners who made the application. The association shall establish fair and reasonable procedures and time frames for the submission and prompt processing of the applications.

(c) If an application under subsection (b) is approved, the unit owner shall cause an amendment and amended CIC plat to be prepared based upon the approved application. The amendment shall:

(1) be executed by the association and by each unit owner and any secured party with respect to each unit to be combined or subdivided;

(2) assign a unit identifier to each unit resulting from the subdivision or combination;

(3) reallocate the common element interest, votes in the association, and common expense liability, as applicable, formerly allocated to the unit or units to be combined or subdivided among the unit or units resulting from the subdivision or combination on the basis of the formula described in the declaration; and

(4) conform to the requirements of the declaration and this chapter.

(d) If the association determines that the amendment and amended CIC plat conform to the approved application, the declaration, and this chapter, the association shall execute the amendment and cause the amendment and the amended CIC plat to be recorded. The association may require the unit owners executing the amendment to pay all fees and costs for reviewing, preparing, and recording the amendment and the amended CIC plat, and any other fees or costs incurred by the association in connection therewith.

(e) If the unit or units are owned exclusively by a declarant, the declarant shall have the authority to unilaterally prepare and record, at its expense, an amendment and an amended CIC plat subdividing, combining, or converting the unit or units. The amendment shall comply with subsections (c)(1), (2), (3), and (4), and shall be limited to those provisions necessary to accomplish the subdivision, combination, or conversion unless the consent of unit owners required to amend the declaration is obtained.

(f) The amended CIC plat shall show the resulting common elements, limited common elements or units, as subdivided, combined, or converted.

(g) A secured party's interest and remedies shall be deemed to apply to the unit or units that result from the subdivision or combination of the unit or units in which the secured party

held a security interest. If the secured party enforces any remedy, including foreclosure of its lien, against any of the resulting units, all instruments and notices relating to the foreclosure shall describe the subject property in terms of the amendment and the amended CIC plat which created the resulting units.

HIST: 1993 c 222 art 2 s 12; 2005 c 121 s 14

515B.2-113 ALTERATIONS OF UNITS.

(a) Subject to the provisions of the declaration and applicable law, a unit owner may, at the unit owner's expense, make any improvements or alterations to the unit, provided: (i) that they do not impair the structural integrity or mechanical systems, affect the common elements, or impair the support of any portion of the common interest community; (ii) that prior arrangements are made with the association to ensure that other unit owners are not disturbed; (iii) that the common elements are not damaged; and (iv) that the common elements and other units are protected against mechanics' liens.

(b) Subject to the provisions of applicable law, a unit owner of a unit in residential use may, at the unit owner's expense, make improvements or alterations to the unit as necessary for the full enjoyment of the unit by any person residing in the unit who has a handicap or disability, as provided in the Fair Housing Amendments Act, United States Code, title 42, section 3601, et seq., and the Minnesota Human Rights Act, chapter 363A, and any amendments to those acts.

(c) The declaration, bylaws, rules, and regulations, or agreements with the association may not prohibit the improvements or alterations referred to in subsection (b), but may reasonably regulate the type, style, and quality of the improvements or alterations, as they relate to health, safety, and architectural standards. In addition, improvements or alterations made pursuant to subsection (b) must comply with subsection (a)(i), (ii), (iii), and (iv).

(d) Notwithstanding any contrary provision of section 515B.1-102, subsection (b) applies to all common interest communities subject to this chapter, chapter 515, or 515A. The unit owner's rights under this section may not be waived.

(e) Subsection (b) does not apply to restrictions on improvements or alterations imposed by statute, rule, or ordinance.

(f) Subject to the provisions of the declaration and applicable law, a unit owner may, at the unit owner's expense, after acquiring title to an adjoining unit or an adjoining part of an adjoining unit, with the prior written approval of the association and first mortgagees of the affected units, remove or alter any intervening partition or create apertures therein, even if the partition is part of the common elements, if those acts do not impair the structural integrity or mechanical systems or lessen the support of any portion of the common interest community. The adjoining unit owners shall have the exclusive license to use the space occupied by the removed

partition, but the use shall not create an easement or vested right. Removal of partitions or creation of apertures under this paragraph is not an alteration of boundaries. The association may require that the owner or owners of units affected replace or restore any removed partition, that the unit owner comply with subsection (a)(i), (ii) and (iii), and that the unit owner pay all fees and costs incurred by the association in connection with the alteration.

HIST: 1993 c 222 art 2 s 13; 1999 c 11 art 2 s 10; 2005 c 121 s 15

515B.2-114 RELOCATION OF BOUNDARIES BETWEEN ADJOINING UNITS.

(a) Subject to the provisions of the declaration and applicable law, the boundaries between adjoining units may be relocated by an amendment to the declaration upon the submission of an application to the association by the owners of those units and approval by the association. The application shall contain, at a minimum, a general description of the proposed relocation, and shall specify in detail the matters required by subsection (b)(2) and (3).

(b) The association shall establish fair and reasonable procedures and time frames for the submission and prompt processing of the applications. The basis for disapproval shall be limited to structural or safety considerations, or a failure to comply with the declaration, this chapter, or governmental laws, ordinances or regulations. If the application is approved, the unit owners making the application shall cause an amendment and amended CIC plat to be prepared based upon the approved application, and submit them to the association for approval. The amendment shall:

(1) be executed by the unit owners and by any secured party with respect to the units;

(2) identify the units involved;

(3) reallocate the common element interest, votes in the association and common expense liability formerly allocated to the units among the newly defined units on the basis described in the declaration;

(4) contain words of conveyance between them;

(5) contain such other provisions as may be reasonably required by the association; and

(6) conform to the requirements of the declaration and this chapter.

(c) The interest and remedies of a secured party which joins in the amendment pursuant to this section shall be deemed to be modified as provided in the amendment.

(d) The association may require the unit owners making the application to build a boundary wall and other common elements between the units, and to pay all fees and costs for reviewing, preparing and recording the amendment and the amended CIC plat,

and any other fees or costs incurred by the association in connection therewith.

(e) The applicant shall deliver a copy of the recorded amendment and amended CIC plat to the association.

HIST: 1993 c 222 art 2 s 14

515B.2-115 MINOR VARIATIONS IN BOUNDARIES.

The existing physical boundaries of a unit, or of a unit reconstructed in substantial accordance with the description contained in the original declaration, are its legal boundaries, regardless of vertical or lateral movement of the building or minor variances due to shifting or settling. This section does not relieve a declarant or any other person of liability for failure to adhere to the CIC plat or for any representation in a disclosure statement.

HIST: 1993 c 222 art 2 s 15

515B.2-116 USE FOR SALES PURPOSES.

A declarant may maintain sales offices, management offices, and models in units or on common elements in the common interest community only if the declaration so provides and specifies the rights of a declarant with regard to the number and location thereof. If the declaration so provides, a declarant may maintain signs on the common elements and in model units advertising the common interest community. Rights granted pursuant to this section are subject to the provisions of other state laws and to local ordinances.

HIST: 1993 c 222 art 2 s 16

515B.2-117 DECLARANT'S EASEMENT RIGHTS.

Subject to the provisions of the declaration, a declarant has an easement through the common elements as may be reasonably necessary for the purpose of discharging the declarant's obligations or exercising special declarant rights, whether arising under this chapter or reserved in the declaration.

HIST: 1993 c 222 art 2 s 17

515B.2-118 AMENDMENT OF DECLARATION.

(a) The declaration, including any CIC plat, may be amended only by vote or written agreement of unit owners of units to which at least 67 percent of the votes in the association are allocated, or any greater or other requirement the declaration specifies, subject to the following qualifications:

(1) A declarant may execute supplemental declarations or amendments under section 515B.2-111 or 515B.2-112.

(2) The association and certain unit owners, as applicable, may execute amendments under section 515B.2-107, 515B.2-109, 515B.2-112, 515B.2-113, 515B.2-114, 515B.2-119, 515B.2-122,

515B.2-123, or 515B.2-124.

(3) The unanimous written consent of the unit owners is required for any amendment which (i) creates or increases special declarant rights, (ii) increases the number of units, (iii) changes the boundaries of any unit, (iv) changes the allocated interests of a unit, (v) changes common elements to limited common elements or units, (vi) changes the authorized use of a unit from residential to nonresidential, or conversely, or (vii) changes the characterization of the unit owner's interest in a cooperative from real estate to personal property, or conversely; unless the amendment is expressly permitted or required by other provisions of this chapter. Where the amendment involves the conversion of common elements into a unit or units, the title to the unit or units created shall, upon recording of the amendment, vest in the association free and clear of the interests of the unit owners.

(4) The declaration may specify less than 67 percent for approval of an amendment, but only if all of the units are restricted to nonresidential use.

(b) No action to challenge the validity of an amendment adopted by the association pursuant to this section may be brought more than two years after the amendment is recorded.

(c) Every amendment to the declaration shall be recorded in every county in which any portion of the common interest community is located and is effective only when recorded. If an amendment (i) changes the number of units, (ii) changes the boundary of a unit, (iii) changes common elements to limited common elements, or conversely, or (iv) makes any other change that affects the CIC plat, then an amendment to the CIC plat reflecting the change shall be recorded.

HIST: 1993 c 222 art 2 s 18; 1994 c 388 art 4 s 8; 1999 c 11 art 2 s 11; 2005 c 121 s 16

515B.2-119 TERMINATION OF COMMON INTEREST COMMUNITY.

(a) Except as otherwise provided in this chapter, a common interest community may be terminated only by agreement of unit owners of units to which at least 80 percent of the votes in the association are allocated, and 80 percent of the first mortgagees of units (each mortgagee having one vote per unit financed), or any larger percentage the declaration specifies. The declaration may specify a smaller percentage only if all of the units are restricted to nonresidential use.

(b) An agreement to terminate shall be evidenced by a written agreement, executed in the same manner as a deed by the number of unit owners and first mortgagees of units required by subsection (a). The agreement shall specify a date after which the agreement shall be void unless recorded before that date. The agreement shall also specify a date by which the termination of the common interest community and the winding up of its affairs must be accomplished. A certificate of termination executed by the association evidencing the termination shall be recorded on or before the termination date, or the agreement to terminate shall be revoked. The agreement to terminate, or a

memorandum thereof, and the certificate of termination shall be recorded in every county in which a portion of the common interest community is situated and is effective only upon recording.

(c) In the case of a condominium or planned community containing only units having upper and lower boundaries, a termination agreement may provide that all of the common elements and units of the common interest community must be sold following termination. If, pursuant to the agreement, any real estate in the common interest community is to be sold following termination, the termination agreement shall set forth the minimum terms of sale acceptable to the association.

(d) In the case of a condominium or planned community containing any units not having upper and lower boundaries, a termination agreement may provide for sale of the common elements, but it may not require that the units be sold following termination, unless the original declaration provided otherwise or all unit owners whose units are to be sold consent to the sale.

(e) The association, on behalf of the unit owners, shall have authority to contract for the sale of real estate in a common interest community pursuant to this section, subject to the required approval. The agreement to terminate shall be deemed to grant to the association a power of attorney coupled with an interest to effect the conveyance of the real estate on behalf of the holders of all interests in the units, including without limitation the power to execute all instruments of conveyance and related instruments. Until the sale has been completed, all instruments in connection with the sale have been executed and the sale proceeds distributed, the association shall continue in existence with all powers it had before termination.

(1) The instrument conveying or creating the interest in the common interest community shall include as exhibits (i) an affidavit of the secretary of the association certifying that the approval required by this section has been obtained and (ii) a schedule of the names of all unit owners in the common interest community as of the date of the approval.

(2) Proceeds of the sale shall be distributed to unit owners and secured parties as their interests may appear, in accordance with subsections (h), (i), (j), and (k).

(3) Unless otherwise specified in the agreement of termination, until the association has conveyed title to the real estate, each unit owner and the unit owner's successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted the unit. During the period of that occupancy, each unit owner and the unit owner's successors in interest remain liable for all assessments and other obligations imposed on unit owners by this chapter, the declaration or the bylaws.

(f) The legal description of the real estate constituting the common interest community shall, upon the date of recording of the certificate of termination referred to in subsection (b), be as follows:

(1) In a planned community utilizing a CIC plat complying with section 515B.2-110(d)(1) and (2), the lot and block description contained in the CIC plat, and any amendments thereto, subject to any subsequent conveyance or taking of a fee interest in any part of the property.

(2) In a condominium or cooperative, or a planned community utilizing a CIC plat complying with section 515B.2-110(c), the underlying legal description of the real estate as set forth in the declaration creating the common interest community, and any amendments thereto, subject to any subsequent conveyance or taking of a fee interest in any part of the property.

(3) The legal description referred to in this subsection shall apply upon the recording of the certificate of termination. The recording officer for each county in which the common interest community is located shall index the property located in that county in its records under the legal description required by this subsection from and after the date of recording of the certificate of termination. In the case of registered property, the registrar of titles shall cancel the existing certificates of title with respect to the property and issue one or more certificates of title for the property utilizing the legal description required by this subsection.

(g) In a condominium or planned community, if the agreement to terminate provides that the real estate constituting the common interest community is not to be sold following termination, title to the common elements and, in a common interest community containing only units having upper and lower boundaries described in the declaration, title to all the real estate in the common interest community, vests in the unit owners upon termination as tenants in common in proportion to their respective interest as provided in subsection (k), and liens on the units shift accordingly. While the tenancy in common exists, each unit owner and the unit owner's successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted the unit.

(h) The proceeds of any sale of real estate pursuant to subsection (e), together with the assets of the association, shall be held by the association as trustee for unit owners, secured parties and other holders of liens on the units as their interests may appear. Before distributing any proceeds, the association shall have authority to deduct from the proceeds of sale due with respect to the unit (i) unpaid assessments levied by the association with respect to the unit, (ii) unpaid real estate taxes or special assessments due with respect to the unit, and (iii) the share of expenses of sale and winding up of the association's affairs with respect to the unit.

(i) Following termination of a condominium or planned community, creditors of the association holding liens on the units perfected before termination may enforce those liens in the same manner as any lien holder, in order of priority based upon their times of perfection. All other creditors of the association are to be treated as if they had perfected liens on the units immediately before termination.

(j) In a cooperative, the declaration may provide that all

creditors of the association have priority over any interests of unit owners and creditors of unit owners. In that event, following termination, creditors of the association holding liens on the cooperative which were perfected before termination may enforce their liens in the same manner as any lien holder, in order of priority based upon their times of perfection. All other creditors of the association shall be treated as if they had perfected a lien against the cooperative immediately before termination. Unless the declaration provides that all creditors of the association have that priority:

(1) the lien of each creditor of the association which was perfected against the association before termination becomes, upon termination, a lien against each unit owner's interest in the unit as of the date the lien was perfected;

(2) any other creditor of the association is to be treated upon termination as if the creditor had perfected a lien against each unit owner's interest immediately before termination;

(3) the amount of the lien of an association's creditor described in paragraphs (1) and (2) against each of the unit owners' interest shall be proportionate to the ratio which each unit's common expense liability bears to the common expense liability of all of the units;

(4) the lien of each creditor of each unit owner which was perfected before termination continues as a lien against that unit owner's interest in the unit as of the date the lien was perfected; and

(5) the assets of the association shall be distributed to all unit owners and all lien holders as their interests may appear in the order described in this section. Creditors of the association are not entitled to payment from any unit owner in excess of the amount of the creditor's lien against that unit owner's interest.

(k) The respective interest of unit owners referred to in subsections (e), (f), (g), (h) and (i) are as follows:

(1) Except as provided in paragraph (2), the respective interests of unit owners are the fair market values of their units, allocated interests, and any limited common elements immediately before the termination, as determined by one or more independent appraisers selected by the association. The decision of the independent appraisers must be distributed to the unit owners and becomes final unless disapproved within 30 days after distribution by unit owners of units to which 25 percent of the votes in the association are allocated. The proportion of any unit's interest to that of all units is determined by dividing the fair market value of that unit by the total fair market values of all the units.

(2) If any unit or any limited common element is destroyed to the extent that an appraisal of the fair market value thereof before destruction cannot be made, the interests of all unit owners shall be measured by: (i) in a condominium, their allocations of common element interests immediately before the termination, (ii) in a cooperative, their respective ownership interests immediately before the termination, and (iii) in a

planned community, their respective allocations of common expenses immediately before the termination.

(1) In a condominium or planned community, except as provided in subsection (m), foreclosure or enforcement of a lien or encumbrance against the entire common interest community does not terminate, of itself, the common interest community, and foreclosure or enforcement of a lien or encumbrance against a portion of the common interest community does not withdraw that portion from the common interest community.

(m) In a condominium or planned community, if a lien or encumbrance against a portion of the real estate comprising the common interest community has priority over the declaration and the lien or encumbrance has not been partially released, the parties foreclosing the lien or encumbrance, upon foreclosure, may record an instrument excluding the real estate subject to that lien or encumbrance from the common interest community.

(n) Following the termination of a common interest community in accordance with this section, the board of directors of the association shall cause the association to be dissolved in accordance with law.

HIST: 1993 c 222 art 2 s 19; 1994 c 388 art 4 s 9; 1999 c 11 art 2 s 12; 2005 c 121 s 17

515B.2-120 RIGHTS OF SECURED PARTIES.

Notwithstanding any requirement in the declaration, the articles of incorporation or the bylaws that a percentage of secured parties approve specified actions of the unit owners or the association as a condition to the effectiveness of those actions, no requirement for approval may operate to (i) deny or delegate control over the general administrative affairs of the association by the unit owners or the board of directors, or (ii) prevent the association or the board of directors from commencing, intervening in, or settling any litigation or proceeding, or (iii) prevent the association or its appointed insurance trustee from receiving and distributing any insurance proceeds except pursuant to section 515B.3-113.

HIST: 1993 c 222 art 2 s 20

515B.2-121 MASTER ASSOCIATIONS.

(a) A master association formed after June 1, 1994, shall be organized as a Minnesota profit, nonprofit or cooperative corporation. A master association shall be incorporated prior to the delegation to it of any powers under this chapter.

(b) The members of the master association shall be any combination of (i) unit owners of one or more common interest communities, (ii) one or more associations, (iii) one or more master associations, or (iv) owners of real estate or property owner's associations not subject to this chapter in combination with any other category of member. An association or its members may be members of an entity created before June 1, 1994, which performs functions similar to those performed by a master association regardless of whether the entity is subject to this

chapter.

(c) A master association shall be governed by a board of directors. Except as expressly prohibited by the master declaration, the master association's articles of incorporation or bylaws, or other provisions of this chapter, the master association board may act in all instances on behalf of the master association. The directors of a master association shall be elected or, if a nonprofit corporation, elected or appointed, in a manner consistent with the requirements of the statute under which the master association is formed and of the master association's articles of incorporation and bylaws, and subject to the following requirements:

(1) Except as set forth in subsections (2) and (3), the members of the master association shall elect the board of directors. A majority of the directors shall be members of the master association or members of a member of the master association, and shall be persons other than a declarant or affiliate of a declarant. If the member is not a natural person, it may designate a natural person to act on its behalf.

(2) The articles of incorporation or bylaws of the master association may authorize any person, whether or not the person is a member of, or otherwise subject to, the master association, including a declarant, to appoint or elect one director.

(3) A master association's articles of incorporation may suspend the members' right to elect or, in the case of a nonprofit corporation, elect or appoint, the master association's board of directors for a specified time period. During this period, the person or persons who execute the master declaration under subsection (f)(1), or their successors or assigns, may appoint the directors. The period during which the person or persons may appoint the directors begins when the master declaration is recorded and terminates upon the earliest of:

(i) the voluntary surrender of the right to appoint directors;

(ii) the date ten years after the date the master declaration is recorded;

(iii) the date, if any, in the articles of incorporation;
or

(iv) the date when at least 75 percent of the units and other parcels of real estate which are referred to in subsection (f)(1)(vii) have been conveyed to such persons for occupancy by the persons or their tenants.

(4) The term of any director appointed under subsection (3) expires 60 days after the right to appoint directors terminates. The master association's board of directors shall call an annual or special meeting of the master association's members to elect or appoint successor directors within the 60-day period.

(5) The system for the election of directors shall be fair and equitable and shall take into account the number of members

of each association any of whose powers are delegated to the master association, the needs of the members of the master association, the allocation of liability for master association common expenses, and the types of common interest communities and other real estate subject to the master association.

(d) The articles of incorporation or bylaws of the master association may authorize special classes of directors and allocations of director voting rights, as follows: (i) classes of directors that are elected by different classes of members, to address operational, physical, or administrative differences within the master association, or (ii) class voting by the classes of directors on specific issues affecting only a certain class or classes of members, units or other parcels of real estate, or to otherwise protect the legitimate interests of such class or classes. No person may utilize such special classes or allocations for the purpose of evading any limitation imposed on declarants by this chapter.

(e) The officers of a master association shall be elected, appointed, or designated in a manner consistent with the statute under which the master association is formed and consistent with the master association articles of incorporation and bylaws.

