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S.A.L.E.M. ENTERPRISES

DECLARATION OF SUBMISSION
OF PROPERTY TO HORIZONTAL
PROPERTY REGIME FOR THE
S.A.L.E.M. CONDOMINIUMS

FILED NO. **001031**
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To

Dated: _____

Filed: _____

REC \$ 110⁰⁰
AUD \$ 5⁰⁰
R.M.F. \$ 1⁰⁰

2002 MAR -1 PM 3: 16

The Public

MICKI UTSLER
RECORDER
MADISON COUNTY, IOWA

Record recites in part: this instrument of Declaration of Submission of Property to a Horizontal Property Regime to be known as The S.A.L.E.M. Condominiums pursuant to Chapter 499B, Code of Iowa, 2001, entitled "Horizontal Property Act" (Condominium)", the same to take effect when filed for record in the office of the Recorder of Madison County, Iowa.

ARTICLE I
PURPOSES AND CERTAIN DEFINITIONS

A. Purpose. The purpose of this Declaration is to submit and convey the lands hereinafter described and the buildings and other improvements constructed or to be constructed thereon to the condominium form of ownership and use pursuant to Iowa law. Definitions. The terms employed shall have the meaning given them in Chapter 499B, Code of Iowa, 2001, unless the context or the more particular provisions of any condominium document requires a different one. Certain terms are used as follows:

1. Plural and Gender. All words or phrases shall be taken to include the singular or plural according to the context and to include the female, male or neuter gender as may be applicable.

2. Successors. Reference to Developer, owner, or to any entity or association shall include the respective successors, grantees and assigns thereof.

3. Tense. Upon the effective date of this Declaration, use of the present tense shall include the future tense and use of the future tense shall include the past or present tense as may be applicable, particularly where the subject matter relates to completion of an improvement that has not been or already has been completed, as the case may be.

4. Unit. A unit means one or more rooms occupying a part of a floor of building intended for use as a residence and not owned in common with other owners in the regime. The boundary lines of each unit shall be the interior and unfinished surfaces of its partition and exterior walls, bearing walls, bottom floor or floors, ceilings, windows and window frames, door and door frames, and trim, and includes both the portions of the building so described and the air space so encompassed.

5. Building. The term "building" as used herein means and includes one or more buildings whether attached to one or more buildings or unattached as described in Exhibit "A" comprising an integral part of the single horizontal property regime.

6. Condominium Documents and Property. This Declaration and all exhibits attached hereto constitute the condominium documents. Property includes the land whether committed to the horizontal property regime in fee or as a leasehold interest, the buildings, all other improvements located thereon, and all easements, rights and appurtenances belonging thereto. Such property shall not include the sole personal property of the Developer or any owner.

7. The S.A.L.E.M. Condominiums Homeowners Association, is to serve as the council of the owners of the units submitted to this regime, sometimes referred to as the "Association".

8. Bylaws. The Bylaws of The S.A.L.E.M. Condominiums Homeowners Association.

9. Owner. Includes one holding title to a unit under a recorded deed or purchase contract.

ARTICLE II
DESCRIPTION OF LAND AND BUILDINGS:

A. Land. The land hereby submitted to the Horizontal Property Regime is legally described as:

Lots One, Two, Three and Four in Block Five of the Original Town of Winterset, Madison County, Iowa.

A. Description of Buildings.

1. Building Plans-Site Plan. Attached hereto and by this reference made a part hereof, and marked Exhibit "A" is a set of building floor plans, showing the location of two (2) buildings consisting of sixteen (16) units in two (2) buildings, for a total of sixteen (16) separate condominium units submitted to the Horizontal Property Regime. Exhibit "A" shows graphically the approximate location of the buildings and their dimensions, and the area and location of common elements affording access to each unit, and parking areas.
2. Access. Exhibit "A" shows the location of the units and the access to the units and the common elements.
3. Particulars of the Units. The units are fully described in Exhibit "A". Each unit has its own individual entry.
4. Principal Materials-Units. Buildings have concrete footings and foundation walls. First floors are concrete second floor are wood. Exterior walls are framed with 2 X 4; interior walls are framed with 2 x 4. Exterior siding is masonite, soffit and fascia is plywood. Roof construction is wood frame with class A asphalt shingles. Interior walls and ceilings are finished with drywall.

ARTICLE III LEGAL DESCRIPTION AND IDENTIFICATION OF UNITS AND COMMON ELEMENTS

A. Plans and Exhibits-Units. The location of each unit, the number of rooms for each unit and the dimensions thereof, and the area of the units and the location of all common elements affording access to each unit or otherwise, are all graphically shown and depicted by plans in Exhibit "A" attached hereto and made a part hereof. Exhibit "A", together with the wording of this Declaration, constitutes a correct representation and legal description of the land, buildings, and other improvements of The S.A.L.E.M. Condominiums, and there can be determined therefrom the identification, location, and dimensions and size of each unit and/or common elements of the condominium regime.

ARTICLE IV DESCRIPTION/DEFINITION OF COMMON ELEMENTS UNITS

The real estate described in Article II hereof consists of units which are separate parcels of the condominium property individually owned by the owners thereof and of the common property (referred to as "common elements") which is owned in common by all owners of the respective units. The units are located in two separate buildings. The common elements are either "general common elements" or "limited common elements" and the same, together with the units, are described as follows:

General Common Elements. The general common elements are those elements of real property, property improvements and building, some of which are referred to in Section 499B.2(5), Code of Iowa, 1999. General common elements include, but are not limited to:

- the land described in Article II of this Declaration;
- improvements to the land, including:
- drainage elements including curb and gutter;
- water, sewer, electrical, telephone, and other utility lines;
- private drive access into the property;
- landscaping, including trees, bushes, signs, monuments, light fixtures, etc.;
- all fence enclosing the property;
- exterior structural elements of all buildings, including:
- the footings and foundation walls;
- structural elements of walls, floors and roofs;
- sheathing materials including siding, and roofing;
- trim elements including fascia, soffits, gutters and downspouts;
- vent structures including chimneys, attic vents, etc.

B. Limited Common Elements. The limited common elements in The S.A.L.E.M. Condominiums are carefully defined because they identify areas of risk and maintenance responsibility by unit owners. The limited common elements are those elements of property improvements and buildings which primarily serve only one unit owner and are defined in Section 499B.2(6), Code of Iowa, 2001. Limited common elements include the following when they serve one unit only:

- patio, deck, or balcony area which serves only one unit;
- patio, deck or balcony exits;
- all windows and doors of a unit, including the frames, sashes, glass and hardware, wood, and concrete floors;
- interior parts of a building serving one unit only, including:
 - gypsum board, wall and cavity insulation, and trim, including moldings and doors;
 - electrical, plumbing, telephone, TV and other cables and conduits serving one unit only;
 - heating and cooling systems including condensers, compressors, furnaces, ducting and vent devices;
 - water heaters, kitchen appliances and cabinets, bathroom fixtures;
 - house numbers, peepholes, and all other devices or fixtures which serve one unit only and are attached to general common elements.

C. Excluding the areas owned by unit owners, all property, property improvements and buildings shall be either general or limited common elements; because general common elements are maintained by The S.A.L.E.M. Condominiums Homeowners Association and limited common elements, with a few exceptions, are maintained by the Unit Owners, any element of property which is not clearly designated limited or general common element shall be considered a general common element consistent with the principles set forth in this Declaration and the Code of Iowa.

The maintenance requirements for general and limited common elements are set forth in Article IX, Sections B and C of the Declaration.

D. Units Ownership. Each unit shall consist of the area between the interior unfinished surfaces of its perimeter walls (including glass areas of various doors or windows), and including the interior surface of the exterior door(s) and between the lower unfinished surface of the ceiling and the upper unfinished surface of the concrete slab or the wood decking of the floor. In all cases, a unit shall include and be defined by the surfaces referred to above and shall include any non-load-bearing partitions within, except that all lines, wires, ducts and the like within any non-load-bearing partition or wall shall be excluded and shall not constitute a part of the unit for purposes of ownership of such unit. An owner, however, shall have the exclusive right to paint, repaint, tile, wax, paper or otherwise refinish or redecorate the interior surface of the walls, ceilings, floors, windows and doors bounding his unit. An owner shall have exclusive rights with respect to general or limited common elements which are within his unit and shall have the right to landscape, remodel or decorate common elements subject to architectural guidelines of the Association.

ARTICLE V PERCENTAGE INTEREST OF EACH UNIT IN THE COMMON ELEMENT: VOTING RIGHTS

A. Ownership Interest: Each owner shall be entitled to exclusive ownership and possession of his unit, and each owner shall be entitled to an undivided interest in the general and limited common elements in the percentages expressed on Exhibit "B" attached hereto. Such undivided interest in the common elements shall be inseparable from the unit to which it pertains, and shall be deemed to be conveyed or encumbered or released from liens with such unit even though such undivided interest is not expressly mentioned or described in the conveyance or other instrument. Each owner may use any common element in accordance with the purpose for which it is intended so long as he does not hinder or encroach upon the lawful rights of other owners.