(f) The creation and authority of a master association shall be governed by the following requirements:

(1) A master declaration shall be recorded in connection with the creation of a master association. The master declaration shall be executed by the owners of the real estate subjected to the master declaration. The master declaration shall contain, at a minimum:

(i) the name of the master association;

(ii) a legally sufficient description of the real estate which is subject to the master declaration and a legally sufficient description of any other real estate which may be subjected to the master declaration pursuant to subsection (g);

(iii) a statement as to whether the real estate subject to, and which may be subjected to, the master declaration collectively is or collectively will be a separate common interest community;

(iv) a description of the members of the master association;

(v) a description of the master association's powers. To the extent described in the master declaration, a master association has the powers with respect to the master association's members and the property subject to the master declaration that section 515B.3-102 grants to an association with respect to the association's members and the property subject to the declaration. A master association also has the powers delegated to it by an association pursuant to subsection (f)(2) or by a property owner's association not subject to the chapter; provided (i) that the master declaration identifies the powers and authorizes the delegation either expressly or by a grant of authority to the board of the association or property owner's association and (ii) that the master association board

has not refused the delegation pursuant to subsection (f)(4). The provisions of the declarations of the common interest communities, or the provisions of recorded instruments governing other property subject to the master declaration, that delegate powers to the master association shall be consistent with the provisions of the master declaration that govern the delegation of the powers;

(vi) a description of the formulas governing the allocation of assessments and member voting rights, including any special classes or allocations referred to in subsection (d);

(vii) a statement of the total number of units and other parcels of real estate intended for residential use by a person or the person's tenants that are (i) subject to the master declaration as initially recorded and (ii) intended to be created by the addition of real estate or by the subdivision of units or other parcels of real estate; and

(viii) the requirements for amendment of the master declaration, other than an amendment under subsection (g).

(2) The declaration of a common interest community located on property subject to a master declaration may:

(i) delegate any of the powers described in section 515B.3-102 to the master association; provided, that a delegation of the powers described in section 515B.3-102(a)(2) is effective only if expressly stated in the declaration; and

(ii) authorize the board to delegate any of the powers described in section 515B.3-102, except for the powers described in section 515B.3-102(a)(2), to the master association.

(3) With respect to any other property subject to a master association, there need not be an instrument other than the master declaration recorded against the property to empower the master association to exercise powers with respect to the property.

(4) If a declaration or other recorded instrument authorizes the board or the board of a property owner's association to delegate powers to a master association, the master association board may refuse any delegation of powers that does not comply with (i) this chapter, (ii) the declaration or other recorded instrument, or (iii) the organizational documents of the master association.

(5) The failure of a declaration, a board or an owner of property subject to a master association to properly delegate some or all of the powers to the master association does not affect the authority of the master association to exercise those and other powers with respect to other common interest communities or owners of properties that are subject to the master association.

(g) The master declaration may authorize other real estate to be subjected to the master declaration. The other real estate shall be subjected to the master declaration by an amendment executed by the owner of the other real estate and any other person or persons required by the master declaration, and

recorded.

(h) Sections 515B.3-103(a), (b), and (g), 515B.3-108, 515B.3-109, 515B.3-110, and 515B.3-112 shall apply in the conduct of the affairs of a master association. But the rights of voting, notice, and other rights enumerated in those sections apply to persons who elect or appoint the board of a master association, whether or not those persons are otherwise unit owners within the meaning of this chapter.

(i) If so provided in the master declaration, a master association may levy assessments for common expenses of the master association against the property subject to the master declaration, and have and foreclose liens securing the assessments. The liens shall have the same priority against secured parties, shall include the same fees and charges, and may be foreclosed in the same manner, as assessment liens under section 515B.3-116. The master association's lien shall have priority as against the lien of an association or property owner's association subject to the master association, regardless of when the lien arose or was perfected.

(1) Master association common expenses shall be allocated among the members of the master association in a fair and equitable manner. If the members include associations or property owner's associations, then the master assessments may be allocated among and levied against the associations or property owner's associations, or allocated among and levied against the units or other parcels of real estate owned by the members of the association or property owner's association. If so provided in the master declaration, master assessments levied against a member association or property owner's association are allocated among and levied against the units or other parcels of real estate owned by the members of the association or property owner's association. If applicable and appropriate, the formulas and principles described in section 515B.2-108, subsections (b), (c), (d), and (e), shall be used in making the allocations. The assessment formulas and procedures described in the declarations of any common interest communities or any instruments governing other real estate subject to the master association shall not conflict with the formulas and procedures described in the master declaration.

(2) The master declaration may exempt from liability for all or a portion of master association assessments any person authorized by subsection (c)(3) to appoint the members of the master association board, or any other person, and exempt any unit or other parcel of real estate owned by the person from a lien for such assessments, until a building constituting or located within the unit or other parcel of real estate is substantially completed. Substantial completion shall be evidenced by a certificate of occupancy in a jurisdiction that issues that certificate.

(j) A master association shall not be used, directly or indirectly, to avoid or nullify any warranties or other obligations for which a declarant of a common interest community subject to the master association is responsible, or to otherwise avoid the requirements of this chapter.

HIST: 1993 c 222 art 2 s 21; 1999 c 11 art 2 s 13; 2005 c 121;s 18

515B.2-122 MERGER OR CONSOLIDATION OF COMMON INTEREST COMMUNITIES.

(a) Any two or more common interest communities of the same form of ownership, by agreement of the unit owners as provided in subsection (b), may be merged or consolidated into a single common interest community. The resultant common interest community shall be the legal successor, for all purposes, of all of the preexisting common interest communities, and the operations and activities of the preexisting common interest communities are merged or consolidated into a single common interest community that holds all powers, rights, obligations, assets, and liabilities of the preexisting common interest communities.

(b) An agreement of two or more common interest communities to merge or consolidate pursuant to subsection (a) shall be evidenced by an agreement executed by the president of the association of each of the preexisting common interest communities following approval by owners of units to which are allocated the votes in each common interest community required to terminate that common interest community.

(c) Every merger or consolidation agreement shall contain:

(1) the names of the resultant common interest community and its association;

(2) the number of the resultant common interest community, which shall be a new common interest community number assigned to the resultant common interest community by the recording officer;

(3) a requirement that the associations of the common interest communities shall be merged pursuant to the applicable statute;

(4) a reallocation of the allocated interests in the preexisting common interest communities among the units of the resultant common interest community by stating the reallocations and the formulas upon which they are based;

(5) a statement that the common interest communities have approved and will, within 90 days after the execution of the merger agreement, record a declaration as provided in subsection (d) or commence an appropriate proceeding to accomplish the recording if necessary.

(d) A declaration, including a new or amended CIC plat if necessary, complying with this chapter and governing the resultant common interest community shall be recorded in every county in which a portion of each preexisting common interest community is located, and the merger or consolidation is not effective until the declaration is recorded. In addition to other matters required by this chapter, the declaration shall contain:

(1) a reference to the names and numbers of the preexisting common interest communities, and the names of their associations;

(2) a statement that the preexisting common interest communities and their associations have been merged or consolidated pursuant to this chapter and the applicable corporate statute; and

(3) a statement that the declaration supersedes the declarations of the preexisting common interest communities and governs the resultant common interest community.

(e) Upon approval as provided in subsection (b), the association for the resultant common interest community may execute the declaration, and a new or amended CIC plat if necessary, on behalf of the unit owners of, and all other persons holding an interest in, the units or other property that is a part of the preexisting common interest communities, and to do all other acts necessary to merge or consolidate the common interest communities.

(f) The declaration and CIC plat for the resultant common interest community may be recorded without the necessity of paying the current or delinquent real estate taxes on any of the units.

HIST: 1993 c 222 art 2 s 22; 1999 c 11 art 2 s 14

515B.2-123 CHANGE OF FORM OF COMMON INTEREST COMMUNITY.

(a) The legal form of a condominium, planned community or cooperative subject to this chapter may be changed to a condominium or planned community, subject to any requirements contained in the declaration or bylaws of the common interest community, and the following requirements:

(1) Subject to paragraphs (2) and (3), the change of form shall be approved in writing by the unit owners of units to which at least 80 percent of the votes in the association are allocated, and 80 percent of the first mortgagees of record of the units (each mortgagee having one vote per unit financed). The declaration or bylaws may specify a smaller percentage only if all of the units are restricted to nonresidential use. A declaration and bylaws complying with this chapter shall be approved, subject to the foregoing approval standards, with respect to the new common interest community.

(2) If the period of declarant control has not expired, the change of form shall also be approved in writing by the declarant.

(3) If the existing common interest community is a cooperative, the change of form shall also be approved in writing by (i) each holder of a blanket mortgage of record and (ii) 80 percent of the secured parties holding interests in share loans encumbering the cooperative units or memberships (each secured party having one vote per share loan owned).

(b) Upon approval as provided in subsection (a), the association in the existing common interest community shall have authority to execute the declaration of the new common interest community on behalf of the unit owners of, and all other persons

holding an interest in, the units or other property which is a part of the existing common interest community, and to do all other acts necessary to create the new common interest community.

(c) Upon approval as provided in subsection (a), the association in the existing common interest community shall have a power of attorney coupled with an interest to effect the conveyance of the units or any other real estate owned by the unit owners or the association, which is a part of the existing common interest community, on behalf of the unit owners and all other holders of interests in the common interest community, including without limitation the power to execute all instruments of conveyance and related instruments.

(d) In a change of legal form under this section, the offer, conveyance or exchange of a unit in the new common interest community to or with the person owning the unit in the existing common interest community shall not be subject to article 4 of this chapter.

(e) A change of legal form under this section shall not affect any preexisting obligations or liabilities of a declarant under any statute, or under the disclosure statement, declaration or bylaws of the existing common interest community. The declarant of the existing common interest community shall continue to have the rights and obligations of a declarant with respect to the offer and sale of units owned by it or its affiliates in the new common interest community.

HIST: 1993 c 222 art 2 s 23; 2005 c 121 s 19

515B.2-124 SEVERANCE OF COMMON INTEREST COMMUNITY.

(a) Unless the declaration provides otherwise, a part of a common interest community containing one or more units, with or without common elements, may be severed from the common interest community, subject to the requirements of this section. Subject to any additional requirements contained in the declaration, the severance shall be approved in a written severance agreement complying with this section, executed by:

(1) unit owners entitled to cast at least 67 percent of the votes in the association, which approval shall include the approval of unit owners entitled to cast a majority of the votes allocated to units in the remaining common interest community and the approval of unit owners entitled to cast a majority of the votes allocated to units in the part of the common interest community being severed;

(2) declarant until the earlier of five years after the recording of the declaration or the time at which declarant no longer owns an unsold unit; and

(3) in the case of a cooperative, all holders of mortgages or contracts for deed on the entire real estate constituting the cooperative.

(b) The declaration may specify a smaller percentage for unit owner approval only if all of the units are restricted to nonresidential use.

(c) The severance agreement shall specify a severance date by which the severance of the common interest community shall be accomplished, after which the severance agreement is void. The severance agreement shall be deemed to grant to the association a power of attorney coupled with an interest to effect the severance of the common interest community on behalf of the unit owners and the holders of all other interests in the units, including without limit the power to execute the amendment to the declaration, any instruments of conveyance, and all related instruments.

(d) The severance agreement shall:

(1) Approve an amendment to the declaration complying with this chapter, in substantially the same form to be recorded, which, at a minimum (i) legally describes the real estate constituting the remaining common interest community and the real estate being severed, (ii) restates the number of units in the remaining common interest community, (iii) reallocates the interests of the unit owners in the remaining common interest community among the remaining units in accordance with the allocation formula set forth in the declaration, and (iv) recites any easements to which the severed portion of the common interest community remains subject.

(2) Approve an amendment to the articles of incorporation and bylaws of the remaining common interest community, if necessary.

(3) Authorize the association to execute and record the amended declaration, articles of incorporation or bylaws on behalf of the unit owners and all other persons holding an interest in the remaining common interest community, and to take other actions necessary to accomplish the severance of the common interest community.

(4) Allocate the assets and liabilities of the association between the association and (i) a new association formed pursuant to subsection (g), or (ii) the owners of the units being severed, subject to a lien against their interest in the severed real estate or their share in the assets of the association in favor of any person that held a security interest in their unit.

(5) If the units that are being severed from the common interest community will not be included in a new common interest community that is (i) formed simultaneously with the severance of the common interest community, and (ii) includes all of the units and substantially all of the common elements being severed, then the agreement shall contain the written consent of holders of first mortgages on all units that are being severed, and shall describe in detail the proposed disposition of all real estate to be severed and all assets of the association allocated to the severed units, and the distribution of the proceeds of the disposition, if any.

(e) The severance agreement or a memorandum of it shall be recorded in every county in which a part of the common interest community is located. The recording of the severance agreement or memorandum of it shall, from the date of recording,

constitute notice to all persons subsequently acquiring an interest in the common interest community that the common interest community is being severed, and that those persons acquire their interests subject to the terms and conditions contained in the severance agreement and the amendment to the declaration.

(f) The amendment to the declaration of the remaining common interest community shall be recorded on or before the severance date or the severance agreement and the amendment to the declaration is void as of the day after the severance date. The recording of the amendment to the declaration shall complete the severance of the common interest community and release the severed part of the common interest community from the declaration without further action by any person.

(g) If the unit owners whose units are being severed from the common interest community intend to form a new common interest community, then said unit owners shall, by at least 80 percent of the votes allocated by the existing declaration to said units, approve a new declaration, articles of incorporation and bylaws to govern the new common interest community no later than 60 days before the effective date of the severance. The new declaration shall be recorded simultaneously with the amendment to the existing declaration. No later than 30 days after the date of the severance agreement, the articles of incorporation creating the association intended to govern the new common interest community shall be filed with the secretary of state and promptly thereafter the unit owners whose units are being severed shall elect a board of directors to act on behalf of the new association. The board of directors of the new association shall cooperate with the board of directors of the existing association to complete the severance. The existing association shall retain all authority to act on behalf of the common interest community until the amendment to the existing declaration and the new declaration are recorded.

(h) The legal descriptions of the real estate constituting (i) the remaining common interest community, and (ii) the severed portion of the common interest community shall, at the time of recording of the amendment to the declaration referred to in subsection (e), be as follows:

(1) In a planned community using a CIC plat that complies with section 515B.2-110, subsection (d), the lot and block descriptions contained in the CIC plat, and any amendments to it, with respect to (i) the remaining common interest community, and (ii) the severed portion of the common interest community.

(2) In a condominium, or cooperative or planned community using a CIC plat that complies with section 515B.2-110, subsection (c), (i) the CIC plat description relating to the remaining common interest community, and (ii) the part of the underlying legal description of the real estate in the declaration creating the common interest community, and any amendments to it, relating to the severed part of the common interest community.

(3) The recording officer for each county in which the common interest community is located shall index the property located in that county in its records under the legal

descriptions required by this subsection as of the date of recording of the amendment to the declaration. In the case of registered property, the registrar of titles shall cancel the existing certificates of title for the severed part of the common interest community and issue certificates of title for the property using the legal descriptions required by this subsection.

(i) In a condominium or planned community, if the severed part of the common interest community is not to be reconstituted as a new common interest community following severance, title to the common elements and, in a common interest community in which all units have upper and lower boundaries described in the declaration title to all the real estate in the severed part of the common interest community, vests in the unit owners of the units being severed, upon severance, as tenants in common in proportion to their respective allocated interests in the declaration, and liens on the units shift accordingly. While the tenancy in common exists, each unit owner and the unit owner's successors in interest have an exclusive right to occupancy of the portion of the real estate that formerly constituted the unit, and a nonexclusive easement across, over and under any common elements contained in the severed portion of the common interest community for enjoyment, access, utilities, communication services, and other essential services, as applicable.

(j) No common interest community shall be severed in such a manner as to materially impair access, utility services, communication services, or other essential services with respect to either the remaining common interest community or the severed part of the common interest community.

HIST: 1999 c 11 art 2 s 15; 2005 c 121 s 20

515B.2-125 ADDITION OF COMMON ELEMENTS.

(a) Unless the declaration provides otherwise, real estate owned by the association may be added to the common interest community, as common elements only, subject to the requirements of this section. Subject to any additional requirements contained in the declaration, the addition of the real estate shall be approved by:

(1) unit owners entitled to cast at least 67 percent of the votes in the association;

(2) declarant until the earlier of (i) five years after the recording of the declaration, or (ii) the time at which declarant no longer owns an unsold unit; and

(3) in the case of a cooperative, all holders of mortgages or contracts for deed on the entire real estate constituting the cooperative.

(b) The declaration may specify a smaller percentage for unit owner approval only if all of the units are restricted to nonresidential use. A part of the common elements shall not be designated as limited common elements unless approved unanimously in writing by the unit owners.

(c) The approval by the unit owners shall be deemed to grant to the association a power of attorney coupled with an interest to acquire title to the real estate, if not previously acquired, and to add the real estate to the common interest community on behalf of the unit owners and the holders of all other interests in the units, including without limit the power to execute an amendment to the declaration and any other instruments relating to the acquisition.

(d) Following the required approvals, the association shall record an amendment to the declaration complying with this chapter, that, at a minimum, (i) legally describes the real estate added, (ii) designates the real estate as part of the common elements, and (iii) subjects the real estate to the declaration.

(e) In the case of a common interest community using a plat complying with section 515B.2-110, subsection (c), the association shall record an amended CIC plat reflecting the change in the common elements with the amendment to the declaration. The recording of the amendment to the declaration, and amended CIC plat if required, shall complete the addition of the real estate without further action by any person.

HIST: 1999 c 11 art 2 s 16

515B.3-101 ORGANIZATION OF UNIT OWNERS' ASSOCIATION.

A common interest community shall be administered by an association. The association shall be incorporated no later than the date the common interest community is created. The membership of the association at all times consists exclusively of all unit owners or, following termination of the common interest community, of all former unit owners entitled to distributions of proceeds under section 515B.2-119 or their heirs, successors, or assigns. The association shall be organized as a Minnesota profit or nonprofit corporation, or may, in the case of a cooperative, be organized under chapter 308A. In the event of a conflict between this chapter and any other chapter under which the association is incorporated, this chapter shall control.

HIST: 1993 c 222 art 3 s 1; 2005 c 121 s 21

515B.3-102 POWERS OF UNIT OWNERS' ASSOCIATION.

(a) Except as provided in subsections (b) and (c), and subject to the provisions of the declaration or bylaws, the association shall have the power to:

(1) adopt, amend and revoke rules and regulations not inconsistent with the articles of incorporation, bylaws and declaration, as follows: (i) regulating the use of the common elements; (ii) regulating the use of the units, and conduct of unit occupants, which may jeopardize the health, safety or welfare of other occupants, which involves noise or other disturbing activity, or which may damage the common elements or other units; (iii) regulating or prohibiting animals; (iv) regulating changes in the appearance of the common elements and

conduct which may damage the common interest community; (v) regulating the exterior appearance of the common interest community, including, for example, balconies and patios, window treatments, and signs and other displays, regardless of whether inside a unit; (vi) implementing the articles of incorporation, declaration and bylaws, and exercising the powers granted by this section; and (vii) otherwise facilitating the operation of the common interest community;

(2) adopt and amend budgets for revenues, expenditures and reserves, and levy and collect assessments for common expenses from unit owners;

(3) hire and discharge managing agents and other employees, agents, and independent contractors;

(4) institute, defend, or intervene in litigation or administrative proceedings (i) in its own name on behalf of itself or two or more unit owners on matters affecting the common elements or other matters affecting the common interest community or, (ii) with the consent of the owners of the affected units on matters affecting only those units;

(5) make contracts and incur liabilities;

(6) regulate the use, maintenance, repair, replacement, and modification of the common elements and the units;

(7) cause improvements to be made as a part of the common elements, and, in the case of a cooperative, the units;

(8) acquire, hold, encumber, and convey in its own name any right, title, or interest to real estate or personal property, but (i) common elements in a condominium or planned community may be conveyed or subjected to a security interest only pursuant to section 515B.3-112, or (ii) part of a cooperative may be conveyed, or all or part of a cooperative may be subjected to a security interest, only pursuant to section 515B.3-112;

(9) grant easements for public utilities, public rights-of-way or other public purposes, and cable television or other communications, through, over or under the common elements; grant easements, leases, or licenses to unit owners for purposes authorized by the declaration; and, subject to approval by resolution of unit owners other than declarant or its affiliates, grant other easements, leases, and licenses through, over or under the common elements;

(10) impose and receive any payments, fees, or charges for the use, rental, or operation of the common elements, other than limited common elements, and for services provided to unit owners;

(11) impose charges for late payment of assessments and, after notice and an opportunity to be heard, levy reasonable fines for violations of the declaration, bylaws, and rules and regulations of the association;

(12) impose reasonable charges for the review, preparation and recordation of amendments to the declaration, resale

certificates required by section 515B.4-107, statements of unpaid assessments, or furnishing copies of association records;

(13) provide for the indemnification of its officers and directors, and maintain directors' and officers' liability insurance;

(14) provide for reasonable procedures governing the conduct of meetings and election of directors;

(15) exercise any other powers conferred by law, or by the declaration, articles of incorporation or bylaws; and

(16) exercise any other powers necessary and proper for the governance and operation of the association.

(b) Notwithstanding subsection (a) the declaration or bylaws may not impose limitations on the power of the association to deal with the declarant which are more restrictive than the limitations imposed on the power of the association to deal with other persons.

(c) Notwithstanding subsection (a), powers exercised under this section must comply with section 500.215:

[500.215 Limits On Certain Residential Property Rights Prohibited; Flag Display.

Subdivision 1. General rule. (a) Any provision of any deed restriction, subdivision regulation, restrictive covenant, local ordinance, contract, rental agreement or regulation, or homeowners association document that limits the right of an owner or tenant of residential property to display the flag of the United States and the flag of the State of Minnesota is void and unenforceable.

(b) "Homeowners association document" includes the declaration, articles of incorporation, bylaws, and rules and regulations of:

(1) a common interest community, as defined in section 515B.1-103(C)(10), regardless of whether the common interest community is subject to chapter 515B; and

(2) a residential community that is not a common interest community, as defined in section 515B.1-103(C)(10).

Subd. 2. Exceptions. (a) This section does not prohibit limitations narrowly tailored to protect health or safety.

(b) This section does not prohibit limitations that restrict:

(1) the size of the flag to be displayed to a size customarily used on residential property;

(2) the installation and display of the flag to a portion of the residential property to which the person who displays the flag has exclusive use; or

(3) illuminating the flag.

(c) This section does not prohibit a requirement that the flag be displayed in a legal manner under Minnesota law, that the flag be in good condition and not altered or defaced, or that the flag not be affixed in a permanent manner to that portion of property to be maintained by others or in a way that causes more than inconsequential damage to others' property. A person who causes damage is liable for the repair costs.

Subd. 3. Applicability. This section applies to all limitations described in subdivision 1 and not excepted in subdivision 2, regardless of whether adopted before, on, or after August 1, 2005.

Subd. 4. Recovery of attorney fees. If an owner or tenant of residential property is denied the right provided by this section, the owner or tenant is entitled to recover, from the party who denied the right, reasonable attorney fees and expenses if the owner or tenant prevails in enforcing the right. If a flag is installed or displayed in violation of enforceable restrictions or limitations, the party enforcing the restrictions or limitations is entitled to recover, from the party displaying the flag, reasonable attorney fees and expenses if the enforcing party prevails in enforcing the restrictions or limitations.
HIST: 2005 c 168 s 11

515B.3-103 BOARD OF DIRECTORS, OFFICERS AND DECLARANT CONTROL.

(a) An association shall be governed by a board of directors. Except as expressly prohibited by the declaration, the articles of incorporation, bylaws, subsection (b), or other provisions of this chapter, the board may act in all instances on behalf of the association. In the performance of their duties, the officers and directors are required to exercise (i) if appointed by the declarant, the care required of fiduciaries of the unit owners and (ii) if elected by the unit owners, the care required of a director by section 302A.251 or 317A.251, as applicable.

(b) The board may not act unilaterally to amend the declaration, to terminate the common interest community, to elect directors to the board, or to determine the qualifications, powers and duties, or terms of office of directors, but the board may fill vacancies in its membership created other than by removal by the vote of the association members for the unexpired portion of any term.

(c) The declaration may provide for a period of declarant control of the association, during which a declarant, or persons designated by the declarant, may appoint and remove the officers and directors of the association. The period of declarant control begins on the date of creation of the common interest community and terminates upon the earliest of the following events: (i) five years after the date of the first conveyance of a unit to a unit owner other than a declarant in the case of a flexible common interest community or three years in the case of any other common interest community, (ii) the declarant's voluntary surrender of control by giving written notice to the unit owners pursuant to section 515B.1-115, or (iii) the conveyance of 75 percent of the units to unit owners other than a declarant.

(d) The board shall cause a meeting of the unit owners to be called, as follows:

(1) If the period of declarant control has terminated pursuant to subsection (c), a meeting of the unit owners shall be called and held within 60 days after said termination, at which the board shall be elected by all unit owners, including declarant, subject to the requirements of subsection (e).

(2) If 50 percent of the units that a declarant is authorized by the declaration to create have been conveyed prior to the termination of the declarant control period, a meeting of the unit owners shall be called and held within 60 days thereafter, at which not less than 33-1/3 percent of the members of the board shall be elected by unit owners other than a declarant or an affiliate of a declarant.

(e) Following the termination of any period of declarant control, the unit owners shall elect the board. All unit owners, including the declarant and its affiliates, may cast the votes allocated to any units owned by them. The board shall thereafter be subject to the following requirements.

(1) A majority of the directors shall be unit owners other than a declarant or an affiliate of a declarant, or a natural person designated by a unit owner that is not a natural person. The remaining directors need not be unit owners unless required by the articles of incorporation or bylaws.

(2) Subject to the requirements of subsection (1), the articles of incorporation or bylaws may authorize (i) the appointment or election of one director, who need not be a unit owner, by a declarant or by a person or persons other than a unit owner, (ii) classes of directors, and (iii) the election of certain directors by unit owners of a certain class or classes of units. The articles of incorporation or bylaws shall not be amended to change or terminate the authorization described in (i) without the written consent of the declarant or other person possessing the power to appoint or elect.

(3) Subject to the requirements of subsection (1), if separate classes of directors are authorized under subsection (2), the articles of incorporation or bylaws may authorize class voting by classes of directors on specified issues affecting only a certain class of units, or to protect the legitimate interests of the class. A person shall not use special class voting to evade any limit imposed on declarants by this chapter.

(4) The board shall elect the officers. The directors and officers shall take office upon election.

(f) In determining whether the period of declarant control has terminated under subsection (c), or whether unit owners other than a declarant are entitled to elect members of the board of directors under subsection (d), the percentage of the units conveyed shall be calculated using as a numerator the number of units conveyed and as a denominator the number of units subject to the declaration plus the number of units which the declarant is authorized by the declaration to create on any additional real estate. The percentages referred to in subsections (c) and (d) shall be calculated without reference to units that are auxiliary to other units, such as garage units or storage units. A person shall not use a master association or other device to evade the requirements of this section.

(g) Except as otherwise provided in this subsection, meetings of the board of directors must be open to the unit owners. To the extent practicable, the board shall give reasonable notice to the unit owners of the date, time, and place of a board meeting. If the date, time, and place of meetings are provided for in the declaration, articles, or bylaws, announced at a previous meeting of the board, posted in a location accessible to the unit owners and designated by the board from time to time, or if an emergency requires immediate consideration of a matter by the board, notice is not required. "Notice" has the meaning given in section 317A.011, subdivision 14. Meetings may be closed to discuss the following:

(1) personnel matters;

(2) pending or potential litigation, arbitration or other potentially adversarial proceedings, between unit owners, between the board or association and unit owners, or other matters in which any unit owner may have an adversarial

interest, if the board determines that closing the meeting is necessary to discuss strategy or to otherwise protect the position of the board or association or the privacy of a unit owner or occupant of a unit; or

(3) criminal activity arising within the common interest community if the board determines that closing the meeting is necessary to protect the privacy of the victim or that opening the meeting would jeopardize investigation of the activity.

Nothing in this subsection imposes a duty on the board to provide special facilities for meetings. The failure to give notice as required by this subsection shall not invalidate the board meeting or any action taken at the meeting. The minutes of any part of a meeting that is closed under this subsection may be kept confidential at the discretion of the board.

HIST: 1993 c 222 art 3 s 3; 1999 c 11 art 2 s 17; 2005 c 121 s 23

515B.3-104 TRANSFER OF SPECIAL DECLARANT RIGHTS.

(a) A special declarant right created or reserved under this chapter may be voluntarily transferred only by a separate instrument evidencing the transfer recorded in every county in which any part of the common interest community is located. The separate instrument shall be recorded against all units in the common interest community, or in the case of a cooperative, against the real estate owned by the cooperative, or in the case of a condominium on registered land, the instrument must be filed pursuant to section 508.351, subdivision 3, or 508A.351, subdivision 3. The instrument may provide for the conveyance of less than all of the special declarant rights, and is not effective unless executed by the transferor and transferee. A deed in lieu of foreclosure, or other conveyance arising out of a foreclosure or cancellation, shall not be deemed a voluntary transfer within the meaning of this section.

(b) Upon the voluntary transfer of any special declarant right, the liability of a transferor declarant is as follows:

(1) A transferor is not relieved of any obligation or liability arising before the transfer and remains liable for warranty obligations imposed on the transferor by this chapter. Lack of privity does not deprive any unit owner of standing to maintain an action to enforce any obligation of the transferor.

(2) If a successor to any special declarant right is an affiliate of a declarant, the transferor is jointly and severally liable with the successor for any obligations or liabilities of the successor relating to the common interest community.

(3) If a transferor retains any special declarant rights, but transfers other special declarant rights to a successor who is not an affiliate of the declarant, the transferor is liable for any obligations or liabilities imposed on a declarant by this chapter or by the declaration relating to the retained special declarant rights and arising before or after the transfer.

(4) A transferor has no liability for any act or omission or any breach of a contractual or warranty obligation arising from the exercise of a special declarant right by a successor declarant who is not an affiliate of the transferor.

(c) Upon the voluntary transfer of any special declarant right, the liability of a successor declarant is as follows:

(1) A successor to any special declarant right who is an affiliate of a declarant is subject to all obligations and liabilities imposed on the transferor by this chapter or by the declaration.

(2) A successor to any special declarant right who is not an affiliate of a declarant is subject to all obligations and liabilities imposed by this chapter or the declaration, except: (i) misrepresentations by any previous declarant; (ii) warranty obligations on improvements made by any previous declarant, or made before the common interest community was created; (iii) breach of any fiduciary obligation by any previous declarant or the declarant's appointees to the board; (iv) any liability or obligation imposed on the transferor as a result of the transferor's acts or omissions after the transfer; and (v) any liability arising out of a special declarant right which was not transferred as provided in subsection (a).

(d) In case of foreclosure of a mortgage or cancellation of a contract for deed or other security interest (or conveyance in lieu thereof), sale by a trustee under an agreement creating a security interest, tax sale, judicial sale, or sale under bankruptcy code or receivership proceedings, of any units or additional real estate, or interest therein, owned by a declarant, a person acquiring title to the property or interests succeeds to all special declarant rights related to the property or interests held by that declarant and acquired by it unless (i) the mortgage instrument or other instrument creating the security interest, (ii) the instrument conveying title or (iii) a separate instrument signed by the person and recorded within 60 days after the person acquires title to the property or interests, provides for transfer of less than all special declarant rights. The separate instrument need be recorded only against the title to the units or interests other than those being acquired under this subsection, or in the case of a cooperative, against the real estate owned by the cooperative. The declarant shall cease to have or exercise any special declarant rights which are transferred. If the person has limited the transfer of certain special declarant rights as provided in this subsection, then it and its successor's liability shall be limited, as follows:

(1) If the person or its successor limits its rights and liabilities only to maintain models, sales office and signs, and if that party is not an affiliate of a declarant, it is not subject to any liability or obligations as a declarant, except the obligation to provide a disclosure statement and any liability arising from that obligation, and it may not exercise any other special declarant rights.

(2) If the person or its successor is not an affiliate of a declarant, it may declare its intention in a recorded instrument

as provided in subsection (a) to acquire all special declarant rights and hold those rights solely for transfer to another person. Thereafter, until the special declarant rights are transferred to a person acquiring title to any unit owned by the successor, or until a separate instrument is recorded permitting exercise of all of those rights, that successor may not exercise any of those rights other than the right to control the board of directors in accordance with the provisions of section 515B.3-103 for the duration of any period of declarant control. So long as any successor may not exercise its special declarant rights under this subsection, it is not subject to any liability or obligation as a declarant other than liability for its acts and omissions under section 515B.3-103.

(e) Any attempted exercise by a purported successor to a special declarant right which is not transferred as provided in this section is void, and any purported successor attempting to exercise that right shall be liable for any damages arising out of its actions.

(f) Nothing in this section shall subject any successor to a special declarant right to any claims against or other obligations of a transferor declarant, other than claims and obligations arising under this chapter, or the declaration or bylaws.

HIST: 1993 c 222 art 3 s 4; 2001 c 50 s 29

515B.3-105 TERMINATION OF CONTRACTS, LEASES.

(a) If entered into prior to termination of the period of declarant control, (i) any management contract, employment contract, or lease of recreational facilities, or garages or other parking facilities, (ii) any contract, lease, or license binding the association, and to which a declarant or an affiliate of a declarant is a party, or (iii) any contract, lease or license binding the association or any unit owner other than the declarant or an affiliate of the declarant which is not bona fide or which was unconscionable to the unit owners at the time entered into under the circumstances then prevailing, may be terminated without penalty by the association under the procedures described in this section.

(b) If prior to expiration of the suspension period described in section 515B.2-121, subsection (c), paragraph (3), a contract, lease, or license of a type described in subsection (a) is entered into by a person having authority to appoint the directors of the master association and is binding upon the master association, then the master association, and not any association, may terminate the contract, lease, or license under the procedures described in this section.

(c) Termination shall be upon no less than 90 days' notice. Notice of termination shall be given by the association or master association, as applicable, in accordance with section 515B.1-115; provided, that notice shall be effective only if given within two years following the termination of the period of declarant control or the suspension period described in section 515B.2-121, subsection (c), paragraph (3), as applicable.

(d) This section does not apply to:

(1) any lease the termination of which would terminate the common interest community;

(2) in the case of a cooperative, a mortgage or contract for deed encumbering real estate owned by the association, except that if the mortgage or contract for deed contains a contractual obligation involving a type of contract, lease, or license which may be terminated pursuant to subsection (a) or (b), then that contractual obligation may be terminated pursuant to subsection (c); or

(3) an agreement between a declarant or an affiliate of a declarant, or a person having authority pursuant to section 515B.2-121(c)(3) to appoint the directors of the master association, and any governmental entity, if such agreement is necessary to obtain governmental approvals, provide financing under any type of government program, or provide for governmentally required access, conservation, drainage, or utilities.

HIST: 1993 c 222 art 3 s 5; 1999 c 11 art 2 s 18; 2000 c 260 s 75; 2005 c 121 s 24

515B.3-106 BYLAWS; ANNUAL REPORT.

(a) A common interest community shall have bylaws which comply with this chapter and the statute under which the association is incorporated. The bylaws and any amendments may be recorded, but need not be recorded to be effective unless so provided in the bylaws.

(b) The bylaws shall provide that, in addition to any statutory requirements:

(1) A meeting of the members shall be held at least once each year, and a specified officer of the association shall give notice of the meeting as provided in section 515B.3-108.

(2) An annual report shall be prepared by the association and a copy of the report shall be provided to each unit owner at or prior to the annual meeting.

(c) The annual report shall contain at a minimum:

(1) a statement of any capital expenditures in excess of two percent of the current budget or \$5,000, whichever is greater, approved by the association for the current fiscal year or succeeding two fiscal years;

(2) a statement of the balance in any reserve or replacement fund;

(3) a copy of the statement of revenues and expenses for the association's last fiscal year, and a balance sheet as of the end of said fiscal year;

(4) a statement of the status of any pending litigation or judgments to which the association is a party;

(5) a detailed description of the insurance coverage provided by the association including a statement as to which, if any, of the items referred to in section 515B.3-113, subsection (b), are insured by the association; and

(6) a statement of the total past due assessments on all units, current as of not more than 60 days prior to the date of the meeting.

HIST: 1993 c 222 art 3 s 6; 1999 c 11 art 2 s 19; 2005 c 121 s 25

515B.3-107 UPKEEP OF COMMON INTEREST COMMUNITY.

(a) Except to the extent provided by the declaration, this subsection or section 515B.3-113, the association is responsible for the maintenance, repair and replacement of the common elements, and each unit owner is responsible for the maintenance, repair and replacement of the unit owner's unit. Damage to the common elements or any unit as a result of the acts or omissions of a unit owner or the association is the responsibility of the person causing the damage, or whose agents or invitees caused the damage.

(b) The association shall have access through and into each unit for purposes of performing maintenance, repair or replacement for which the association may be responsible. The association and any public safety personnel shall also have access for purposes of abating or correcting any condition in the unit which violates any governmental law, ordinance or regulation, which may cause material damage to or jeopardize the safety of the common interest community, or which may constitute a health or safety hazard for occupants of units.

(c) Neither the association, nor any unit owner other than the declarant or its affiliates, is subject to a claim for payment of expenses incurred in connection with any additional real estate.

HIST: 1993 c 222 art 3 s 7

515B.3-108 MEETINGS.

(a) A meeting of the association shall be held at least once each year. At each annual meeting, there shall be, at a minimum, (i) an election of successor directors for those directors whose terms have expired, (ii) a report on the activities and financial condition of the association and (iii) consideration of and action on any other matters included in the notice of meeting. Unless the bylaws provide otherwise, special meetings of the association may be called by the president and shall be called by the president or secretary upon the written petition of a majority of the board or unit owners entitled to cast at least 20 percent of the votes in the association.

(b) Not less than 21 nor more than 30 days in advance of any annual meeting, and not less than seven nor more than 30 days in advance of any special meeting, the secretary or other officer specified in the bylaws shall cause notice to be hand

delivered or sent postage prepaid by United States mail to the mailing address of each unit, or to any other address designated in writing by the unit owner to the association as provided in the bylaws or by statute.

(c) The notice of any meeting shall state the date, time and place of the meeting, the purposes of the meeting, and, if proxies are permitted, the procedures for appointing proxies.

(d) The board may provide for reasonable procedures governing the conduct of meetings and elections.

HIST: 1993 c 222 art 3 s 8

515B.3-109 QUORUMS.

(a) Unless the bylaws provide otherwise, a quorum is present throughout any meeting of the association if unit owners entitled to cast in excess of 20 percent of the votes in the association are present in person or by proxy at the beginning of the meeting.

(b) Unless the bylaws provide otherwise, a quorum is present throughout any meeting of the board if persons entitled to cast in excess of 50 percent of the votes on that board are present in person at the beginning of the meeting.

HIST: 1993 c 222 art 3 s 9

515B.3-110 VOTING; PROXIES.

(a) At any meeting of the association an owner or the holder of the owner's proxy shall be entitled to cast the vote which is allocated to the unit. **If there is more than one owner of a unit, only one of the owners may cast the vote. If the owners of a unit fail to agree and notify the association as to who shall cast the vote, the vote shall not be cast.** Any provision in the articles of incorporation, bylaws, declaration, or other document restricting a unit owner's right to vote, or affecting quorum requirements, by reason of nonpayment of assessments, or a purported violation of any provision of the documents governing the common interest community, shall be void.

(b) If permitted by the articles or bylaws, votes allocated to a unit may be cast pursuant to a proxy executed by the unit owner entitled to cast the vote for that unit. The board may specify the form of proxy and proxy rules, consistent with law.

(c) The entire vote on any single issue (except the election of directors), may be by mailed ballots, subject to (i) any prohibition or requirement contained in the articles of incorporation, bylaws, or declaration and (ii) any requirements of the statute under which the association is created. Such a vote shall have the force and effect of a vote taken at a meeting; provided, that the total votes cast are at least equal to the votes required for a quorum. The board shall set a voting period within which the ballots must be returned, which period shall be not less than ten nor more than 30 days after the date of mailing or hand delivery of the ballots to the owners. The board of directors shall provide written notice of

the results of the vote to the members within 30 days after the expiration of the voting period. All requirements in this chapter, the declaration or the bylaws for a meeting of the members, or being present in person, shall be deemed satisfied by a vote taken by mail in compliance with the requirements of this section.

(d) The articles of incorporation or bylaws may authorize class voting by unit owners for directors or on specified issues affecting the class. Class voting may only be used to address operational, physical, or administrative differences within the common interest community. A declarant shall not use class voting to evade any limit imposed on declarants by this chapter and units shall not constitute a class because they are owned by a declarant.

(e) The declaration or bylaws may provide that votes on specified matters affecting the common interest community be cast by lessees or secured parties rather than unit owners; provided that (i) the provisions of subsections (a), (b), and (c) apply to those persons as if they were unit owners; (ii) unit owners who have so delegated their votes to other persons may not cast votes on those specified matters; (iii) lessees or secured parties are entitled to notice of meetings, access to records, and other rights respecting those matters as if they were unit owners, and (iv) the lessee or secured party has filed satisfactory evidence of its interest with the secretary of the association prior to the meeting. Unit owners must also be given notice, in the manner provided in section 515B.3-108(b), of meetings at which lessees or secured parties are entitled to vote.

(f) No votes allocated to a unit owned by the association may be cast nor counted toward a quorum.

HIST: 1993 c 222 art 3 s 10; 1999 c 11 art 2 s 20; 2005 c 121; s 26

515B.3-111 TORT AND CONTRACT LIABILITY.

(a) Neither the association nor any unit owner except the declarant is liable for that declarant's torts in connection with any part of the common interest community. An action alleging a tort or contract violation by the association shall not be brought against a unit owner solely by reason of ownership. If the tort or contract violation occurred during any period of declarant control and the association or a unit owner gives the declarant reasonable notice of and an opportunity to defend against the action, the declarant who then controlled the association is liable to the association or to any unit owner for (i) all losses not covered by insurance suffered by the association or that unit owner, and (ii) all costs that the association would not have incurred but for the tort or contract violation.

(b) Whenever the declarant is liable to the association or a unit owner under this section, the declarant is also liable for all expenses of litigation, including reasonable attorney's fees, incurred by the association or unit owner. Any statute of limitation affecting a right of action under this section is tolled until the period of declarant control terminates. A unit

owner is not precluded from maintaining an action contemplated by this section because of being a unit owner or an officer or director of the association.