B. No owner shall be deemed to own the undecorated or unfinished surfaces of the perimeter walls, ceilings, and windows and doors bounding his unit, nor shall an owner own the utilities running through his unit which are utilized for or serve more than his unit, except as a percentage of an undivided interest in the common elements. An owner shall, however, have the exclusive right to paint, repaint, tile, wax, paper or otherwise refinish or redecorate the interior walls, windows and doors bounding his unit.

C. In addition to the appurtenant interest acquired and held by each owner of a unit in the common element, which shall be an undivided percentage interest as shown on Exhibit "B", a further appurtenance thereto shall be a membership in The S.A.L.E.M. Condominiums

Homeowners Association which shall entitle the owner of each unit to one vote for that unit, to be exercised in accordance with the Bylaws. Any action of the Association shall be deemed the action of the owners, and when taken in accordance with the condominium documents it shall be final and conclusive upon all unit owners.

ARTICLE VI DEVELOPER'S RESERVED RIGHTS AND POWERS

A. **Developer's Activities and Unit Ownership.** Developer is empowered to sell or rent units in the regime to any person, and to transact any business relating to the construction, sale or rental of units including, but not limited to, the right to maintain equipment and materials on the premises and to use common elements to show units. Developer shall not be liable for assessments by the Association for units to be constructed until the construction of said units is completed. Developer retains the right to be and remain the owner of completed but unsold units all under the same terms and conditions as other owners, including membership in the Association and responsibility for assessment.

B. **Responsibility for Equipment and Furnishings.** The Developer will provide for the units as constructed a furnace, air conditioning unit, kitchen cabinets and tops, vanities and tops, bathroom fixtures, interior doors, hot water heater, light fixtures, carpeting or other floor covering, paint, private viewer, self-cleaning oven, dishwasher and waste disposal. The Developer will provide separate meters for the consumption of electricity, water and natural gas (if applicable).

C. **Optional Items; Permitted Variations.** Various optional items may be provided by Developer during the construction by arrangement with and at extra cost to a unit purchaser. In addition, certain of the items to be provided by Developer set forth in Section VIB above may be deleted altogether or substituted items of different character provided by the Developer. The Developer and owner may by agreement delete, relocate, modify or add interior non-load bearing partitions. The addition of any optional item by Developer on its own initiative or any addition, substitution, deletion or variation above mentioned by agreement with a purchaser is agreed to by all other unit owners and shall not be construed to constitute an amendment to or variation from the terms of this Declaration and, in addition shall not in any event vary or modify the percentage of ownership interest appurtenant to such unit as herein provided.

ARTICLE VII APPURTENANCES TO UNIT OWNERSHIP AND TRANSFER THEREOF; SUBDIVISION

A. **Appurtenances.** The ownership of each unit shall include all of the appurtenances thereto, including but not limited to the following:

1. **Percentage Interest of Ownership of Common Elements and Funds; Liability for Expenses.** There shall be appurtenant to each unit and the ownership thereof an undivided percentage interest of ownership in or liability for (a) the general common elements; (b) the limited common elements; (c) the funds and surplus, if any, of The S.A.L.E.M. Condominiums Homeowners Association; and (d) the common expenses and liabilities of the Association. Such undivided percentage interest of ownership or liability shall be identical as to each of the four aspects thereof above named, and the amount of such percentage interest of liability shall be the percentage fixed for the unit by Exhibit "B", pursuant to Article V, according to the percentage interest of each unit in entire regime.

2. **Encroachment Easements.** If any portion of the common elements encroaches upon any unit or any other portion of the common elements, or if any unit encroaches upon any other unit or upon any portion of the common elements upon completion of construction, or if any of such encroachments shall occur thereafter as a result of shifting or settling of the buildings or from alteration, repair or improvement to the common elements and/or as a result of repair or restoration to the common elements or a unit after damage by fire or other casualty, or as a result of condemnation or eminent domain proceedings, then in each of such events a valid easement shall exist for such encroachment and for the maintenance thereof, so long as the common elements and units exist.

3. Cross Easements. The appurtenances shall include, so long as the common elements exist, easements from each unit owner to each other unit owner and to the Association and from the Association to the respective owners as follows:

a. Ingress, Egress and Maintenance. Easements are reserved for ingress and egress through the common areas for access to the units and through the common areas and the units for purposes of maintenance, repair, replacement or reconstruction of each as authorized;

b. Support. Every portion of a unit contributing to the support of the building, is burdened with an easement of support for the benefit of all other units and common elements in or of the buildings;

c. Utility and Other Services. Easements are reserved through the units, and common elements for conduits, ducts, plumbing, wiring, piping and other facilities for the furnishing of utility or other services and facilities to the other units and common areas.