(c) Except as provided in subsections (a) and (b) with respect to a declarant, no unit owner shall have tort liability arising out of ownership of the common elements if the association has liability insurance coverage on the occurrence in an amount not less than \$1,000,000.

HIST: 1993 c 222 art 3 s 11

515B.3-112 CONVEYANCE OF, OR CREATION OF SECURITY INTERESTS IN, COMMON ELEMENTS.

(a) In a condominium or planned community, unless the declaration provides otherwise, portions of the common elements may be conveyed or subjected to a security interest by the association if persons entitled to cast at least 67 percent of the votes in the association, including 67 percent of the votes allocated to units not owned by a declarant, or any larger percentage the declaration specifies, approve that action in writing or at a meeting; but all unit owners of units to which any limited common element is allocated must agree in order to convey that limited common element or subject it to a security interest. The declaration may specify a smaller percentage only if all of the units are restricted to nonresidential use.

(b) In a cooperative, unless the declaration provides otherwise, part of a cooperative may be conveyed, or all or a part subjected to a security interest, by the association if persons entitled to cast at least 67 percent of the votes in the association, including 67 percent of the votes allocated to units in which the declarant has no interest, or any larger percentage the declaration specifies, approves that action in writing or at a meeting. If fewer than all of the units or limited common elements are to be conveyed or subjected to a security interest, then all unit owners of those units, or the units to which those limited common elements are allocated, must agree in order to convey those units or limited common elements or subject them to a security interest. The declaration may specify a smaller percentage only if all of the units are restricted to nonresidential use. Any purported conveyance or other voluntary transfer of an entire cooperative is void, unless made pursuant to section 515B.2-119.

(c) The association, on behalf of the unit owners, may contract to convey or encumber an interest in the common elements of a common interest community pursuant to this subsection, subject to the required approval. After the approval has been obtained, the association shall have a power of attorney coupled with an interest to effect the conveyance or encumbrance on behalf of all unit owners in the common interest community, including the power to execute deeds, mortgages, or other instruments of conveyance or security. The instrument conveying or creating the interest in the common interest community shall be recorded and shall include as exhibits (i) an affidavit of the secretary of the association certifying that the approval required by this section has been obtained and (ii) a schedule of the names of all unit owners and units in the

common interest community as of the date of the approval.

(d) Unless made pursuant to this section, any purported conveyance, creation of a security interest in or other voluntary transfer of any interest in the common elements, or of any part of a cooperative, is void. The grant of an easement, lease, or license pursuant to section 515B.3-102(a)(9) is not subject to this section.

(e) In the case of a conveyance involving a condominium, a planned community utilizing a CIC plat complying with section 515B.2-110(c), or a cooperative in which the unit owners' interests are characterized as real estate, the association shall record, simultaneously with the recording of the instrument of conveyance, an amended CIC plat showing the real estate constituting the common interest community exclusive of the real estate conveyed. In all common interest communities, upon recording of the instrument of conveyance, the declaration, and all rights and obligations arising therefrom, shall be deemed released and terminated as to the real estate conveyed.

(f) A conveyance or encumbrance of common elements, or of a cooperative, pursuant to this section shall not deprive any unit of its rights of support, reasonable access or utility services.

(g) Except as provided in subsection (a), or unless the declaration otherwise provides, a conveyance or encumbrance of common elements pursuant to this section does not affect the priority or validity of preexisting encumbrances.

(h) Any proceeds of the conveyance or creation of a security interest under this section are an asset of the association.

(i) This section shall not apply to any conveyance or encumbrance of any interest in a proprietary lease.

HIST: 1993 c 222 art 3 s 12; 1995 c 92 s 11; 2005 c 121 s 27

515B.3-113 INSURANCE.

(a) Commencing not later than the time of the first conveyance of a unit to a unit owner other than a declarant, the association shall maintain, to the extent reasonably available:

(1) subject to subsection (b), property insurance (i) on the common elements and, in a planned community, also on property that must become common elements, (ii) for broad form covered causes of loss, and (iii) in a total amount of not less than the full insurable replacement cost of the insured property, less deductibles, at the time the insurance is purchased and at each renewal date, exclusive of items normally excluded from property policies; and

(2) commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of the property in an amount, if any, specified by the common interest community instruments or otherwise deemed sufficient in the judgment of the board, insuring the board, the association, the management agent, and

their respective employees, agents and all persons acting as agents. The declarant shall be included as an additional insured in its capacity as a unit owner or board member. The unit owners shall be included as additional insureds but only for claims and liabilities arising in connection with the ownership, existence, use or management of the common elements. The insurance shall cover claims of one or more insured parties against other insured parties.

(b) In the case of a common interest community that contains units, or structures within units, sharing or having contiguous walls, siding or roofs, the insurance maintained under subsection (a)(1) shall include those units, or structures within those units, and the common elements. The insurance need not cover the following items within the units: (i) ceiling or wall finishing materials, (ii) floor coverings, (iii) cabinetry, (iv) finished millwork, (v) electrical or plumbing fixtures serving a single unit, (vi) built-in appliances, or (vii) other improvements and betterments, regardless of when installed. If any improvements and betterments are covered, any increased cost may be assessed by the association against the units affected. The association may, in the case of a claim for damage to a unit or units, (i) pay the deductible amount as a common expense, (ii) assess the deductible amount against the units affected in any reasonable manner, or (iii) require the unit owners of the units affected to pay the deductible amount directly.

(c) If the insurance described in subsections (a) and (b) is not reasonably available, the association shall promptly cause notice of that fact to be hand delivered or sent prepaid by United States mail to all unit owners. The declaration may require the association to carry any other insurance, and the association in any event may carry any other insurance it considers appropriate to protect the association, the unit owners or officers, directors or agents of the association.

(d) Insurance policies carried pursuant to subsections (a) and (b) shall provide that:

(1) each unit owner and secured party is an insured person under the policy with respect to liability arising out of the unit owner's interest in the common elements or membership in the association;

(2) the insurer waives its right to subrogation under the policy against any unit owner of the condominium or members of the unit owner's household and against the association and members of the board of directors;

(3) no act or omission by any unit owner or secured party, unless acting within the scope of authority on behalf of the association, shall void the policy or be a condition to recovery under the policy; and

(4) if at the time of a loss under the policy there is other insurance in the name of a unit owner covering the same property covered by the policy, the association's policy is primary insurance.

(e) Any loss covered by the property policy under subsection (a)(1) shall be adjusted by and with the

association. The insurance proceeds for that loss shall be payable to the association, or to an insurance trustee designated by the association for that purpose. The insurance trustee or the association shall hold any insurance proceeds in trust for unit owners and secured parties as their interests may appear. The proceeds shall be disbursed first for the repair or restoration of the damaged common elements and units. If there is a surplus of proceeds after the common elements and units have been completely repaired or restored or the common interest community is terminated, the board of directors may retain the surplus for use by the association or distribute the surplus among the owners on an equitable basis as determined by the board.

(f) Unit owners may obtain insurance for personal benefit in addition to insurance carried by the association.

(g) An insurer that has issued an insurance policy under this section shall issue certificates or memoranda of insurance, upon request, to any unit owner or secured party. The insurance may not be canceled until 60 days after notice of the proposed cancellation has been mailed to the association, each unit owner and each secured party for an obligation to whom certificates of insurance have been issued.

(h) Any portion of the common interest community which is damaged or destroyed as the result of a loss covered by the association's insurance shall be promptly repaired or replaced by the association unless (i) the common interest community is terminated and the association votes not to repair or replace all or part thereof, (ii) repair or replacement would be illegal under any state or local health or safety statute or ordinance, or (iii) 80 percent of the unit owners, including every unit owner and holder of a first mortgage on a unit or assigned limited common element which will not be rebuilt, vote not to rebuild. Subject to subsection (b), the cost of repair or replacement of the common elements in excess of insurance proceeds and reserves shall be paid as a common expense, and the cost of repair of a unit in excess of insurance proceeds shall be paid by the respective unit owner.

(i) If less than the entire common interest community is repaired or replaced, (i) the insurance proceeds attributable to the damaged common elements shall be used to restore the damaged area to a condition compatible with the remainder of the common interest community, (ii) the insurance proceeds attributable to units and limited common elements which are not rebuilt shall be distributed to the owners of those units, including units to which the limited common elements were assigned, and the secured parties of those units, as their interests may appear, and (iii) the remainder of the proceeds shall be distributed to all the unit owners and secured parties as their interests may appear in proportion to their common element interest in the case of a condominium or in proportion to their common expense liability in the case of a planned community or cooperative.

(j) If the unit owners and holders of first mortgages vote not to rebuild a unit, that unit's entire common element interest, votes in the association, and common expense liability are automatically reallocated upon the vote as if the unit had been condemned under section 515B.1-107, and the association

shall promptly prepare, execute and record an amendment to the declaration reflecting the reallocations. Notwithstanding the provisions of this subsection, if the common interest community is terminated, insurance proceeds not used for repair or replacement shall be distributed in the same manner as sales proceeds pursuant to section 515B.2-119.

(k) The provisions of this section may be varied or waived in the case of a common interest community in which all units are restricted to nonresidential use.

HIST: 1993 c 222 art 3 s 13; 1994 c 388 art 4 s 10; 1995 c 258 s 65; 1999 c 11 art 2 s 21; 2005 c 121 s 28

515B.3-114 RESERVES; SURPLUS FUNDS.

(a) The annual budgets of the association shall provide from year to year, on a cumulative basis, for adequate reserve funds to cover the replacement of those parts of the common interest community which the association is obligated to replace. These reserve requirements shall not apply to a common interest community which is restricted to nonresidential use.

(b) Unless the declaration provides otherwise, any surplus funds that the association has remaining after payment of or provision for common expenses and reserves shall be (i) credited to the unit owners to reduce their future common expense assessments or (ii) credited to reserves, or any combination thereof, as determined by the board of directors.

HIST: 1993 c 222 art 3 s 14; 2005 c 121 s 29

515B.3-115 ASSESSMENTS FOR COMMON EXPENSES.

(a) The obligation of a unit owner to pay common expense assessments shall be as follows:

(1) If a common expense assessment has not been levied, the declarant shall pay all operating expenses of the common interest community, and shall fund the replacement reserve component of the common expenses as required by subsection (b).

(2) If a common expense assessment has been levied, all unit owners including the declarant shall pay the assessments allocated to their units, subject to the following:

(i) If the declaration so provides, a declarant's liability, and the assessment lien, for the common expense assessments, exclusive of replacement reserves, on any unit owned by the declarant may be limited to 25 percent or more of any assessment, exclusive of replacement reserves, until the unit or any building located in the unit is substantially completed. Substantial completion shall be evidenced by a certificate of occupancy in any jurisdiction that issues the certificate.

(ii) If the declaration provides for a reduced assessment pursuant to paragraph (2)(i), the declarant shall be obligated, within 60 days following the termination of the period of the

declarant control, to make up any operating deficit incurred by the association during the period of declarant control.

(b) The replacement reserve component of the common expenses shall be funded for each unit in accordance with the projected annual budget required by section 515B.4-102(23); provided, that the funding of replacement reserves with respect to a unit shall commence no later than the date that the unit or any building located within the unit boundaries is substantially completed. Substantial completion shall be evidenced by a certificate of occupancy in any jurisdiction that issues the certificate.

(c) After an assessment has been levied by the association, assessments shall be levied at least annually, based upon a budget approved at least annually by the association.

(d) Except as modified by subsections (a)(1) and (2), (e), (f), and (g), all common expenses shall be assessed against all the units in accordance with the allocations established by the declaration pursuant to section 515B.2-108.

(e) Unless otherwise required by the declaration:

(1) any common expense associated with the maintenance, repair, or replacement of a limited common element shall be assessed against the units to which that limited common element is assigned, equally, or in any other proportion the declaration provides;

(2) any common expense or portion thereof benefiting fewer than all of the units may be assessed exclusively against the units benefited, equally, or in any other proportion the declaration provides;

(3) the costs of insurance may be assessed in proportion to risk or coverage, and the costs of utilities may be assessed in proportion to usage;

(4) reasonable attorneys fees and costs incurred by the association in connection with (i) the collection of assessments and, (ii) the enforcement of this chapter, the articles, bylaws, declaration, or rules and regulations, against a unit owner, may be assessed against the unit owner's unit; and

(5) fees, charges, late charges, fines and interest may be assessed as provided in section 515B.3-116(a).

(f) Assessments levied under section 515B.3-116 to pay a judgment against the association may be levied only against the units in the common interest community at the time the judgment was entered, in proportion to their common expense liabilities.

(g) If any damage to the common elements or another unit is caused by the act or omission of any unit owner, or occupant of a unit, or their invitees, the association may assess the costs of repairing the damage exclusively against the unit owner's unit to the extent not covered by insurance.

(h) Subject to any shorter period specified by the declaration or bylaws, if any installment of an assessment

becomes more than 60 days past due, then the association may, upon ten days' written notice to the unit owner, declare the entire amount of the assessment immediately due and payable in full.

(i) If common expense liabilities are reallocated for any purpose authorized by this chapter, common expense assessments and any installment thereof not yet due shall be recalculated in accordance with the reallocated common expense liabilities.

(j) An assessment against fewer than all of the units must be levied within three years after the event or circumstances forming the basis for the assessment, or shall be barred.

HIST: 1993 c 222 art 3 s 15; 1995 c 92 s 12; 1999 c 11 art 2 s 22; 2000 c 260 s 76; 2005 c 121 s 30

515B.3-116 LIEN FOR ASSESSMENTS.

(a) The association has a lien on a unit for any assessment levied against that unit from the time the assessment becomes due. If an assessment is payable in installments, the full amount of the assessment is a lien from the time the first installment thereof becomes due. Unless the declaration otherwise provides, fees, charges, late charges, fines and interest charges pursuant to section 515B.3-102(a)(10), (11) and (12) are liens, and are enforceable as assessments, under this section.

(b) A lien under this section is prior to all other liens and encumbrances on a unit except (i) liens and encumbrances recorded before the declaration and, in a cooperative, liens and encumbrances which the association creates, assumes, or takes subject to, (ii) any first mortgage encumbering the fee simple interest in the unit, or, in a cooperative, any first security interest encumbering only the unit owner's interest in the unit, (iii) liens for real estate taxes and other governmental assessments or charges against the unit, and (iv) a master association lien under section 515B.2-121(i). If a first mortgage on a unit is foreclosed, the first mortgage was recorded after June 1, 1994, and no owner redeems during the owner's period of redemption provided by chapter 580, 581, or 582, the holder of the sheriff's certificate of sale from the foreclosure of the first mortgage shall take title to the unit subject to a lien in favor of the association for unpaid assessments for common expenses levied pursuant to section 515B.3-115(a), (e)(1) to (3), (f), and (i) which became due, without acceleration, during the six months immediately preceding the first day following the end of the owner's period of redemption. If a first security interest encumbering a unit owner's interest in a cooperative unit which is personal property is foreclosed, the secured party or the purchaser at the sale shall take title to the unit subject to unpaid assessments for common expenses levied pursuant to section 515B.3-115(a), (e)(1) to (3), (f), and (i) which became due, without acceleration, during the six months immediately preceding the first day following either the disposition date pursuant to section 336.9-610 or the date on which the obligation of the unit owner is discharged pursuant to section 336.9-622. This subsection shall not affect the priority of

mechanics' liens.

(c) Recording of the declaration constitutes record notice and perfection of any lien under this section, and no further recordation of any notice of or claim for the lien is required.

(d) Proceedings to enforce an assessment lien shall be instituted within three years after the last installment of the assessment becomes payable, or shall be barred.

(e) The unit owner of a unit at the time an assessment is due shall be personally liable to the association for payment of the assessment levied against the unit. If there are multiple owners of the unit, they shall be jointly and severally liable.

(f) This section does not prohibit actions to recover sums for which subsection (a) creates a lien nor prohibit an association from taking a deed in lieu of foreclosure.

(g) The association shall furnish to a unit owner or the owner's authorized agent upon written request of the unit owner or the authorized agent a statement setting forth the amount of unpaid assessments currently levied against the owner's unit. If the unit owner's interest is real estate, the statement shall be in recordable form. The statement shall be furnished within ten business days after receipt of the request and is binding on the association and every unit owner.

(h) The association's lien may be foreclosed as provided in this subsection.

(1) In a condominium or planned community, the association's lien may be foreclosed in a like manner as a mortgage containing a power of sale pursuant to chapter 580, or by action pursuant to chapter 581. The association shall have a power of sale to foreclose the lien pursuant to chapter 580.

(2) In a cooperative whose unit owners' interests are real estate, the association's lien shall be foreclosed in a like manner as a mortgage on real estate as provided in paragraph (1).

(3) In a cooperative whose unit owners' interests in the units are personal property, the association's lien shall be foreclosed in a like manner as a security interest under article 9 of chapter 336. In any disposition pursuant to section 336.9-610 or retention pursuant to sections 336.9-620 to 336.9-622, the rights of the parties shall be the same as those provided by law, except (i) notice of sale, disposition, or retention shall be served on the unit owner 90 days prior to sale, disposition, or retention, (ii) the association shall be entitled to its reasonable costs and attorney fees not exceeding the amount provided by section 582.01, subdivision 1a, (iii) the amount of the association's lien shall be deemed to be adequate consideration for the unit subject to disposition or retention, notwithstanding the value of the unit, and (iv) the notice of sale, disposition, or retention shall contain the following statement in capital letters with the name of the association or secured party filled in:

"THIS IS TO INFORM YOU THAT BY THIS NOTICE (fill in name of association or secured party) HAS BEGUN PROCEEDINGS UNDER

MINNESOTA STATUTES, CHAPTER 515B, TO FORECLOSE ON YOUR INTEREST IN YOUR UNIT FOR THE REASON SPECIFIED IN THIS NOTICE. YOUR INTEREST IN YOUR UNIT WILL TERMINATE 90 DAYS AFTER SERVICE OF THIS NOTICE ON YOU UNLESS BEFORE THEN:

(a) THE PERSON AUTHORIZED BY (fill in the name of association or secured party) AND DESCRIBED IN THIS NOTICE TO RECEIVE PAYMENTS RECEIVES FROM YOU:

(1) THE AMOUNT THIS NOTICE SAYS YOU OWE; PLUS

(2) THE COSTS INCURRED TO SERVE THIS NOTICE ON YOU; PLUS

(3) \$500 TO APPLY TO ATTORNEYS FEES ACTUALLY EXPENDED OR INCURRED; PLUS

(4) ANY ADDITIONAL AMOUNTS FOR YOUR UNIT BECOMING DUE TO (fill in name of association or secured party) AFTER THE DATE OF THIS NOTICE; OR

(b) YOU SECURE FROM A DISTRICT COURT AN ORDER THAT THE FORECLOSURE OF YOUR RIGHTS TO YOUR UNIT BE SUSPENDED UNTIL YOUR CLAIMS OR DEFENSES ARE FINALLY DISPOSED OF BY TRIAL, HEARING, OR SETTLEMENT. YOUR ACTION MUST SPECIFICALLY STATE THOSE FACTS AND GROUNDS THAT DEMONSTRATE YOUR CLAIMS OR DEFENSES.

IF YOU DO NOT DO ONE OR THE OTHER OF THE ABOVE THINGS WITHIN THE TIME PERIOD SPECIFIED IN THIS NOTICE, YOUR OWNERSHIP RIGHTS IN YOUR UNIT WILL TERMINATE AT THE END OF THE PERIOD, YOU WILL LOSE ALL THE MONEY YOU HAVE PAID FOR YOUR UNIT, YOU WILL LOSE YOUR RIGHT TO POSSESSION OF YOUR UNIT, YOU MAY LOSE YOUR RIGHT TO ASSERT ANY CLAIMS OR DEFENSES THAT YOU MIGHT HAVE, AND YOU WILL BE EVICTED. IF YOU HAVE ANY QUESTIONS ABOUT THIS NOTICE, CONTACT AN ATTORNEY IMMEDIATELY."

(4) In any foreclosure pursuant to chapter 580, 581, or 582, the rights of the parties shall be the same as those provided by law, except (i) the period of redemption for unit owners shall be six months from the date of sale or a lesser period authorized by law, (ii) in a foreclosure by advertisement under chapter 580, the foreclosing party shall be entitled to costs and disbursements of foreclosure and attorneys fees authorized by the declaration or bylaws, notwithstanding the provisions of section 582.01, subdivisions 1 and 1a, (iii) in a foreclosure by action under chapter 581, the foreclosing party shall be entitled to costs and disbursements of foreclosure and attorneys fees as the court shall determine, and (iv) the amount of the association's lien shall be deemed to be adequate consideration for the unit subject to foreclosure, notwithstanding the value of the unit.

(i) If a holder of a sheriff's certificate of sale, prior to the expiration of the period of redemption, pays any past due or current assessments, or any other charges lienable as assessments, with respect to the unit described in the sheriff's certificate, then the amount paid shall be a part of the sum required to be paid to redeem under section 582.03.

(j) In a cooperative, if the unit owner fails to redeem before the expiration of the redemption period in a foreclosure of the association's assessment lien, the association may bring

an action for eviction against the unit owner and any persons in possession of the unit, and in that case section 504B.291 shall not apply.

(k) An association may assign its lien rights in the same manner as any other secured party.