4. Possession and Use of Unit Including Air Space. In addition to the fee simple ownership of a unit, there shall be as an appurtenance thereto an exclusive easement for the possession and use of the air or room space within the unit and to the limited common elements of that unit as the same exists from time to time or as altered or reconstructed from time to time, subject to necessary and authorized easements for maintenance, repair and the like; which appurtenance shall be terminated automatically in the event of termination of the regime.

B. Assignment or Transfer of Appurtenances; Severance. The ownership of each unit shall include, and there shall pass and be transferred in the event of any transfer of ownership of such unit as a parcel of realty or any other's right, title or interest therein, whether by deed, mortgage, by other instrument, or otherwise than by an instrument, all of the appurtenances thereto whether enumerated and separately described or not; and no part of the appurtenance interest of any unit may be sold, transferred or otherwise disposed of except in connection with the sale, transfer or other distribution of the unit itself, or all units in the regime.

C. Subdivision. No unit shall be subdivided.

ARTICLE VIII MANAGEMENT OF THE REGIME

A. Owners' Association; Membership, Vote or Other Action of Owners.

The business and affairs of the regime shall be governed and managed by the officers of The S.A.L.E.M. Condominiums Homeowners Association (sometimes referred to herein as the "Association"), which partnership is and shall constitute the council of the co-owners of the buildings and common elements submitted to the regime, all as provided by Section 499B.2(4), Code of Iowa. All owners of units shall automatically be members of the Association, and membership in the Association shall automatically cease upon termination of such ownership interest. Whenever a vote or other action of unit owners as a group is required, the mechanics of conducting such a vote or taking such action shall be under the control and supervision of the Association and Bylaws.

B. Agreements and Compliance. All owners, tenants, families, guests and other persons using or occupying the regime shall be bound by and strictly comply with the provisions of the other condominium documents, and all rules and regulations and all agreements and determinations lawfully made by the Association shall be binding upon all such owners and/or other persons. A failure to comply with the Bylaws or the provisions of the other condominium documents or any agreements or determination thus lawfully made shall be grounds for an action to recover sums due for damages on the part of the Association or any owner and for mandatory or other injunctive relief, and the employment of one such remedy shall not constitute the waiver of any other.

C. Included Powers; Foreclosure of Lien, Waiver of Partition. Each owner agrees that the Association has and shall exercise all powers, rights and authority granted unto it by Chapters 499 and 499B, Code of Iowa, and such as are more particularly set forth in the Condominium

documents, including the making of assessments chargeable to owners and a lien on units for any common expenses, and the right of foreclose the lien thereof and acquire a unit at foreclosure sale and to hold, lease, mortgage or convey the same, but such acquisition shall be on behalf of all unit owners, all of whom, however, shall be deemed to have waived all rights of partition with respect thereto.

D. No Avoidance by Waiver of Use; Right of Entry. The liability of an owner for all assessments made by the Association may not be avoided by waiver of the use or enjoyment of any common element, or by abandonment of a unit for which an assessment has been made. In the event of an emergency, the Association or its agent shall have the right to enter a unit at any time as may be necessary or advisable to exercise its rights or responsibilities (See Article X, Paragraph E).

E. Management Contract. The Association may enter into a contract with a manager for professional management of such of its affairs, including the maintenance, repairs or reconstruction of common elements or limited elements as the Association shall determine; provided, however, the Association may terminate said contract in thirty (30) days by giving written notice of its intention to so terminate.

F. Limitation of Association's Liability. The Association shall not be liable for any failure of water supply or other services, or for injury or damage to property caused by or on the common elements or by another owner or person in the project, or resulting from electricity, water, rain, air, dust, dirt or sand which may leak or flow from outside or from any parts of the building, or from any of its pipes, drains, conduits, appliances, or equipment, or from any other place unless caused by negligence of the Association. No diminution or abatement of common expense assessments shall be claimed or allowed for inconveniences or discomfort arising from the making of repairs or improvements to the common element or from any action taken to comply with any law, ordinance or orders of a governmental authority.

G. Indemnification of Officers and Directors. Each member of the Association shall be indemnified by the owners against all expenses and liabilities, including attorney fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved, by reason of his being or having been an officer or director of the Association, whether or not he is an officer or director at the time such expenses are incurred.

ARTICLE IX MAINTENANCE, ALTERATION AND IMPROVEMENTS

A. Terms. Although the use of one shall not be deemed to exclude the applicability of another unless specifically so stated or required by the context, certain terms not susceptible to precise delineation are employed in this article as follows: "Maintenance" is used generally to include repair, renovation, restoration, reconstruction, rebuilding or replacement as may be necessary to maintain the condominium property in the same condition as when constructed and completed by Developer; "Alteration" relates to changes from such state other than maintenance; "Improvement" as distinguished from alteration relates generally to the addition of new and different structures, elements, or facilities other than those referred to in this Declaration. The provisions of this Article are applicable where the work done or required is not caused by a specific casualty or event and shall also apply in the event of maintenance, alteration or improvement necessitated by a specific casualty or event unless different provision is specifically made in the condominium documents dealing with such contingencies.

B. Maintenance by Association.

1. All general common elements and facilities shall be maintained by the Association as a common expense unless responsibility is otherwise imposed on the unit owner by paragraph C of this Article or otherwise.

2. Incidental damage caused to a unit through maintenance by the Association shall be repaired by the Association as a common expense.

3. If a unit owner defaults in his responsibilities of maintenance, the Association shall assume the same as a common expense and levy a special assessment against the unit collectible as other assessments.

4. Upon transfer of title to the land described in Article IIA, the Association shall assume full maintenance responsibility for general common elements subject to the following conditions:

a. The Developer shall complete such elements as represented in Exhibit "A" to a standard acceptable to local code enforcement officials consistent with the rights of the Developer set forth in Article VI; acceptance for occupancy of a unit by the unit owner shall establish satisfactory completion of the limited common elements for the unit as well as the unit; completion and acceptance of all sixteen (16) units shall establish satisfactory completion of all general common elements by Developer.

b. Upon such completion, the Developer hereby warrants to the Association and owners that the same shall be free of any liens for materials or contract labor as set forth in Chapter 572.33 of the 2001 Code of Iowa.

c. Responsibility for interim maintenance before full completion of such elements shall be borne by the Association for those elements substantially completed.

5. Specific maintenance standards and procedures of the Association shall be established in writing and enforced by the Association or its delegate.

C. Maintenance by Unit Owner.

1. It shall be the responsibility of each unit owner after the Developer has deeded the unit to the owner, at his own expense, to provide all maintenance of and within his unit, including the maintenance of all wall and floor coverings, partitions, doors, windows, appliances, fixtures, and all other items of personality within the confines of his unit.

2. The unit owner shall also maintain all limited common elements as set forth in Article IV, Section B, except for the following:

- a. Removing ice and snow from driveways;
- b. Mowing grass and caring for trees;
- c. Restaining or painting of buildings exteriors, including both general and limited common elements;
- d. Recaulking exterior joints in siding, around windows and doors, etc;

3. Homeowner maintenance shall specifically include the care of landscaped areas established by the homeowner around rear yard patios (such landscaped areas must first be approved by the Association).

D. Purchase of Insurance; Owner Responsibility. The Association shall secure comprehensive insurance protection for general and limited common elements and the pro rata share of such insurance shall be based upon the relative replacement values established for each unit by the Association. Such insurance shall be secured in accordance with the provisions of Article XII of this Declaration, and the pro rata cost for such insurance shall be levied separately but collected simultaneously with the annual assessments. The cost of pro rata insurance shall not be limited nor included in the maximum annual assessment, but shall be collectible under the same powers of authority applicable to any other assessments collected by the Association.

E. Maintenance Involving More than One Unit. If maintenance is required involving more than one unit in the same building, the Association, in order to provide centralized direction, may assume responsibility therefore and provide for the same, in whole or in part, as a common expense assessable to the owners of that unit.

F. Alteration of Improvements by Unit Owners. No unit owner shall make any alteration of or improvement to a unit, or to any of the common elements or remove any portion thereof without approval of the Association or its delegate as to the property insurance of such alterations

or improvements under any master insurance policy purchased by the Association or by an insurance policy purchased by the owner and as to arrangements of bearing the expense of such insurance. In addition, no such alteration or improvement shall be made unless approved by the Association in accordance with architectural guidelines approved by 3/5ths of the members, and no work by an owner is permitted which will jeopardize the soundness of the structure or impair any easement. Any alteration or improvement of a unit shall neither increase nor decrease the percentage interest in the common elements appurtenant to that unit.