HIST: 1993 c 222 art 3 s 16; 1994 c 388 art 4 s 11; 1999 c 11 art 2 s 23; 1999 c 199 art 2 s 30; 2000 c 260 s 77; 2001 c 195 art 2 s 32; 2003 c 2 art 2 s 16; 2005 c 121 s 31

515B.3-117 OTHER LIENS.

(a) Except in a cooperative and except as otherwise provided in this chapter or in a security instrument, an individual unit owner may have the unit owner's unit released from a lien if the unit owner pays the lienholder the portion of the amount which the lien secures that is attributable to the unit. Upon the receipt of payment, the lienholder shall promptly deliver to the unit owner a recordable partial satisfaction and release of lien releasing the unit from the lien. The release shall be deemed to include a release of any rights in the common elements appurtenant to the unit. The portion of the amount which a lien secures that is attributable to the unit shall be equal to the total amount which the lien secures multiplied by a percentage calculated by dividing the common expense liability attributable to the unit by the common expense liability attributable to all units against which the lien has been recorded, or in the case of a lien under subsection (b), the units against which the lien is permitted or required to be recorded. At the request of a lien claimant or unit owners, the association shall provide a written statement of the percentage of common expense liability attributable to all units. After a unit owner's payment pursuant to this section, the association may not assess the unit for any common expense incurred thereafter in connection with the satisfaction or defense against the lien.

(b) Labor performed or materials furnished for the improvement of a unit shall be the basis for the recording of a lien against that unit pursuant to the provisions of chapter 514 but shall not be the basis for the recording of a lien against the common elements. Labor performed or materials furnished for the improvement of common elements, for which a lien may be recorded under chapter 514, if duly authorized by the association, shall be deemed to be performed or furnished with the express consent of each unit owner, and shall be perfected by recording a lien against all the units in the common interest community, but shall not be the basis for the recording of a lien against the common elements except in the case of a condominium on registered land, in which case a lien must be filed pursuant to section 508.351, subdivision 3, or 508A.351, subdivision 3. Where a lien is recorded against the units for labor performed or material furnished for the improvement of common elements, the association shall be deemed to be the authorized agent of the unit owners for purposes of receiving the notices required under sections 514.011 and 514.08, subdivision 1, clause (2).

(c) A security interest in a cooperative whose unit owners'

interests in the units are personal property shall be perfected by recording a financing statement in the UCC filing section of the central filing system operated by the Office of the Secretary of State. In any disposition by a secured party pursuant to section 336.9-610 or retention pursuant to sections 336.9-620 to 336.9-622, the rights of the parties shall be the same as those provided by law, subject to the exceptions and requirements set forth in section 515B.3-116(h)(3), and except that the unit owner has the right to reinstate the debt owing to the secured party by paying to the secured party, prior to the effective date of the disposition or retention, the amount which would be required to reinstate the debt under section 580.30 if the unit were wholly real estate.

HIST: 1993 c 222 art 3 s 17; 1994 c 388 art 4 s 12; 2001 c 50 s 30; 2001 c 195 art 2 s 33; 2005 c 121 s 32

515B.3-118 ASSOCIATION RECORDS.

The association shall keep adequate records of its membership, unit owners meetings, board of directors meetings, committee meetings, contracts, leases and other agreements to which the association is a party, and material correspondence and memoranda relating to its operations. The association shall keep financial records sufficiently detailed to enable the association to comply with sections 515B.3-106(b) and 515B.4-107. All records shall be made reasonably available for examination by any unit owner or the unit owner's authorized agent, subject to the applicable statutes.

HIST: 1993 c 222 art 3 s 18

515B.3-119 ASSOCIATION AS TRUSTEE.

With respect to a third person dealing with the association in the association's capacity as a trustee, the existence of trust powers and their proper exercise by the association may be assumed without inquiry. A third person is not bound to inquire whether the association has power to act as trustee or is properly exercising trust powers and third person, without actual knowledge that the association is exceeding its powers or improperly exercising them, is fully protected in dealing with the association as if it possessed and properly exercised the powers it purports to exercise. A third person is not bound to assure the proper application of trust assets paid or delivered to the association in its capacity as trustee.

HIST: 1993 c 222 art 3 s 19

515B.3-120 DECLARANT DUTIES; TURNOVER OF RECORDS.

(a) During any period of declarant control pursuant to section 515B.3-103(c), declarant and any of its representatives who are acting as officers or directors of the association shall:

(1) cause the association to be operated and administered in accordance with its articles of incorporation and bylaws, the declaration and applicable law;

(2) be subject to all fiduciary obligations and obligations of good faith applicable to any persons serving a corporation in that capacity;

(3) cause the association's funds to be maintained in a separate bank account or accounts solely in the association's name, from and after the date of creation of the association; and

(4) cause the association to maintain complete and accurate records in compliance with section 515B.3-118.

(b) At such time as any period of declarant control terminates, declarant shall cause to be delivered to the board elected by the unit owners exclusive control of all funds of the association, all contracts and agreements which are binding on the association, all corporate records of the association including financial records, copies of all CIC plats and supplementary CIC plats, personal property owned or represented to be owned by the association, assignments of all declarant's rights and interests under the warranties if not in the name of the association, and, to the extent they are in the control or possession of the declarant, copies of all plans and specifications in its control or possession relating to buildings and related improvements which are part of the common elements, and operating manuals and warranty materials relating to any equipment or personal property utilized in the operation of the common interest community. The declarant's obligation to turn over the foregoing items shall continue to include additional new or changed items in its possession or control.

(c) A person entitled to appoint the directors of a master association pursuant to section 515B.2-121(c)(3), and the master association's officers and directors, shall be subject to the same duties and obligations with respect to the master association as are described in subsections (a) and (b), to the extent applicable. A master association may not be used to circumvent or avoid any obligation or restriction imposed on a declarant or its affiliates by this chapter.

HIST: 1993 c 222 art 3 s 20; 2005 c 121 s 33

515B.3-121 ACCOUNTING CONTROLS.

(a) Subject to any additional or greater requirements set forth in the declaration or bylaws, a review of the association's financial statements shall be made at the end of the association's fiscal year, unless prior to 60 days after the end of that fiscal year, at a meeting or by mailed ballot, unit owners of units to which at least 30 percent of the votes in the association are allocated vote to waive the review requirement for that fiscal year. A waiver vote shall not apply to more than one fiscal year, and shall not affect the board's authority to cause a review or audit to be made. **The reviewed financial statements shall be delivered to all members of the association within 180 days after the end of the association's fiscal year.**

(b) The review shall be made by a licensed, independent certified public accountant. A licensed, independent certified public accountant means an accountant who (i) is not an employee

of the declarant or its affiliates, (ii) is professionally independent of the control of the declarant or its affiliates, (iii) is licensed by the Minnesota State Board of Accountancy and (iv) satisfies the tests for independence as promulgated by the American Institute of Certified Public Accountants.

(c) Where the financial statements are prepared by an independent certified public accountant, they shall be prepared in accordance with generally accepted accounting principles as established from time to time by the American Institute of Certified Public Accountants, and shall be reviewed in accordance with standards for accounting and review services. In such case, the financial statements shall be presented on the full accrual basis using an accounting format that separates operating activity from replacement reserve activity.

HIST: 1993 c 222 art 3 s 21; 1999 c 11 art 2 s 24

515B.4-101 APPLICABILITY; DELIVERY OF DISCLOSURE STATEMENT.

(a) Sections 515B.4-101 through 515B.4-118 apply to all units subject to this chapter, except as provided in subsection (c) or as modified or waived by written agreement of purchasers of a unit which is restricted to nonresidential use.

(b) Subject to subsections (a) and (c), a declarant who offers a unit to a purchaser shall deliver to the purchaser a current disclosure statement which complies with the requirements of section 515B.4-102. The disclosure statement shall include any material amendments to the disclosure statement made prior to the conveyance of the unit to the purchaser. The declarant shall be liable to the purchaser to whom it delivered the disclosure statement for any false or misleading statement set forth therein or for any omission of a material fact therefrom.

(c) Neither a disclosure statement nor a resale disclosure certificate need be prepared or delivered in the case of:

- (1) a gratuitous transfer;
- (2) a transfer pursuant to a court order;
- (3) a transfer to a government or governmental agency;
- (4) a transfer to a secured party by foreclosure or deed in lieu of foreclosure;
- (5) an option to purchase a unit, until exercised;
- (6) a transfer to a person who "controls" or is "controlled by," the grantor as those terms are defined with respect to a declarant under section 515B.1-103(2);
- (7) a transfer by inheritance;
- (8) a transfer of special declarant rights under section 515B.3-104; or
- (9) a transfer in connection with a change of form of

common interest community under section 515B.2-123.

(d) A purchase agreement for a unit shall contain the following notice: "The following notice is required by Minnesota Statutes. The purchaser is entitled to receive a disclosure statement or resale disclosure certificate, as applicable. The disclosure statement or resale disclosure certificate contains important information regarding the common interest community and the purchaser's cancellation rights."

(e) A purchase agreement for the sale, to the initial occupant, of a platted lot or other parcel of real estate (i) which is subject to a master declaration, (ii) which is intended for residential occupancy, and (iii) which does not and is not intended to constitute a unit, shall contain the following notice: "The following notice is required by Minnesota Statutes: The real estate to be conveyed under this agreement is or will be subject to a master association as defined in Minnesota Statutes, chapter 515B. The master association is obligated to provide to the purchaser, pursuant to Minnesota Statutes, section 515B.4-102(c), upon the purchaser's request, a statement containing the information required by Minnesota Statutes, section 515B.4-102(a)(20), with respect to the master association, prior to the time that the purchaser signs a purchase agreement for the real estate. The statement contains important information regarding the master association and the purchaser's obligations thereunder." **A claim by a purchaser based upon a failure to include the foregoing notice in a purchase agreement:**

(1) shall be limited to legal, and not equitable, remedies;

(2) shall be barred unless it is commenced within the time period specified in section 515B.4-115(a)[6 months after conveyance]; or

(3) may be waived by a separate written document signed by the seller and purchaser.

HIST: 1993 c 222 art 4 s 1; 1999 c 11 art 2 s 25; 2005 c 121 s 34

515B.4-102 DISCLOSURE STATEMENT; GENERAL PROVISIONS.

(a) A disclosure statement shall fully and accurately disclose:

(1) the name and, if available, the number of the common interest community;

(2) the name and principal address of the declarant;

(3) the number of units which the declarant has the right to include in the common interest community and a statement that the common interest community is either a condominium, cooperative, or planned community;

(4) a general description of the common interest community, including, at a minimum, (i) the number of buildings, (ii) the number of dwellings per building, (iii) the type of construction, (iv) whether the common interest community

involves new construction or rehabilitation, (v) whether any building was wholly or partially occupied, for any purpose, before it was added to the common interest community and the nature of the occupancy, and (vi) a general description of any roads, trails, or utilities that are located on the common elements and that the association or a master association will be required to maintain;

(5) declarant's schedule of commencement and completion of construction of any buildings and other improvements that the declarant is obligated to build pursuant to section 515B.4-117;

(6) any expenses or services, not reflected in the budget, that the declarant pays or provides, which may become a common expense; the projected common expense attributable to each of those expenses or services; and an explanation of declarant's limited assessment liability under section 515B.3-115, subsection (b);

(7) any initial or special fee due from the purchaser to the declarant or the association at closing, together with a description of the purpose and method of calculating the fee;

(8) identification of any liens, defects, or encumbrances which will continue to affect the title to a unit or to any real property owned by the association after the contemplated conveyance;

(9) a description of any financing offered or arranged by the declarant;

(10) a statement as to whether application has been made for any project approvals for the common interest community from the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Department of Housing and Urban Development (HUD) or Department of Veterans Affairs (VA), and which, if any, such final approvals have been received;

(11) the terms of any warranties provided by the declarant, including copies of sections 515B.4-112 through 515B.4-115, and any other applicable statutory warranties, and a statement of any limitations on the enforcement of the applicable warranties or on damages;

(12) a statement that: (i) within five days after the receipt of a disclosure statement, a purchaser may cancel any contract for the purchase of a unit from a declarant; provided, that the right to cancel terminates upon the purchaser's voluntary acceptance of a conveyance of the unit from the declarant or by the purchaser agreeing to modify or waive the right to cancel in the manner provided by section 515B.4-106, paragraph (a); (ii) if a purchaser receives a disclosure statement more than five days before signing a purchase agreement, the purchaser cannot cancel the purchase agreement; and (iii) if a declarant obligated to deliver a disclosure statement fails to deliver a disclosure statement which substantially complies with this chapter to a purchaser to whom a unit is conveyed, the declarant shall be liable to the purchaser as provided in section 515B.4-106(d);

(13) a statement disclosing to the extent of the

declarant's or an affiliate of a declarant's actual knowledge, after reasonable inquiry, any unsatisfied judgments or lawsuits to which the association is a party, and the status of those lawsuits which are material to the common interest community or the unit being purchased;

(14) a statement (i) describing the conditions under which earnest money will be held in and disbursed from the escrow account, as set forth in section 515B.4-109, (ii) that the earnest money will be returned to the purchaser if the purchaser cancels the contract pursuant to section 515B.4-106, and (iii) setting forth the name and address of the escrow agent;

(15) a detailed description of the insurance coverage provided by the association for the benefit of unit owners, including a statement as to which, if any, of the items referred to in section 515B.3-113, subsection (b), are insured by the association;

(16) any current or expected fees or charges, other than assessments for common expenses, to be paid by unit owners for the use of the common elements or any other improvements or facilities;

(17) the financial arrangements, including any contingencies, which have been made to provide for completion of all improvements that the declarant is obligated to build pursuant to section 515B.4-118, or a statement that no such arrangements have been made;

(18) in a cooperative: (i) whether the unit owners will be entitled for federal and state tax purposes, to deduct payments made by the association for real estate taxes and interest paid to the holder of a security interest encumbering the cooperative; (ii) a statement as to the effect on the unit owners if the association fails to pay real estate taxes or payments due the holder of a security interest encumbering the cooperative; and (iii) the principal amount and a general description of the terms of any blanket mortgage, contract for deed, or other blanket security instrument encumbering the cooperative property;

(19) a statement: (i) that real estate taxes for the unit or any real property owned by the association are not delinquent or, if there are delinquent real estate taxes, describing the property for which the taxes are delinquent, stating the amount of the delinquent taxes, interest and penalties, and stating the years for which taxes are delinquent, and (ii) setting forth the amount of real estate taxes, including the amount of any special assessment certified for payment with the real estate taxes, due and payable with respect to the unit in the year in which the disclosure statement is given, if real estate taxes have been separately assessed against the unit;

(20) if the association or the purchaser of the unit will be a member of a master association, a statement to that effect, and all of the following information with respect to the master association: (i) a copy of the master declaration, the articles of incorporation, bylaws, and rules and regulations for the master association, together with any amendments thereto; (ii) the name, address and general description of the master

association, including a general description of any other association, unit owners, or other persons which are or may become members; (iii) a description of any nonresidential use permitted on any property subject to the master association; (iv) a statement as to the estimated maximum number of associations, unit owners or other persons which may become members of the master association, and the degree and period of control of the master association by a declarant or other person; (v) a description of any facilities intended for the benefit of the members of the master association and not located on property owned or controlled by a member or the master association; (vi) the financial arrangements, including any contingencies, which have been made to provide for completion of the facilities referred to in subsection (v), or a statement that no arrangements have been made; (vii) any current balance sheet of the master association and a projected or current annual budget, as applicable, which budget shall include with respect to the master association those items in paragraph (23), clauses (i) through (iii), and the projected monthly common expense assessment for each type of unit, lot, or other parcel of real estate which is or is planned to be subject to assessment; (viii) a description of any expenses or services not reflected in the budget, paid for or provided by a declarant or a person executing the master declaration, which may become an expense of the master association in the future; (ix) a description of any powers delegated to and accepted by the master association pursuant to section 515B.2-121(f)(2); (x) identification of any liens, defects or encumbrances that will continue to affect title to property owned or operated by the master association for the benefit of its members; (xi) the terms of any warranties provided by any person for construction of facilities in which the members of the master association have or may have an interest, and any known defects in the facilities which would violate the standards described in section 515B.4-112(b); (xii) a statement disclosing, after inquiry of the master association, any unsatisfied judgments or lawsuits to which the master association is a party, and the status of those lawsuits which are material to the master association; (xiii) a description of any insurance coverage provided for the benefit of its members by the master association; and (xiv) any current or expected fees or charges, other than assessments by the master association, to be paid by members of the master association for the use of any facilities intended for the benefit of the members;

(21) a statement as to whether the unit will be substantially completed at the time of conveyance to a purchaser, and if not substantially completed, who is responsible to complete and pay for the construction of the unit;

(22) a copy of the declaration and any amendments thereto, (exclusive of the CIC plat), any other recorded covenants, conditions restrictions, and reservations affecting the common interest community; the articles of incorporation, bylaws and any rules or regulations of the association; any agreement excluding or modifying any implied warranties; any agreement reducing the statute of limitations for the enforcement of warranties; any contracts or leases to be signed by purchaser at closing; and a brief narrative description of any (i) contracts or leases that are or may be subject to cancellation by the

association under section 515B.3-105 and (ii) any material agreements entered into between the declarant and a governmental entity that affect the common interest community; and

(23) a balance sheet for the association, current within 90 days; a projected annual budget for the association; and a statement identifying the party responsible for the preparation of the budget. The budget shall assume that all units intended to be included in the common interest community, based upon the declarant's good faith estimate, have been subjected to the declaration; provided, that additional budget portrayals based upon a lesser number of units are permitted. The budget shall include, without limitation: (i) a statement of the amount included in the budget as a reserve for replacement; (ii) a statement of any other reserves; (iii) the projected common expense for each category of expenditures for the association; (iv) the projected monthly common expense assessment for each type of unit; and (v) a footnote or other reference to those components of the common interest community the maintenance, repair, or replacement of which the budget assumes will be funded by assessments under section 515B.3-115(e) rather than by assessments included in the association's annual budget, and a statement referencing section 515B.3-115(e)(1) or (2) as the source of funding. If, based upon the association's then current budget, the monthly common expense assessment for the unit at the time of conveyance to the purchaser is anticipated to exceed the monthly assessment stated in the budget, a statement to such effect shall be included.

(b) A declarant shall promptly amend the disclosure statement to reflect any material change in the information required by this chapter.

(c) The master association, within ten days after a request by a declarant, a holder of declarant rights, or a purchaser referred to in section 515B.4-101(e), or the authorized representative of any of them, shall furnish the information required to be provided by subsection (a)(20). A declarant or other person who provides information pursuant to subsection (a)(20) is not liable to the purchaser for any erroneous information if the declarant or other person: (i) is not an affiliate of or related in any way to a person authorized to appoint the master association board pursuant to section 515B.2-121(c)(3), and (ii) has no actual knowledge that the information is incorrect.

HIST: 1993 c 222 art 4 s 2; 1999 c 11 art 2 s 26; 2005 c 10 art 1 s 74; 2005 c 121 s 35

515B.4-103 COMMON INTEREST COMMUNITIES SUBJECT TO RIGHTS TO ADD REALTY.

If the declaration provides that a common interest community is subject to any rights to add additional real estate:

(1) the disclosure statement shall include the following notice:

"The following notice is required by Minnesota Statutes. The declarant has reserved in the declaration certain rights to add additional real estate. These rights allow a declarant to

add units or common elements to a common interest community, and to make other changes to the community over a specified period of time. These changes may have a substantial effect upon the units or rights of unit owners, by changing relative voting power and share of common expenses, by increasing the number of persons using the common elements, by altering the size and appearance of the common interest community and by making other changes which may affect the value or utility of the units. A purchaser of units in this common interest community should consider the possible effects of the declarant's rights reserved for this project"; and

(2) the disclosure statement shall include, in addition to the information required by section 515B.4-102, a statement referencing the provisions of the declaration where rights to add additional real estate are reserved.

HIST: 1993 c 222 art 4 s 3

515B.4-104 TIME SHARES.

If the declaration permits time shares, the disclosure statement shall contain or disclose, in addition to the information required by sections 515B.4-102 and 515B.4-103:

(1) the unit identifiers of the units in which time shares may be created;

(2) the total number of time shares that may be created;

(3) the minimum duration of any time shares that may be created;

(4) the extent to which the creation of time shares will or may affect the enforceability of the association's lien for assessments provided in section 515B.3-116;

(5) a statement as to whether the time share interest is a fixed time period in a designated unit or if either the time period or unit may vary;

(6) copies of all organizational documents, contracts, leases and other documents affecting the time share association or the time shares, or the purchaser's rights therein;

(7) any state or federal ruling or nonaction letter regarding the time shares classification as a security or a statement that there is no ruling or nonaction letter;

(8) a statement as to whether the time share is registered with the state under the Subdivided Land Sales Act or with the federal government under the Interstate Land Sales Act and, if the time share is so registered, a copy of the public offering statement or other disclosure document required by those acts; and

(9) if the time share owners are to be permitted or required to become members of or to participate in a program for the exchange of occupancy rights among themselves or with the owners of time shares in other projects or both, a general

description of the program.

HIST: 1993 c 222 art 4 s 4

515B.4-105 COMMON INTEREST COMMUNITY WITH BUILDING ONCE OCCUPIED.

The disclosure statement of a common interest community containing any building that was at any time before the creation of the common interest community wholly or partially occupied, for any purpose, by persons other than purchasers or persons who occupied with the consent of purchasers, shall contain, in addition to the information required by sections 515B.4-102, 515B.4-103 and 515B.4-104:

(1) a professional opinion prepared by a registered professional architect or engineer, licensed in this state, describing the current condition of all structural components and mechanical and electrical installations material to the use and enjoyment of the building, to the extent reasonably ascertainable without disturbing the improvements or dismantling the equipment, which will be in place or be operational at the time of conveyance of the first unit to a person other than a declarant;

(2) a statement by the declarant of the expected useful life of each item reported on in paragraph (1) or a statement that no representations are made in that regard; and

(3) a list of any outstanding notices of uncured violations of building code or other municipal regulations, together with the estimated cost of curing those violations.

HIST: 1993 c 222 art 4 s 5; 2005 c 121 s 36

515B.4-106 PURCHASER'S RIGHT TO CANCEL.

(a) A person required to deliver a disclosure statement pursuant to section 515B.4-101(b) shall provide at least one of the purchasers of the unit with a copy of the disclosure statement and all amendments thereto before conveyance of the unit. If a purchaser is not given a disclosure statement more than ten days before execution of the purchase agreement, the purchaser may, before conveyance, cancel the purchase agreement within ten days after first receiving the disclosure statement. If a purchaser is given the disclosure statement more than ten days before execution of the purchase agreement, the purchaser may not cancel the purchase agreement pursuant to this section. The ten-day rescission period may be modified or waived, in writing, by agreement of the purchaser of a unit only after the purchaser has received and had an opportunity to review the disclosure statement. The person required to deliver a disclosure statement may not condition the sale of the unit on the purchaser agreeing to modify or waive the purchaser's ten-day right of rescission, may not contractually obligate the purchaser to modify or waive the purchaser's ten-day right of rescission, and may not include a modification or waiver of the ten-day right of rescission in any purchase agreement for the unit. To be effective, a modification or waiver of a purchaser's ten-day right of rescission must be evidenced by an instrument separate from the purchase agreement signed by the purchaser more than three days after the purchaser receives the disclosure statement.

(b) If an amendment to the disclosure statement materially and adversely affects a purchaser, then the purchaser shall have

ten days after delivery of the amendment to cancel the purchase agreement in accordance with this section. The ten-day rescission period may be modified or waived, in writing, by agreement of the purchaser of a unit only after the purchaser has received and had an opportunity to review the amendment. To be effective, a modification or waiver of a purchaser's ten-day right of rescission under this section must be evidenced by a written instrument separate from the purchase agreement signed by the purchaser more than three days after the purchaser receives the amendment.

(c) If a purchaser elects to cancel a purchase agreement pursuant to this section, the purchaser may do so by giving notice thereof pursuant to section 515B.1-115. Cancellation is without penalty, and all payments made by the purchaser before cancellation shall be refunded promptly. Notwithstanding anything in this section to the contrary, the purchaser's cancellation rights under this section terminate upon the purchaser's acceptance of a conveyance of the unit.

(d) If a declarant obligated to deliver a disclosure statement fails to deliver to the purchaser a disclosure statement which substantially complies with this chapter, the declarant shall be liable to the purchaser in the amount of \$1,000, in addition to any damages or other amounts recoverable under this chapter or otherwise. Any action brought under this subsection shall be commenced within the time period specified in section 515B.4-115, subsection (a)[6 months after conveyance].

HIST: 1993 c 222 art 4 s 6; 1999 c 11 art 2 s 27; 2000 c 260 s 78; 2004 c 203 art 1 s 7; 2005 c 121 s 37; 1Sp2005 c 7 s 23

515B.4-107 RESALE OF UNITS.

(a) In the event of a resale of a unit by a unit owner other than a declarant, unless exempt under section 515B.4-101(c), the unit owner shall furnish to a purchaser, before execution of any purchase agreement for a unit or otherwise before conveyance, the following documents relating to the association or to the master association, if applicable:

- (1) copies of the declaration (other than any CIC plat), the articles of incorporation and bylaws, any rules and regulations, and any amendments or supplemental declarations;
- (2) the organizational and operating documents relating to the master association, if any; and
- (3) a resale disclosure certificate from the association dated not more than 90 days prior to the date of the purchase agreement or the date of conveyance, whichever is earlier, containing the information set forth in subsection (b).

(b) The resale disclosure certificate must be in substantially the following form:

**COMMON INTEREST COMMUNITY
RESALE DISCLOSURE CERTIFICATE**

Name of Common Interest Community:.....

Name of Association:.....

Address of Association:.....

Unit Number(s) (include principal unit and any garage, storage,
or other auxiliary unit(s)):.....

The following information is furnished by the association
named above according to Minnesota Statutes, section 515B.4-107.

1. There is no right of first refusal or other restraint
on the free alienability of the above unit(s) contained in the
declaration, bylaws, rules and regulations, or any amendment to
them, except as follows:.....

.....

.....

.....

2. The following periodic installments of common expense
assessments and special assessments are payable with respect to
the above unit(s):

a. Annual assessment

installments: \$..... Due:

b. Special assessment

installments: \$..... Due:

c. Unpaid assessments, fines, or other charges:

(1) Annual \$.....

(2) Special \$.....

(3) Fines \$.....

(4) Other Charges \$.....

d. The association has/has not (strike one) approved

a plan for levying certain common expense

assessments against fewer than all the units

according to Minnesota Statutes, section 515B.3-115,

subsection (e). If a plan is approved, a description

of the plan is attached to this certificate.

3. In addition to the amounts due under paragraph 2, the
following additional fees or charges other than assessments are
payable by unit owners (include late payment charges, user fees,
etc.):.....

.....
.....

4. There are no extraordinary expenditures approved by the association, and not yet assessed, for the current and two succeeding fiscal years, except as follows:.....

.....
.....

5. The association has reserved the following amounts for maintenance, repair, or replacement:.....

.....
.....

The following portions of these reserves are designated for the following specified projects or uses:.....

.....

6. The following documents are furnished with this certificate according to statute:

- a. The most recent regularly prepared balance sheet and income and expense statement of the association.
- b. The current budget of the association.

7. There are no unsatisfied judgments against the association, except as follows (identify creditor and amount):..

.....
.....

8. There are no pending lawsuits to which the association is a party, except as follows (identify and summarize status):..

.....
.....
.....

9. Description of insurance coverages:

a. The association provides the following insurance coverage for the benefit of unit owners: (Reference may be made to applicable sections of the declaration or bylaws; however, any additional coverages should be described in this space)

.....
.....
.....

b. The following described fixtures, decorating items, or

construction items within the unit referred to in Minnesota Statutes, section 515B.3-113, subsection (b), are insured by the association (check as applicable):

...____Ceiling or wall finishing materials
...____Floor coverings
...____Cabinetry
...____Finished millwork
...____Electrical or plumbing fixtures serving a single unit
...____Built-in appliances
...____Improvements and betterments as originally constructed
...____Additional improvements and betterments installed by
unit owners

10. The board of directors of the association has not notified the unit owner (i) that any alterations or improvements to the unit or to the limited common elements assigned to it violate any provision of the declaration; or (ii) that the unit is in violation of any governmental statute, ordinance, code, or regulation, except as follows:.....
.....

11. The remaining term of any leasehold estate affecting the common interest community and the premises governing any extension or renewal of it are as follows:.....
.....
.....

12. In addition to the above, the following matters affecting the unit or the unit owner's obligations with respect to the unit are deemed material.
.....

I hereby certify that the foregoing information and statements are true and correct as of
(Date)
By:
Title:
(Association representative)
Address:.....
Phone Number:.....

RECEIPT

In addition to the foregoing information furnished by the association, the unit owner is obligated to furnish to the purchaser before execution of any purchase agreement for a unit or otherwise before conveyance, copies of the following documents relating to the association or to the master association (as applicable): the declaration (other than any common interest community plat), articles of incorporation, bylaws, rules and regulations (if any), and any amendments to these documents. Receipt of the foregoing documents, and the resale disclosure certificate, is acknowledged by the undersigned buyer(s).

Dated:
.....

(Buyer)

.....
(Buyer)

(c) If the association is subject to a master association to which has been delegated the association's powers under section 515B.3-102(a)(2), then the financial information required to be disclosed under subsection (b) may be disclosed on a consolidated basis.

(d) The association, within ten days after a request by a unit owner, or the unit owner's authorized representative, shall furnish the certificate required in subsection (a). The association may charge a reasonable fee for furnishing the certificate and any association documents related thereto. A unit owner providing a certificate pursuant to subsection (a) is not liable to the purchaser for any erroneous information provided by the association and included in the certificate.

(e) A purchaser is not liable for any unpaid common expense assessments, including special assessments, if any, not set forth in the certificate required in subsection (a). A purchaser is not liable for the amount by which the annual or special assessments exceed the amount of annual or special assessments stated in the certificate for assessments payable in the year in which the certificate was given, except to the extent of any increases subsequently approved in accordance with the declaration or bylaws. A unit owner is not liable to a purchaser for the failure of the association to provide the certificate, or a delay by the association in providing the certificate in a timely manner.

HIST: 1993 c 222 art 4 s 7; 1999 c 11 art 2 s 28; 2000 c 450 s 5; 2005 c 121 s 38

515B.4-108 PURCHASER'S RIGHT TO CANCEL RESALE.

(a) Unless a purchaser is given the information required to be delivered by section 515B.4-107, by a delivery method described in that section, more than ten days prior to the execution of the purchase agreement for the unit the purchaser may, prior to the conveyance, cancel the purchase agreement within ten days after receiving the information. The ten-day rescission period may be modified or waived, in writing, by agreement of the purchaser of a unit only after the purchaser has received and had an opportunity to review the information required to be delivered by section 515B.4-107. The person required to deliver the information required to be delivered by section 515B.4-107 may not condition the sale of the unit on the purchaser agreeing to modify or waive the purchaser's ten-day right of rescission, may not contractually obligate the purchaser to modify or waive the purchaser's ten-day right of rescission, and may not include a modification or waiver of the ten-day right of rescission in any purchase agreement for the unit. To be effective, a modification or waiver of a purchaser's ten-day right of rescission must be evidenced by an instrument separate from the purchase agreement signed by the purchaser more than three days after the purchaser receives the resale disclosure certificate.

(b) A purchaser who elects to cancel a purchase agreement pursuant to subsection (a), may do so by hand delivering notice thereof or mailing notice by postage prepaid United States mail to the seller or the agent. Cancellation is without penalty and all payments made by the purchaser shall be refunded promptly.

HIST: 1993 c 222 art 4 s 8; 1999 c 11 art 2 s 29; 2004 c 203 art 1 s 8; 2005 c 121 s 39; 1Sp2005 c 7 s 24

515B.4-109 ESCROW DEPOSITS.

All earnest money paid or deposits made in connection with the purchase or reservation of units from or with a declarant shall be deposited in an escrow account controlled jointly by the declarant and the purchaser, or controlled by a licensed title insurance company or agent thereof, an attorney representing either the declarant or the purchaser, a licensed real estate broker, an independent bonded escrow company, or a governmental agency or instrumentality. The escrow account shall be in an institution whose deposits are insured by a governmental agency or instrumentality. The money or deposits shall be held in the escrow account until (i) delivered to the declarant at closing; (ii) delivered to the declarant because of the purchaser's default under a reservation agreement or a contract to purchase the unit; (iii) delivered to the purchaser pursuant to the provisions of section 515B.4-106 or the provisions of a reservation agreement or a contract to purchase; or (iv) delivered for payment of construction costs pursuant to a written agreement between the declarant and the purchaser.

HIST: 1993 c 222 art 4 s 9; 2005 c 121 s 40

515B.4-110 OBLIGATION TO RELEASE LIENS.

(a) In the case of a transfer of a unit where a disclosure statement is required, the declarant, before conveying the unit, shall:

(1) record or furnish to the purchaser recordable releases of all liens that the purchaser does not agree in writing to take subject to or assume, that encumber:

(i) in a condominium, that unit and its common element interest, and

(ii) in a cooperative or planned community, that unit and any common elements; or

(2) if the purchaser agrees in writing, provide the purchaser with a surety bond, substitute collateral or title insurance assuring against loss or damage from the enforcement of the lien.

(b) Before conveying real estate to the association, the declarant shall have the real estate released from: (1) all liens the foreclosure of which would deprive unit owners of any material right of access to a unit or any material easements appurtenant to a unit, and (2) all other liens on that real estate, unless the disclosure statement specifically states that

the declarant may convey the real estate to the association subject to liens and discloses the maximum amount and all other relevant terms of the lien.

HIST: 1993 c 222 art 4 s 10

515B.4-111 CONVERSION PROPERTY.

(a) A unit owner of a unit occupied for residential use in a common interest community containing conversion property shall not, for a period of one year following the recording of the declaration creating the common interest community, require any occupant of the unit to vacate the unit unless the unit owner gives notice to the occupant in the manner described in this section. The notice shall be given no later than 120 days before the occupant is required to vacate the unit. The notice shall be sufficient as to all occupants of a unit if it is hand delivered or mailed to the unit to be vacated, addressed to the occupants thereof. If the holder of the lessee's interest in the unit has given the unit owner an address different than that of the unit, then the notice shall also be given to the holder of the lessee's interest at the designated address. The notice shall comply with the following requirements:

(1) The notice shall set forth generally the rights conferred by this section.

(2) The notice shall have attached to the notice intended for the holder of the lessee's interest a form of purchase agreement setting forth the terms of sale contemplated by subsection (d) and a statement of any significant restrictions on the use and occupancy of the unit to be imposed by the declarant.

(3) The notice shall state that the occupants of the residential unit may demand to be given 60 additional days before being required to vacate, if any of them, or any person residing with them, is (i) 62 years of age or older, (ii) a person with a disability as defined in section 268A.01, or (iii) a minor child on the date the notice is given. This demand must be in writing, contain reasonable proof of qualification, and be given to the declarant within 30 days after the notice of conversion is delivered or mailed.

(4) The notice shall be contained in an envelope upon which the following shall be boldly printed: "Notice of Conversion."

(b) Notwithstanding subsection (a), an occupant may be required to vacate a unit upon less than 120 days' notice by reason of nonpayment of rent, utilities or other monetary obligations, violations of law, waste, or conduct that disturbs other occupants' peaceful enjoyment of the premises. The terms of the tenancy may not be altered during the notice period, except that the holder of the lessee's interest or other party in possession may vacate and terminate the tenancy upon one month's written notice to the declarant. Nothing in this section prevents the unit owner and any occupant from agreeing to a right of occupancy on a month-to-month basis beyond the 120-day notice period, or to an earlier termination of the right of occupancy.

(c) No repair work or remodeling may be commenced or undertaken in the occupied units or common areas of the building during the notice period, unless reasonable precautions are taken to ensure the safety and security of the occupants.

(d) For 60 days after delivery or mailing of the notice described in subsection (a), the holder of the lessee's interest in the unit on the date the notice is mailed or delivered shall have an option to purchase that unit on the terms set forth in the purchase agreement attached to the notice. The purchase agreement shall contain no terms or provisions which violate any state or federal law relating to discrimination in housing. If the holder of the lessee's interest fails to purchase the unit during that 60-day period, the unit owner may not offer to dispose of an interest in that unit during the following 180 days at a price or on terms more favorable to the offeree than the price or terms offered to the holder. This subsection does not apply to any unit in a conversion building if that unit will be restricted exclusively to nonresidential use or if the boundaries of the converted unit do not substantially conform to the boundaries of the residential unit before conversion.

(e) If a unit owner, in violation of subsection (b), conveys a unit to a purchaser for value who has no knowledge of the violation, the recording of the deed conveying the unit or, in a cooperative, the conveyance of the right to possession of the unit, extinguishes any right a holder of a lessee's interest who is not in possession of the unit may have under subsection (d) to purchase that unit, but the conveyance does not affect the right of the holder to recover damages from the unit owner for a violation of subsection (d).

(f) If a notice of conversion specifies a date by which a unit or proposed unit must be vacated or otherwise complies with the provisions of chapter 504B, the notice also constitutes a notice to vacate specified by that statute.

(g) Nothing in this section permits a unit owner to terminate a lease in violation of its terms.

(h) Failure to give notice as required by this section is a defense to an action for possession until a notice complying with this section is given and the applicable notice period terminates.

HIST: 1993 c 222 art 4 s 11; 1999 c 11 art 2 s 30; 1999 c 199 art 2 s 31; 2005 c 121 s 41

515B.4-112 EXPRESS WARRANTIES.

(a) Express warranties made by a declarant or an affiliate of a declarant to a purchaser of a unit, if reasonably relied upon by the purchaser, are created as follows:

(1) Any affirmation of fact or promise which relates to the unit; use of the unit; rights appurtenant to the unit; improvements to the common interest community that would directly benefit the purchaser or the unit; or the right to use or have the benefit of facilities which are not a part of the

common interest community, creates an express warranty that the unit and related rights and uses will conform to the affirmation or promise.

(2) Any model or description of the physical characteristics of a unit or the common interest community, including plans and specifications of or for a unit or other improvements located in the common interest community, creates an express warranty that the unit and the common interest community will conform to the model or description. A notice prominently displayed on a model or included in a description shall prevent a purchaser from reasonably relying upon the model or description to the extent of the disclaimer set forth in the notice.

(3) Any description of the quantity or extent of the real estate comprising the common interest community, including plats or surveys, creates an express warranty that the common interest community will conform to the description, subject to customary tolerances.

(b) Neither the form of the word "warranty" or "guaranty", nor a specific intention to make a warranty, are necessary to create an express warranty of quality, but a statement purporting to be merely an opinion or commendation of the real estate or its value does not create a warranty.

(c) Any conveyance of a unit transfers to the purchaser all express warranties.

HIST: 1993 c 222 art 4 s 12

515B.4-113 IMPLIED WARRANTIES.

(a) A declarant warrants to a purchaser that a unit will be in at least as good condition at the earlier of the time of the conveyance or delivery of possession as it was at the time of contracting, reasonable wear and tear excepted.

(b) A declarant warrants to a purchaser that:

(1) a unit and the common elements in the common interest community are suitable for the ordinary uses of real estate of its type; and

(2) any improvements subject to use rights by the purchaser, made or contracted for by the declarant, or made by any person in contemplation of the creation of the common interest community, **will be (i) free from defective materials and (ii) constructed in accordance with applicable law, according to sound engineering and construction standards, and in a workmanlike manner.**

(c) In addition, a declarant warrants to a purchaser of a unit which under the declaration is available for residential use **that the residential use will not violate applicable law** at the earlier of the time of conveyance or delivery of possession.

(d) Warranties imposed by this section may be excluded or modified only as specified in section 515B.4-114.

(e) For purposes of this section, improvements made or contracted for by an affiliate of a declarant are made or contracted for by the declarant.

(f) Any conveyance of a unit transfers to the purchaser all implied warranties.

(g) **This section does not in any manner abrogate the provisions of chapter 327A** relating to statutory warranties for housing, or affect any other cause of action under a statute or the common law.

HIST: 1993 c 222 art 4 s 13

515B.4-114 EXCLUSION OR CHANGE OF IMPLIED WARRANTIES.

(a) With respect to a unit available for residential use, no general disclaimer of implied warranties is effective, but a declarant may disclaim liability in an instrument separate from the purchase agreement signed by the purchaser for a specified defect or specified failure to comply with applicable law, if the defect or failure entered into and became a part of the basis of the bargain.

(b) With respect to a unit restricted to nonresidential use, implied warranties:

(1) **may be excluded or modified by agreement of the parties;** and

(2) **are excluded by expression of disclaimer, such as "as is," "with all faults," or other language that in common understanding calls the purchaser's attention to the exclusion of warranties.**

HIST: 1993 c 222 art 4 s 14

515B.4-115 STATUTE OF LIMITATIONS FOR WARRANTIES.

(a) A judicial proceeding for breach of an obligation arising under section **515B.4-101(e) or 515B.4-106(d), shall be commenced within six months after the conveyance of the unit or other parcel of real estate.**

(b) A judicial proceeding for breach of an obligation arising under section **515B.4-112 or 515B.4-113 shall be commenced within six years after the cause of action accrues,** but the parties may agree to reduce the period of limitation to not less than two years. An agreement reducing the period of limitation shall be binding on the purchaser's successor assigns. With respect to a unit that may be occupied for residential use, an agreement to reduce the period of limitation must be evidenced by an instrument separate from the purchase agreement signed by the purchaser.

(c) Subject to subsection (d), a cause of action under section **515B.4-112 or 515B.4-113, regardless of the purchasers lack of knowledge of the breach, accrues:**

(1) as to a unit, at the earlier of the time of conveyance of the unit by the declarant to a bona fide purchaser of the unit other than an affiliate of a declarant, or the time the purchaser enters into possession of the unit; and

(2) as to each common element, the latest of (i) the time the common element is completed, (ii) the time the first unit in the common interest community is conveyed to a bona fide purchaser, or if the common element is located on property that is additional real estate at the time the first unit therein is conveyed to a bona fide purchaser, or (iii) the termination of the period of declarant control.

(d) If a warranty explicitly extends to future performance or duration of any improvement or component of the common interest community, the cause of action accrues at the time the breach is discovered or at the end of the period for which the warranty explicitly extends, whichever is earlier.