G. Major Alterations of Improvements by Association or All Owners.

There shall be no major alteration of the buildings or other common elements, nor further improvements added to the lands or other common elements without the approval of unit owners, upon the question being put to a vote by referendum ballot or membership meeting as provided in the Bylaws with the exception of those rights reserved for the Developer in Article VI of this Declaration. Any such alteration or improvement shall have the assent of 3/5ths of the vote of members. The special assessment for such alteration or improvement may be made payable in installments over a period of years but shall become a lien upon each unit from the date of its approval. Such special assessment shall include interest upon the unpaid balance at the rate determined by the Association, not to exceed the maximum legal interest in the State of Iowa. An owner may elect to pay the assessment in full when it becomes due and payable. Bids shall be taken and the cost accurately estimated before such vote is conducted. A major alteration or improvement pursuant to this paragraph shall include structural additions to the building and additions of structures such as maintenance sheds, storage sheds, swimming pools, etc., to the land but shall not alter the percentage interest appurtenant to each unit in the common elements, and such interest shall remain as before, irrespective of whether the owner voted in favor of or against the alteration or improvement.

H. Minor alterations and improvements, subject only to approval by the Association or its delegate, shall include but not be limited to signs, directional devices, exterior screens and shades, storm doors, fences, trellises, general landscaping, curbing, retaining walls, and other such improvements if the cost of each such minor alteration or improvement does not cause an increase in the annual assessment greater than 10%.

ARTICLE X
CONDITIONS OF AND RESTRICTIONS ON
OWNERSHIP, USE AND ENJOYMENT

The ownership, use, occupation and enjoyment of each unit and of its appurtenances and of the common elements of the regime shall be subject to covenants, conditions, easements, or other encumbrances of record and to the provisions of the Bylaws of the Association and of this Declaration, all of which provisions, irrespective of where set forth or classified as such, shall, with equal status, constitute such a covenant, condition, restriction, and requirement as shall be enforceable against all units and the owners thereof and their respective assigns, lessees, tenants, occupants and successors in interest. The following particular covenants, conditions, restrictions and requirements are hereby noted and set forth:

A. No owner of a unit shall convey, mortgage or lease such unit unless and until all sums due the Association by way of assessment of any kind or other charge, and whether evidenced by recorded liens or not, are currently paid and not delinquent. In the event of delinquency, the grantee, mortgagee, or lessee, if notified thereof before paying or disbursing to the owner, shall apply the proceeds of such transaction first to payment of the delinquent amounts before payment of any of same to the owner. The Association shall in any event issue a written statement under signature of an officer or delegate to such grantee, mortgagee or lessee verifying the status of all assessments or charges affecting the unit, which statement, if to the effect that there are no delinquencies or payment of delinquencies as shown thereon, shall constitute conclusive evidence of compliance with this paragraph.

B. No unit owner may paint or in any manner decorate the exterior façade of the walls or add or connect equipment, structures or facilities thereto except as otherwise permitted in this Declaration, nor erect any "For Sale", "For Rent" or other signs or otherwise disturb or effect the same except as approved by the Association according to adopted architectural guidelines. Such

restriction shall not preclude the Developer from erecting signs or making exterior or landscaping improvements for purposes of sale and/or rental promotions.

C. The Association shall have the right to designate and control the manner of use of any outside parking space and to reserve a space or spaces for service purposes and to otherwise permit or prohibit the use of any such space or spaces by a particular owner and family, including their guests and invitees.

D. The owner of each unit covenants and agrees not to engage in or permit any activity or condition as would cause a termination of or increase the premium for insurance carried by the Association, unless such activity is approved by the Association in writing.

E. In accordance with the right of entry reserved in Article VIII, paragraph D, each unit owner shall deposit with the Association, if required, a key to the unit and consent that in the case of any emergency originating in or threatening the unit, the President of the Association or any person authorized by it may enter the unit for the purpose of remedying or abating such emergency whether the owner is present or not.

F. No activity is allowed which unduly interferes with the peaceful possession and the proper use of the property by its owners, nor shall any fire hazard or unsightly accumulation of refuse be allowed. All laws, ordinances and the regulations of governmental bodies shall be observed by the owners and the Association.

G. Each unit owner covenants and agrees with all other unit owners to repair and maintain his own unit and keep the same in good repair for the benefit of all such other owners, as may be required and applicable, and to pay his separately metered utility expenses.

H. A unit owner shall give notice to the Association of every lien against his unit other than permitted mortgages, taxes and Association assessments, and of any suit or other proceeding which may affect the title to his unit, within ten (10) days after the lien attached or the owner receives notice of such suit. The Association may, if deemed necessary by the Association, join in any such lawsuit if the interests of the Association members might be adversely affected by the litigation.

I. The Association shall have the power to adopt and enforce all reasonable rules, restrictions and regulations relating to the use, occupancy and enjoyment of the condominium property.