HIST: 1993 c 222 art 4 s 15; 1999 c 11 art 2 s 31; 2005 c 121 s 42

515B.4-116 RIGHTS OF ACTION; ATTORNEY'S FEES.

(a) In addition to any other rights to recover damages, attorney's fees, costs or expenses, whether authorized by this chapter or otherwise, if a declarant or any other person violates any provision of this chapter, or any provision of the declaration, bylaws, or rules and regulations any person or class of persons adversely affected by the failure to comply has a claim for appropriate relief. The association shall have standing to pursue claims on behalf of the unit owners of two or more units.

(b) The court may award reasonable attorney's fees and costs of litigation to the prevailing party. Punitive damages may be awarded for a willful failure to comply.

(c) The remedies provided for under this chapter are not exclusive and do not abrogate any remedies under other statutes or the common law, notwithstanding whether those remedies are referred to in this chapter.

HIST: 1993 c 222 art 4 s 16

515B.4-117 LABELING OF PROMOTIONAL MATERIAL.

No promotional material may be displayed or delivered to prospective purchasers which describes or portrays an improvement that is not in existence unless the description or portrayal of the improvement in the promotional material is conspicuously labeled or identified either as "MUST BE BUILT" or as "NEED NOT BE BUILT".

HIST: 1993 c 222 art 4 s 17

515B.4-118 DECLARANT'S OBLIGATION TO COMPLETE AND RESTORE.

(a) Except for improvements labeled "NEED NOT BE BUILT", the declarant shall complete all improvements depicted on any

CIC plat prepared pursuant to section 515B.2-110, whether or not the plat is contained in the disclosure statement.

(b) The declarant is liable for the prompt repair and restoration of any portion of the common interest community damaged by the declarant's exercise of any special declarant rights.

HIST: 1993 c 222 art 4 s 18

==515B.misc

515B.1-110 Repealed, 1996 c 310 s 1

515B.1-111 Repealed, 1996 c 310 s 1

End of Chapter

Consumer Price Index All Urban Consumers

(1982-1984 = 100) ● Source: U.S. Bureau of Labor Statistics ● CPI Homepage: <http://stats.bls.gov/cpihome.htm>

CPI-U data back to 1913 on-line: <ftp://ftp.bls.gov/pub/special.requests/cpi/cpi.txt>

Year	Jan	Feb	Mar	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Dec - Dec Increase
1980	77.8	78.9	80.1	81.0	81.8	82.7	82.7	83.3	84.0	84.8	85.5	86.3	12.5%
1981	87.0	87.9	88.5	89.1	89.8	90.6	91.6	92.3	93.2	93.4	93.7	94.0	8.9%
1982	94.3	94.6	94.5	94.9	95.8	97.0	97.5	97.7	97.9	98.2	98.0	97.6	3.8%
1983	97.8	97.9	97.9	98.6	99.2	99.5	99.9	100.2	100.7	101.0	101.2	101.3	3.8%
1984	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.3	3.9%
1985	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3	3.8%
1986	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5	1.1%
1987	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4	4.4%
1988	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5	4.4%
1989	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1	4.6%
1990	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8	6.1%
1991	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9	3.1%
1992	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9	2.9%
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	2.7%
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7	2.7%
1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	2.5%
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	3.3%
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	1.7%
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	1.6%
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	2.7%
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	3.4%
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	1.6%
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	2.4%
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3	1.9%
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	3.3%
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	3.4%
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	2.5%
2007	202.4	203.5	205.4										
2008													
2009													

How to figure the percentage increase between any two months:

1. Subtract the index for the earlier month from that of the later month.
2. Divide that number by the index of the earlier month.
3. Multiply that result by 100. (Shortcut: simply move the decimal point two places to the right)

XYZ Homeowners Association
RDA (SAMPLE) POLICY ON RESERVES

Adopted: xx/xx/xxxx

Definitions:

The determination of whether an expense should be labeled an operational expense, a reserve expense, or excluded altogether from a budget is sometimes subjective. Since this classification may have a major impact on the financial plans of the association, subjective determinations should be minimized.

Therefore, for purposes of this policy:

"Operational Expenses" and "Operating Budget Items" shall be defined as expenses, which are identified by the Board of Directors, as occurring on an annual or greater frequency, no matter the size of the expense, and are considered by the Board to be effectively budgeted for on an annual basis. They are characterized as being reasonably predictable both in terms of frequency and cost. Operational expenses normally include all minor expenses which would not otherwise adversely affect an operational budget from one year to the next.

"Reserve Expenses" and "Reserve Budget Items" shall be defined as expenses, which are identified by the Board of Directors, as major expenses which occur other than annually and which are budgeted for in advance in order to provide the necessary funds in time for their occurrence. Reserve expenses are generally reasonably predictable both in terms of frequency and cost. However, they may include significant components which have an indeterminable but potential liability to the development and which may be demonstrated as a likely occurrence. They are expenses, which when incurred, would have a significant effect on the smooth operation of the budgetary process from one year to the next, were they not reserved for in advance.

Reserve budgets for associations normally do not include repairs or replacements of assets which are deemed to have an estimated useful life equal to or exceeding the estimated useful life of the facility or development itself, or exceeding the legal life of the development as defined in an association's governing documents. Also excluded are insignificant expenses which may be covered either by an operating or reserve contingency, or otherwise in a general maintenance fund. Costs which are caused by acts of God, accidents or other occurrences which are more properly insured for, rather than reserved for, are also normally excluded.

Section I: As soon as possible after construction of the initial phase of the project, the Association shall cause a *Reserve Study* to be completed incorporating all aspects of the existing development. The study, and written report, must meet or exceed the National Reserve Study Standards of the Community Associations Institute (CAI) of Alexandria, Virginia (www.caionline.org) and be performed by a qualified person with experience in conducting such studies. The Reserve Study preparer shall abide by the CAI Code of Ethics for Reserve Specialists (whether credentialed or not) and shall certify full compliance with all these aforementioned requirements.

Section II: The Board of Directors for the association shall review the completed *reserve study* for content and take all necessary precautions to assure that the analysis is as complete and accurate as possible, and that the analysis accurately reflects the goals, policies and procedures set forth and practiced by the Association.

Section III: The Board of Directors shall adopt a *reserve funding plan* calculated to avoid special assessments and to assure that the Association will accrue adequate reserves on a cumulative basis to meet its obligations in maintaining the development in a good state of repair, in accordance with its own policies, and in accordance with the requirements set forth by the Association's governing documents and applicable statutes. In adopting a *funding plan*, the Board of Directors shall act in good faith, in a manner believed to be in the best interest of the present and future membership, and with such care as an ordinarily prudent and reasonable person in like position would use under similar circumstances.

Section IV: All reserve funds shall be segregated from other association monies and shall be invested only in accounts or instruments fully guaranteed against any loss of principal and accrued interest earnings. Expenditures of reserve funds for items contained in the reserve schedule are subject to prior approval by a vote (simple majority) of the Board of Directors. Expenditures of reserve funds for items NOT funded in the reserve schedule must first be approved by either a unanimous vote of the Board of Directors or by a vote (simple majority) of the entire membership. Reserve funds may only be used for capital expenditures, except in the case of disbursements related to dissolution of the corporate entity.

Section V: The Board of Directors shall review the *reserve study* and adopted *funding plan* at least annually, and shall consider and implement any necessary adjustments to the reserve budget as a result of that review. At least once every three years the Board of Directors shall cause an updated analysis of the *reserve study* to be conducted incorporating all new and/or changed aspects of the development. This update must be performed in full compliance with Section I, above, and shall meet the level of service "Update with Site Visit" as defined by the National Reserve Study Standards.

Revised November, 2005

It's a whole new ballgame!

MN Statute 515B to get major tune-up in 2010, including:

- Prohibition against using or borrowing from replacement reserves to fund operating expenses.
- Requirement to reevaluate the adequacy of replacement reserves every 3 years.
- Annual Report must identify reserve components & amount of accrued savings.
- Resale Disclosure must list reserve components and the total accrued reserves funding.
- Resale Disclosure must list components and describe funding plans for items not reserved.

Unless otherwise required by your Declaration:

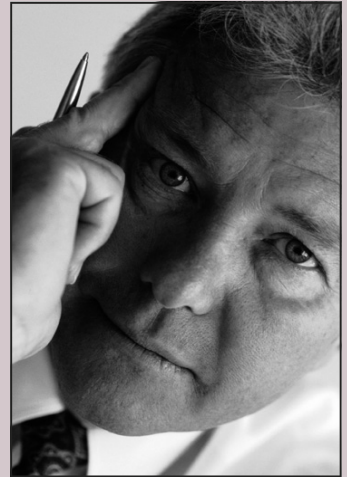
- Funding is optional for components with a remaining useful life greater than 30 years.
- Funding is optional for Limited Common Elements.

If your Declaration provides AND subject to Board & Owners approval every 3 years:

- Certain components *may* be funded by planned future Special Assessments.

Declarant's Disclosure must identify:

- The components for which reserves are budgeted & the amount reserved.
- The components whose replacement is planned to be funded by Special or Limited Assessments at the time the expense is incurred [515B.3-115(c)or(e)] pursuant to new stipulations in 515B.3-114(a).



A radically different approach.

Reserve funding rules for Minnesota CICs will become extremely flexible, focused more on disclosure than actually saving funds for all future expenses. It's a dramatic shift from the past mandate to annually budget adequate reserves for everything the association must replace. Yet this new language does not supersede or invalidate existing Declarations. Since disclosure of both funded *and* unfunded components is required, you must identify & disclose all the components for which the association is responsible and explain how the funds will be collected. Your association's declaration determines the amount of flexibility you have—which components *must* be reserved for; which are *optional* and whether approval of *both* the Board *and* 51% of the owners is required to forgo reserve funding. Confused? Get started by reviewing your declaration and making a list of all the specific components in your community which the association is responsible to maintain, repair and replace.

An RDA Comprehensive Scope Reserve Study™ helps simplify your planning.

If you're uncertain about your funding obligations and options, an RDA Comprehensive Scope Reserve Study™ will help simplify your planning. It starts with a detailed 'global' inventory—complete with replacement costs, condition assessments and remaining life estimates—for all components the association is responsible to replace. The initial draft of the report serves as a working document as you determine policies for each component, to reserve or not, as your documents allow. A revised final version of the report is then produced, accurately reflecting *your plans*, policies, procedures and intentions. If this approach is more than you need or want an RDA Selective Scope Reserve Study™, based on your selected parameters, is also available.

Your RDA Comprehensive Reserve Study™ provides...

- A comprehensive analysis of your operating guidelines and other governing documents to help you determine the full extent of your maintenance responsibilities and identify your funding options.
- A detailed and complete inventory of all assets for which the association is responsible.
- A complete collection of detail reports for each asset showing placed in service date, useful life, replacement year, quantity, unit cost, percentage replacement, current cost, future cost, accumulated reserves, salvage value, required monthly contribution to reserves, accumulated interest, net monthly allocation, and remarks detailing factors such as design, manufacture quality, usage, exposure to the elements and maintenance history. Valuable information even for components not funded by reserves!
- A long-term reserve budget guide providing highly-accurate thirty-year projections listing total current replacement costs, annual membership contributions, annual expenditures, projected and ideal ending reserves and yearly percentages of ideal funding. In addition, color graphs make the projected data easy to read and use for planning purposes.
- A payment plan which enables your association to satisfy its reserves obligations with the lowest possible monthly contributions. **Adequate funding *and* affordable monthly fees.**

RESERVE DATA ANALYSIS, INC.

1409 Osborne Road NE - Minneapolis, Minnesota 55432
(612) 616-4817 Toll Free - (866) 780-7943 Fax (763) 780-7943
info@RDAmidwest.com www.RDAmidwest.com



Member:
Association of Professional Reserve Analysts

Reserve Data Analysis • Sample Association Maintenance Responsibility and Funding Matrix

		Means by Which Funding is Provided								
Component Description		Level of Service - Maintain; Repair; Replace.	1 Funding to accrue in Reserve Budget.	2 Reserve Funding to begin when remaining life 30 years or less.	3 Reserve Funding assessed only to unit(s) benefited.	4 Expense Special Assessed among all units when incurred.	5 Expense charged to benefited owner(s) at time cost incurred.	6 Maintenance, repair & replacement is direct homeowner's responsibility.	7 OTHER: Specify Below	8 Funding to be included in annual Operating Budget.
Roofs: composite shingles, architectural grade, 30 year warranty.		Repair								X
		Replace	X							
Siding: standard grade Dutch Lap vinyl		Repair					X			
		Replace	X							
Soffit & Fascia: prefinished metal.		Repair								X
		Replace	X							
Gutters & Downspouts - Standard Quantity common to all units.		Repair								X
		Replace	X							
Gutters & Downspouts - Non-Standard extra guttering; added by unit owner.		Repair						X		
		Replace						X		
Common area sidewalks		Repair								X
		Replace	X							
Unit Sidewalks		Repair					X			
		Replace					X			
Unit Stoops		Repair						X		
		Replace						X		
Unit Patios		Repair						X		
		Replace						X		
Unit Decks & Railings		Paint/Stain					X			
		Repair						X		
		Replace						X		
Unit Windows		Repair						X		
		Replace	50%				50%			
Unit Doors		Paint	X							
		Repair						X		
		Replace						X		
Unit Exterior Lighting		Repair						X		
		Replace	X							
Garage Aprons		Repair					X			
		Replace					X			
Overhead Garage Doors		Paint	X							
		Repair						X		
		Replace	X							
Garage Door Openers		All						X		
Concrete Curbs & Gutters		Repair								X
Replacement scheduled to coincide with street reconstruct @ 40 years.		Replace		X						
Driveways - Asphalt		Annual Clean, crack seal, minor repairs								X
Sealcoat replaces lost aggregate fines & binders.		Sealcoat	X							
Midlife failures provides for replacement of failed base and subsoil.		Midlife Failures	X							
		Replace	X							
Streets		Annual Cleaning, crack seal, minor repairs								X
Chipcoat provides new wear surface and UV protection.		Chipcoat	X							
		Midlife Failures	X							
Midlife failures provides for replacement of failed base and subsoil.										
Overlays & reconstruction scheduled to Alternate at 20 year intervals.		Overlay	X							
		Reconstruct		X						

Continued on next page

Continued from previous page

		Means by Which Funding is Provided							
Component Description	Level of Service - Maintain; Repair; Replace.	1 Funding to accrue in Reserve Budget.	2 Reserve Funding to begin when remaining life 30 years or less.	3 Reserve Funding assessed only to unit(s) benefited.	4 Expense Special Assessed among all units when incurred.	5 Expense charged to benefited owner(s) at time cost incurred.	6 Maintenance, repair & replacement is direct homeowner's responsibility.	7 OTHER: Specify Below	8 Funding to be included in annual Operating Budget.
Entrance - Wrought Iron, Gates	All								X
Mailboxes: Cluster Box Units	Repair							USPS	
	Replace	X							
Street, traffic & directional signs	Repair								X
	Replace	X							
Monument Signs	Repair								X
	Replace	X							
Keystone Retaining Walls	Repair								X
	Replace	X							
Landscape: periodic refurbishment, rock beds, tree trimming, etc.	Refurbish	X							
Shrubs & Trees	Replace								X
Irrigation System: Backflows inspected annually; repair/replace as-needed or minimum 5 year interval per state law. Total system replacement unbudgeted; individual zones or areas may be replaced upon failure. Special assessment will be required if total system replacement becomes necessary or desirable.	Replace	X							
	Controller								
	Backflow Valve								X
	Repairs								X
	Replace				X				
Sanitary Sewer Lateral Lines to homes	All					X			
Water lines from valve to structure	All					X			
Water Mains; sanitary sewer; storm sewer lines, catch basins, etc.	All						If assessed	City	
TV Inspect all sewer lines before street reconstruction.	Inspection		X						
Streetlights	All							Utility Co.	
Boat Slips:	All					X			
Main Dock	Repair								X
	Replace	X							
Reserve Study Update with On-site Review, 3 year intervals.	Update	X							

- 1) These expenses are budgeted to accrue in the association's replacement reserve account and are included in the annual assessment.
- 2) **These expenses are not currently budgeted in reserves but are to be added when the estimated remaining life falls within 30 years.
- 3) ***These expenses are budgeted to accrue in replacement reserves. The reserve contributions are assessed only to the benefited unit(s).
- 4) *These expenses are to be special assessed against all owners at the time the expense is incurred. The board and at least 51% of unit owners must approve exclusion from reserve funding at least every 3 years.

- 5) *These expenses are to be special assessed only against benefited owners at the time the expense is incurred. The board and at least 51% of unit owners must approve exclusion from reserve funding at least every 3 years.
- 6) The administrative and financial obligations are the homeowners direct and individual responsibility, subject to community standards.
- 7) These expenses are funded by the entity or means noted.
- 8) These expenses are to be included in the association's annual operating budget for the year in which they occur.

Note: The association's Reserve Funding obligations and options are subject to the association's declaration and the applicable statutory provisions.

2010 Amendment Pending-- 515B.3-114 Replacement Reserves.

While the Amendment retains the basic standard for 'adequate' replacement reserves, it elaborates the basis on which reserves must be determined, short of requiring a reserve study.

It requires replacement reserves be kept separate from operating funds, and expressly prohibits the use of, or borrowing from, replacement reserves to fund the association's operating expenses. The association must reevaluate the adequacy of its

replacement reserves at least every third year after the recording of the declaration.

*The Amendment includes a flexibility provision whereby, *unless otherwise provided by the declaration*, after the termination of the period of declarant control the association may fund certain replacement costs through special assessments or other assessments rather than annual assessments; *provided* that such a plan is approved by the

board and by unit owners (other than the declarant or its affiliates) of units to which 51% of the votes in the association are allocated. The vote must be reaffirmed at intervals of no more than 3 years.

**The amendment provides the association is not required to set aside reserves for components with an estimated remaining life greater than 30 years.

***Statute 515B provides that expenses related to Limited Common Elements or portions of the Common Elements which benefit fewer than all units be assessed to the benefited unit(s). If such expenses are reserved, rather than assessed when the expense is incurred, a separate funding schedule may be required for the various specific components

[illegible]

PART 3 • ANTICIPATED RESERVE EXPENDITURES

Please indicate any anticipated reserve expenditures to be completed this fiscal year.

RDA ASSET #	DESCRIPTION	COMPLETION DATE	QUANTITY/ UNITS	COST

PART 4 • ADDITIONAL CHANGES, ADDITIONS OR COMMENTS

Please indicate any additional changes, report additions or comments.

Please return *Update Worksheet* and any additional information to:

RESERVE DATA ANALYSIS - MIDWEST
1409 Osborne Road NE
Minneapolis, MN 55432-2843

Phone: (612) 616-4817 (866) 780-7943
Fax: (763) 780-7943 (866) 484-7943
updates@rdamidwest.com

Thank you!

www.rdamidwest.com

page 2 of 2

COMMON INTEREST COMMUNITY
RESALE DISCLOSURE CERTIFICATE

Name of Common Interest Community: _____

Name of Association: _____

Address of Association: _____

Unit Number(s) (include principal unit and any garage, storage, or other auxiliary unit(s)): _____

The following information is furnished by the association named above according Minnesota Statutes, section 515B.4-107.

1. There is no right of first refusal or other restraint on the free alienability of the above unit(s) contained in the declaration, bylaws, rules and regulations, or any amendment to them, except as follows:

2. The following periodic installments of common expense assessments and special assessments are payable with respect to the above unit(s):
 - a. Annual assessment
installments: \$ _____ Due: _____
 - b. Special assessment
installments: \$ _____ Due: _____
 - c. Unpaid assessments, fines, or other charges:
 - (1) Annual \$ _____
 - (2) Special \$ _____
 - (3) Fines \$ _____
 - (4) Other Charges \$ _____
 - d. The association has/has not (strike one) approved a plan for levying certain common expense assessments against fewer than all the units according to Minnesota Statutes, section 515B.3-115, subsection (e). If a plan is approved, a description of the plan is attached to this certificate.
3. In addition to the amounts due under paragraph 2, the following additional fees or charges other than assessments are payable by unit owners (include late payment charges, user fees, etc.):

4. There are no extraordinary expenditures approved by the association, and not yet assessed, for the current and two succeeding fiscal years, except as follows:

5. The association has reserved the following amounts for maintenance, repair, or replacement:

The following portions of these reserves are designated for the following specified projects or uses:

6. The following documents are furnished with this certificate according to statute:

- a. The most recent regularly prepared balance sheet and income and expense statement of the association.
- b. The current budget of the association.

7. There are no unsatisfied judgments against the association, except as follows (identify creditor and amount):

8. There are no pending lawsuits to which the association is a party, except as follows (identify and summarize status):

9. Description of insurance coverages:

- a. The association provides the following insurance coverage for the benefit of unit owners (Reference may be made to applicable sections of the declaration or bylaws; however, any additional coverages should be described in this space):
- b. The following described fixtures, decorating items, or construction items within the unit referred to in Minnesota Statutes, section 515B.3-113, subsection (b), are insured by the association (check as applicable):

- ☐ Ceiling or wall finishing materials
- ☐ Floor coverings
- ☐ Cabinetry
- ☐ Finished millwork
- ☐ Electrical or plumbing fixtures serving a single unit

- ☐ Built-in appliances
- ☐ Improvements and betterments as originally constructed
- ☐ Additional improvements and betterments installed by unit owners

10. The board of directors of the association has not notified the unit owner (i) that any alterations or improvements to the limited common elements assigned to it violate any provision of the declaration; or (ii) that the unit is in violation of any governmental statute, ordinance, code, or regulation, except as follows:
11. The remaining term of any leasehold estate affecting the common interest community and the premises governing any extension or renewal of it are as follows:
12. In addition to the above, the following matters affecting the unit or the unit owner's obligations with respect to the unit are deemed material:

I hereby certify that the foregoing information and statements are true and correct as of:

(Date)

By:

Title:

(Association Representative)

Address:

Phone Number:

RECEIPT

In addition to the foregoing information furnished by the association, the unit owner is obligated to furnish to the purchaser before execution of any purchase agreement for a unit or otherwise before conveyance, copies of the following documents relating to the association or to the master association (as applicable): the declaration (other than any common interest community plat), articles of incorporation, bylaws, rules and regulations (if any), and any amendments to these documents. Receipt of the foregoing documents, and the resale disclosure certificate, is acknowledged by the undersigned buyer(s).

Dated:

(Buyer)

(Buyer)

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www.RDAmidwest.com

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Email: info@RDAmidwest.com



Protect Your Association Finances

Volunteer boards of directors of condominiums, cooperatives, and homeowners' associations often perform a number of functions vital to the successful self-governance of the association: fostering community harmony, maintaining common areas and establishing and enforcing rules.

The ability of the association to perform these functions depends upon its success as a business. One of the most important business functions of the board is to oversee the association's financial well-being. Here are several proven practices that will help protect association finances. Before implementing the following suggestions, however, always check your governing documents and state statutes.

1 Conduct An Annual Audit, Review Or Compilation.

A certified public accountant (CPA), selected by the association board, should conduct an annual analysis of the association's finances. The accountant should have access to original books and records. All personnel, contractors, and volunteers should cooperate fully during the course of the analysis.

The association board may request one of three levels of service from the accountant: compilation, review or audit.

In a compilation, the accountant presents the association's financial statements in a manner consistent with generally accepted accounting principles. A compilation involves little analysis and no confirmation of balances. Often, the accountant will prepare the yearend adjustments, such as accounts payable or income tax accruals.

In a review, the accountant investigates record-keeping practices and accounting policies and analyzes the statements. The accountant prepares disclosures on unusual items or trends that may require explanation.

In an audit, the accountant performs a more thorough analysis, which may include confirming bank balances, making physical inspections, and tracing transactions to invoices and evidence of payments. Although an audit is a more comprehensive examination of an association's financial statements, it is not an analysis of the board's policy decisions or its use of resources. After the analysis is completed, the accountant expresses an opinion based on the results of the audit tests and examinations. The opinion is independent of the association and management.

Before deciding which method to use, check association documents and state statutes. A full audit may be required. And always consider conducting a review or audit when a major change is made in the way the association handles its finances (e.g., transition from developer to owner control or a change in management)

2 Ask For A Management Letter.

Ask your accountant for a management letter. In this letter, the accountant reports any weaknesses in the association's financial systems, as well as issues concerning internal control, income tax, reserves, and document compliance. The cost of the report is minor compared to the consequences of an inadequately scrutinized financial system. After the accountant has written the management letter, he or she should review it with the board

3 Reconcile Statements Quarterly.

The board should review bank statements or passbooks for all cash accounts at least every three months. The board must see that bank statements are reconciled in a timely fashion. If the treasurer reconciles the bank statements, then the board should designate another person to review the reconciliation. If the reconciliations are done by a manager, management agent, or bookkeeping service, the treasurer of the board should carefully evaluate the system, its internal controls, and the reconciliations and calculations.

4 Request Monthly or Quarterly Financial Statements.

The accountant should submit a financial report to the board at least every three months. The report should include a balance sheet, profit and loss statement, and a comparison of the budget to actual expenditures. The financial statements should show activity for both the operating and reserve funds. The financial statements may be prepared on either a cash, accrual, or modified cash basis. The accrual method is effective for most associations because it matches revenues to expenses incurred more accurately. Regardless of the accounting method used by the association, the board should monitor an aged list of accounts receivable (delinquencies) and accounts payable (unpaid bills).

The financial report should be accompanied by an explanation of any significant variances, such as significant cash surpluses, shortages, excessive accounts payable or receivable, or major budget overruns. The board should investigate any excessive variance and ask questions if the financial statements are not produced 15 to 30 days after the close of the period. The board should closely review the income statement, compare it with the budget, and question any major difference.

5 Exclusive Board Control of Reserve Transactions.

The board must have full and separate control over the association's reserve account(s), including the signatory control of bank accounts. All transactions made by board designees should be reported and verified in writing. These transactions should be approved by the board, and that



approval should be documented in the board's meeting minutes. The reserve cash funds should be separate from the operating cash accounts. A reserve study should be prepared every three to five years, and it should be reviewed annually. This study should be used in reviewing the adequacy of reserves, as well as the funding and spending of reserve funds.

6 Investment Policy That Ensures Safety of Principal.

The board must decide where and when to invest. CAIs Accountant's Committee recommends (and many association documents require) that all association funds be invested in government-insured accounts or instruments of similar security. Make sure the balances do not exceed the bank's or fiduciary's insurance limits. Safety of principal is the utmost investment objective for associations, not high yields. The higher the yield is, the riskier the investment. Deal only with licensed, insured, and bonded brokers and agents.

7 Do Not Commingle Association Funds.

The association's funds should not be commingled with the funds of any other organization. If the association does commingle funds, however, it should put the monies in a trust account with clearly defined safeguards.

8 Prepare Written Collection Policies.

The association should have a written collection policy for delinquent accounts receivable (the assessments). This policy should be distributed to the members and uniformly enforced to enhance collections; an association should obtain a bank lockbox so it can deposit assessments directly into its account. Such a system speeds up deposits. It also eliminates a number of "weak links" in the chain of financial management by ensuring that the vast majority of association funds are sent into the association's account without being handled by volunteers, employees, or agents.

9 Determine Policy for Signatory Control.

Associations should require two board signatures on all reserve checks, redemptions, or fund transfer requests. One of these signatures should be from an appropriate board officer (e.g., treasurer). For operating cash accounts, associations should consider requiring two signers for all checks above a certain limit. Though obtaining a second signature for checks on operating cash can be an inconvenience, associations should weigh the extra control and protection this procedure provides against any delays it may cause.

10 Fidelity Bond for Manager &/or Employees.

Associations must insist that the manager and/or employees are sufficiently bonded to cover all association funds reasonably at risk. The association should also have its own fidelity bond to cover volunteers and any employees who either have access to or who handle funds. If possible, the association should add management employees and principals to the association's bond. Associations should require 60 days' notice prior to cancellations or nonrenewals of the management agent's or the association's bonds.

11 Prohibit Kickbacks in Writing.

Employment agreements and management contracts should specify that kickbacks from contractors, employees, or others are not allowed. Also, associations should establish in writing that any benefits, credits, discounts, or free services provided by a financial institution or contractor must benefit the association, not the management agent, employee, or individual contractor.

12 Require Written Disclosure of Conflicts of Interest.

Insist that any significant relationship among prospective consultants, contractors, attorneys, accountants, etc. be disclosed prior to retaining their services. This policy should apply to the board, officers, and committees, as well as to employees and the manager.

13 Purchase D&O Liability Insurance.

The board of directors should have adequate Directors & Officers coverage to protect against lawsuits alleging errors or omissions by the board in the performance of its duties.

14 Always Maintain Control of Association Documents.

Documents generated by the association and the manager in the course of the manager's work, as well as association books and records, are the property of the association. They must be turned over to the association at the conclusion of the management contract.

15 Establish Good Financial Procedures

The board must ensure the safety of its financial systems and implement effective internal controls. Here are examples of good checks and balances:

- Use multiple parties to handle cash, whether from assessments or from vending machines, guest fees, etc.
- Require two signatures on all checks over a certain amount and on *all* reserve or investment transactions.
- Do not allow the person who approves invoices to write checks.
- Do not allow the person recording receipts to make deposits.
- Minimize cash transactions.
- Write all checks to the payee-not to "cash."
- Pay all employees and vendors with a check.
- Insist that all payments to the association are made out in the name of the association-not the manager, managing agent, or board member.
- Deposit checks directly to the association's account on a daily basis or store overnight in a fireproof safe.
- Reconcile bank statements monthly.
- Arrange for annual audit, review, or compilation, including a management letter from the accountant.
- Obtain an engagement letter from the association's accountant that defines the work and fees.
- Conduct an annual review of all insurance policies, especially those policies relating to financial matters.
- Review the association's tax status and tax planning for the upcoming year with an accountant.
- Have a reserve study prepared every three to five years, then review that study annually.
- If the association books are maintained on a cash basis, maintain the accounts receivable on the accrual basis. A report of payables should accompany the financial statements.



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More than 15,000 Studies
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Since 1983.



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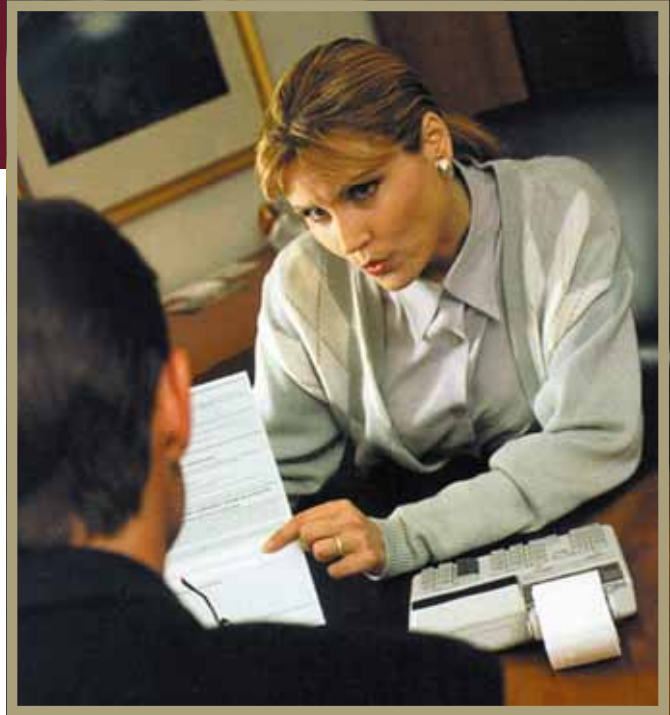
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Since 1983 Reserve Data Analysis has been the nation's leading innovator and authority on reserve budgeting and long-term planning. **By custom tailoring a strategy that matches your plans, policies, procedures and intentions we can provide you with the most detailed, comprehensive and accurate reserve study available.** We have prepared more than 15,000 reserve studies for over 5,000 clients across North America, Central America and Europe.

Reserve Data Analysis provides expertise to lenders, attorneys, association managers, accountants, community associations, vacation property owners, commercial & rental property owners and real property developers for successful long-term planning and reserve funding.

No project is too small, too large, or too difficult— from small community associations to high rise condominiums or Kansas City's landmark historic Western Auto Lofts.

Call us today for a free proposal, our company brochure and a copy of our Association Reserves Resource CD.

My staff and I are committed to providing you with the most detailed, comprehensive and meaningful study available. The RDA Report identifies your long-term repair and replacement needs and ultimately saves you time and money.

Gregory L. Pettersen, PRA, RS

President

Reserve Data Analysis, Inc.





Since 1983 Reserve Data Analysis has been the nation's leading innovator and authority on reserve budgeting and long-term planning. By tailoring a strategy that matches your plans, policies, procedures and intentions we can provide you with the most detailed, comprehensive and accurate reserve study available. We have prepared more than 15,000 reserve studies for over 5,000 clients across North America, Central America and Europe. Our proprietary reserve analysis software allows us to generate precise calculations and forecasts as well as offer a variety of solutions to clients with special situations. As consultants to property managers, accountants, attorneys and community associations, RDA™ focuses its expertise on the complexities of reserve funding and successful long-term planning. Our services are essential for the implementation of an effective budgeting plan, and the experience, reputation and quality we offer are unequalled in the industry.

Gregory L. Pettersen



Greg holds credentials of both Reserve Specialist™ (RS) and Professional Reserve Analyst™ (PRA). A business school honor graduate with more than a decade of construction estimating experience, Greg has performed hundreds of reserve studies throughout the greater Midwest.

Mr. Pettersen founded the Reserve Data Analysis Minneapolis office in 1997 and leads their Midwest operations from the Minneapolis office. Greg has served multiple terms on the Board of Directors for the Minnesota Chapter of the Community Associations Institute, including 2004 Chapter President, eight years service on the CAI-MN Legislative Action Committee and

formerly served as an alternate member of CAI's Reserve Professionals Committee.

An active Board member in his Minneapolis area Townhouse Association for fourteen years, his tenure there included terms as chairman of both the maintenance and budget committees and President from 1995 to 2006.

He helped guide his association through a complete rewrite of their governing documents, including an "opt-in" to the Minnesota Common Interest Ownership Act, and charted them a financial recovery from the brink of insolvency.

He teaches association reserve courses, leads workshops, lectures at Educational Conferences, authors articles on reserve funding, routinely consults with association boards, and occasionally serves as a guest instructor for Community Manager and Realtor education courses.

The Association of Professional Reserve Analysts (APRA) and the **Community Association Institute (CAI)** award designated credentials only to experienced, qualified professionals who specialize in assisting condominium, cooperative, homeowner associations, and other organizations plan for the long-term repair and replacement of major components of their facilities and infrastructure.

Prerequisites for designation include preparation of 30 (CAI) or 50 (APRA) full reserve studies; a bachelor's degree in construction management, architecture or engineering (or equivalent experience and education); and professional membership in the respective organizations. Designees are required to perform their studies in accordance with National Reserve Study Standards and abide by an ethical code.

The national standards stipulate the minimum list of tasks that must be performed for each Reserve Study or Reserve Study Update and the minimum content standards which must be included in each completed report.

Further, all reports must include certain specific disclosures, terms and definitions.

RDA REPORTS™

EXCEED ALL THESE REQUIREMENTS.

The **Community Associations Institute** www.caionline.org (703) 548-8600
The **Association of Professional Reserve Analysts** www.APRA-USA.com



Member:
Association of
Professional Reserve Analysts

RESERVE DATA ANALYSIS, INC.
(866) 780-7943 FAX (866) 484-7943
MINNEAPOLIS (612) 616-4817
WWW.RDAMIDWEST.COM



MEMBER OF
community
ASSOCIATIONS INSTITUTE

COMPANY PROFILE

RESERVE DATA ANALYSIS

As the largest reserve analysis company in the United States, RDA provides its clients with the most comprehensive, detailed, and useful reserve studies and litigation support services available through nine regional offices.

Since 1983, RDA has prepared over 15,000 reserve studies for over 5,000 clients from Massachusetts to Mexico. We developed the RDA Reserve Management Software™ with which we generate accurate calculations and forecasts for clients involved in litigation, as well as annual reserve planning and budgeting. We also provide expert witness services for both developers and associations.

Edwin G. Edgley is the founder and President of Reserve Data Analysis, Intl. He has been involved with reserve planning since 1976, is the originator of the RDA method of reserve funding, and author of the RDA Reserve Management Software™. Mr. Edgley routinely lectures on the topic of reserve planning at seminars for accountants, attorneys, property managers, and board members. He is a published author of several articles dealing with reserve funding and budgeting.

Gregory L. Pettersen is a CAI certified Reserve Specialist™ and business school honor graduate with over a decade of commercial and residential construction industry experience in the upper Midwest.

A 14 year veteran of his Minneapolis area Townhouse Association board of directors, his tenure there included terms as chairman of both the maintenance and budget committees and President from 1995-2006.

He helped guide his association through a complete rewrite of their governing documents, including an "opt-in" to the Minnesota Common Interest Ownership Act, and charted them a financial recovery from the brink of insolvency.

Mr. Pettersen joined Reserve Data Analysis in 1996 and leads their Midwest operations from the Minneapolis office. Greg has served multiple terms on the Board of Directors for the Minnesota Chapter of the Community Associations Institute, including 2004 Chapter President, and has served as an alternate member of CAI's Reserve Professionals Committee.

He leads workshops and lectures at Educational Conferences, authors articles on reserves, is a past chair of the CAI-MN Legislative Action Committee, routinely consults with association boards, and occasionally serves as a guest instructor for Property Manager and Realtor continuing education courses.

CAI's Reserve Specialist designation is the only national credential for Community Association Reserve Study Providers and is awarded to experienced, qualified professionals who help condominium, cooperative, and homeowner associations, and other organizations plan for the long-term repair and replacement of major components of their facilities and campuses.

The prerequisites for **Reserve Specialist** designation include preparation of 30 reserve studies within the last three years; a bachelor's degree in construction management, architecture or engineering (or equivalent experience and education); and professional level CAI membership in good standing.

Reserve Specialist designees are required to perform their studies in accordance with **CAI's new National Reserve Study Standards**.

These standards include a detailed list of tasks that must be performed for each of three Reserve Study Service Levels coupled with minimum content standards that must be contained in each completed report. Further, all reports must include certain specific disclosures, terms and definitions.

*The **Community Associations Institute [CAI]** is a nonprofit association created in 1973 to educate and represent the nation's 205,000 condominium associations, homeowner associations and cooperatives.*

www.caionline.org (703) 548-8600



Settlement Solution Services™

**SERVICES FOR EQUITABLE
DISPUTE RESOLUTION**

**RESERVE DATA ANALYSIS, INC.
1409 OSBORNE ROAD NE
MINNEAPOLIS, MINNESOTA 55432**

**MPLS: 612.616.4817
TOLL FREE: 866.780.7943
WWW.RDAMIDWEST.COM**

WHEN WOULD YOU NEED RDA'S SETTLEMENT SOLUTION SERVICES™?

Unfortunately, many associations find themselves facing the prospect of litigation concerning construction defect issues and/or questions as to the adequacy of the association's reserves. Statutes of Limitation require you act quickly or lose your right to recovery altogether. Are the reserves properly funded? What impact will construction defect issues have on the financial position of the association? Reserve Data Analysis, Inc. assists associations and developers in resolving disputes equitably, with a level of experience and expertise unequaled in the industry. The information below outlines the services we offer to assist you should the association be faced with these critical decisions.

In some cases, the original budget prepared for the association is inadequate. Outdated costs, inaccurate specifications, or incomplete inventories can result in substantial deficiencies in the reserve account, leaving the association with inadequate funding to properly repair or replace all of the major components for which it is responsible.

As part of our Settlement Solution Services™, RDA will perform a retroactive reserve study to assess the association's financial position at the time when the board was relinquished by the developer. This will determine if the appropriate level of reserves had accumulated by the end of the last fiscal year for which the developer was in control of the financial activities of the association.

Throughout the litigation process the board will need to make several important decisions having a significant impact on the future financial stability of the association. RDA provides services which will empower the board to make accurate and informed decisions.

The next step in this process will be to update the association's current reserve study, incorporating all construction defect components, repair infor-

mation, and the prioritization of those repairs. During settlement conferences, computer-generated scenarios will allow the board to assess the impact of monetary offers even as they are being made, assisting in fulfilling its legal and fiduciary obligation to maintain the community in a good state of repair.

Generally, the best laid plans never materialize as expected. By conferring with construction management throughout the repair process, RDA can evaluate the impact of repair modifications on the overall budget and even suggest alternate repair scenarios as needed.

SETTLEMENT SOLUTION SERVICES OFFERED BY RDA

CLAIM ASSESSMENT

♦ CLAIM PROCESSING

Identification of the full scope of defects and deficiencies is critical. RDA can help prepare your claim, providing advice and guidance regarding forensic or invasive engineering evaluations, financial analysis, report compilation; even when to retain legal representation.

DISCOVERY PHASE

♦ INVENTORY VERIFICATION

Verify developer-provided inventory and measurements for accuracy and completeness.

♦ BUDGET ANALYSIS

Analyze developer-specified budget, identify and determine cause of any insufficient funding including a thorough review of all related financial information.

♦ RETROACTIVE RESERVE STUDY PREPARATION

Perform retroactive reserve study to determine the level of reserves which should have accrued at the time the developer sur-

rendered control of the board to the association.

SETTLEMENT PHASE

♦ CURRENT RESERVE STUDY PREPARATION

Perform complete reserve study for the current fiscal year for long-term budgeting.

♦ SETTLEMENT IMPACT ANALYSIS

Assess the impact of settlement offers through computer-generated scenarios.

♦ REPAIR PRIORITIZATION

Interact with experts and construction management to prioritize repairs and develop an optimal repair schedule.

IMPLEMENTATION PHASE

♦ REPAIR MONITORING

Confer with construction management throughout the repair process to ensure optimal repair execution and evaluate the impact of repair modifications on the reserve budget.

♦ RESERVE STUDY UPDATING

Once the repairs are completed, RDA will perform an updated reserve study to determine the current required reserve contributions, and provide 30 year projections.

♦ ONGOING CONSULTATION

Provide ongoing consultation with the Board and manager regarding reserve and budgeting matters prior to, throughout & following the repair process.