J. Units shall be used and occupied for dwelling purposes only. A unit may be rented or leased by the owner, provided the entire unit is rented, the occupancy is only by the lessee and members of his household, the lease conforms to a standard lease agreement adopted and amended by the Association, and a copy thereof is filed with the Association prior to possession. No lease shall relieve the owner as against the Association and other owners from any responsibility or liability imposed by the condominium documents. The term "lease" as used herein shall include any form of occupancy or tenancy and whether for considerations or not. Ownership of a unit by a corporation is permitted. Failure of an owner to use a standard lease agreement approved by the Association and failure of the owner and tenants of household members of the tenant to abide by the assessment or rules, regulations and obligations of the Association, shall permit the Association to evict the tenant without the consent of the owner.

K. Agents or contractors hired by the Association may enter any unit when necessary in connection with any maintenance, landscaping, or construction for which the Association is responsible, provided such entry shall be made with as little inconvenience to the owner as practicable.

ARTICLE XI PROCEDURE IN THE EVENT OF DAMAGE OR DESTRUCTION

A. Damage to or destruction of all or any part of any of the two buildings or the general or limited common elements shall be repaired or the same restored, rebuilt or reconstructed as the

case may be, if 3/5ths of the Association members vote in favor of such repair, restoration, rebuilding or reconstruction. If less than 3/5ths of such votes are cast in favor of any such action, the outcome of the vote taken shall automatically constitute a determination that the entire damaged property be deemed owned in common by the unit owners and subject to partition and sale, it being understood that no separate part of the property may be thus deemed owned in common and partitioned without an amendment to this Declaration expressly so providing, which amendment must comply with the provision of Chapter 499B of the Iowa Code as not provided or hereafter amended and in effect at such time.

B. A vote and determination to repair, rebuild, restore or reconstruct made pursuant to paragraph A of this Article (but not a presumed determination pursuant to paragraph C next following) may be recalled and superseded as follows: After the bids for the necessary work have been taken and the amount of insurance proceeds or other funds available for the work are known, and if the total amount of the resulting assessment as will be required to finance the work exceeds 10% of the pre-casualty value of the damaged property at the time of the casualty, then the Association shall call a special meeting of the members of the Association to consider under such circumstances whether or not the property in question shall be restored, rebuilt, repaired or reconstructed. The work shall in such event be done only if 75% of the total number of votes outstanding and entitled to be cast are cast in favor of the proposed action, and if the work is not thus authorized, the original determination shall stand rescinded and superseded, and the property shall be deemed to be owned in common by the unit owners with the same effect as in the case of a negative vote pursuant to paragraph A of this Article.

C. All damage or destruction of a minor character shall be repaired, rebuilt, reconstructed or restored by the Association or any unit owner, as applicable, without the necessity of a formal vote or determination. Minor damage or destruction shall include, but not be limited to, such as can be reasonably repaired, restored, rebuilt or reconstructed within thirty days after the applicable occurrence (exclusive of delays or interruptions resulting from lack of available contractors, labor, materials or funds.)

D. Unless this Declaration is amended to provide otherwise, all repairs, rebuilding, restoration or reconstruction of the property shall contain the same number of units be substantially in accordance with the plans and specifications of original construction as available from the exhibits hereto attached and plans on file with the City of Winterset, Iowa, and the percentage of interest and other appurtenances to each unit after such repair, rebuilding, restoration or reconstruction shall be the same as before. An amendment of the plans and specifications as contemplated above must be adopted by vote consent, pursuant to paragraph C of Article XIII.

E. The provisions of this Article are intended to govern in the event of damage or destruction resulting from an occurrence or casualty. Provisions of this Article shall not govern in the event of reconstruction, rebuilding or restoration necessitated on account of long term obsolescence or condemnation of any unit within the regime.

ARTICLE XII INSURANCE PROVISIONS

A. Authority to Purchase. All insurance policies upon the condominium property shall be purchased by the Association for the benefit of the Association and the unit owner and their mortgagees as their interests may appear, and provisions shall be made for the issuance of certificates of mortgage endorsement to co-insure the mortgagee of each unit owner. Unit owners may obtain insurance coverage at their own expense upon their own personal property and for their personal liability and living expense.

B. Coverage to be Afforded.

1. All condominium property, including buildings, structures, equipment, fixtures and facilities, and all common elements whether limited or general, and whether within or without a unit, shall be insured by the Association in an amount equal to the maximum insurable replacement value thereof, excluding the foundation and excavation costs, as determined annually by the Association against: (a) loss or damage by fire and other hazards covered by a

standard extended coverage hazard endorsement; and (b) such other risks as shall be customarily covered with respect to buildings and other improvements similar in construction, location and use as the buildings and other improvements on the land subjected to the regime, including but not limited to vandalism and malicious mischief.

2. Public liability insurance in such amounts and with such coverage as shall be required by the Association shall be procured with cross-liability endorsements to cover the liability of the unit owners as a group to a unit owner and protecting in standard form the members, officers, agents and contractors of the Association. Such liability insurance shall include, but shall not be limited to, coverage with respect to motor vehicles owned, non-owned, or hired.

3. Worker's Compensation shall be procured as required to meet applicable law.

4. Fidelity bonds for the employees authorized to handle financial matters may be procured by the Association.

5. Other insurance, such as Errors and Omissions coverage for the Association, may be procured as members of the Association shall determine.

C. Premiums. Premiums on insurance policies purchased by the Association shall be paid by the Association, and the costs thereof shall be assessed as a common expense.

D. Insurance Trustee. All insurance policies purchased by the Association shall be held for the benefit of the Association and the unit owners and their mortgagees as their interests may appear, and shall be paid to the Association, which is herein referred to as "insurance trustee." The duty of the insurance trustee shall be to receive such proceeds as are paid and hold the same in trust for the purposes elsewhere stated herein and their mortgagees in the following shares, but which shares need not be set forth on the records of the insurance trustee:

1. Proceeds on account of damage to common elements, limited or general, other than those common elements of a building -- an undivided share for each unit owner, such share being appurtenant to his unit.

2. Proceeds on account of damage to units and the general and limited common elements of the buildings which contain such units shall be held in the following undivided shares:

a. When the building is to be reconstructed -- for the benefit of each owner of a damaged unit in proportion to the cost (which cost shall be determined by the Association) of repairing the damage suffered by such unit and the general and limited common elements related to such unit.

b. When the building is not to be reconstructed -- an undivided share for the benefit of each owner of a damaged unit, such share being in proportion to the replacement value of each damaged unit.

c. In the event a mortgage endorsement has been issued as to a unit, the share of the unit owner shall be held in trust for the benefit of the mortgagee and such unit owner as their interests may appear; provided, however, that no mortgagee shall have any right to determine or participate in the determination as to whether or not any damaged property shall be reconstructed, nor, in the event a determination to reconstruct is made, a right to the proceed except a right to have such proceeds applied to reconstruction.

E. Distribution of Proceeds. Proceeds of insurance policies received by the insurance trustee shall be distributed to or for the benefit of those for whom it is held in the following manner:

1. If the damage for which the proceeds are paid is to be repaired or reconstructed, the proceeds shall be paid to defray the cost thereof as elsewhere provided, and such proceeds may be distributed by the Trustee to the Association for purposes of paying such cost. Any proceeds remaining after defraying such costs shall be distributed to those for whom it is held, remittances to unit owners and their mortgagees being payable jointly to them.

2. If it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to those for whom it is held, remittance to a unit owner and his mortgagee being payable jointly to them. This is a covenant for the benefit of any mortgagee of a unit provided such mortgagee has requested a certificate of mortgage endorsement which may be enforced by such mortgagee.

3. In making distribution to unit owners and their mortgagees, the insurance trustee may rely upon a certificate of the owners as to the names of such unit owners and mortgagees and their respective shares of the distribution.

F. Association to Adjust Claims. The Association shall adjust all claims arising out of insurance policies purchased by the Association and execute and deliver releases upon the payment of claims for each unit owner and for each owner of a mortgage or other lien upon a unit and for each owner of any other interest in the property. Each unit owner, mortgagee, lienholder or owner of such other interest hereby agrees to be bound by the adjustment so made and the releases so executed and delivered.

G. Expenses. Any expenses incurred by the insurance trustee in carrying out the provisions of this article shall be billed to and paid by the Association as a common expense and shall be in addition to any fees otherwise charged by the Association.

ARTICLE XIII GENERAL PROVISIONS

A. Enforcement. The Developers, The S.A.L.E.M. Condominiums Homeowners Association, its successors and assigns, or any owner, shall have the right to enforce, by any proceedings at law or in equity, all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure by the Developer, The S.A.L.E.M. Condominiums Homeowners Association, or any unit owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

B. Severability. The invalidity of any one or more phrases, sentences, clauses, paragraphs, sections or Articles hereof shall not affect the remaining portions of this instrument or any part thereof, all of which are inserted conditionally on their being valid in law; and in the event that one or more of the phrases, sentences, clauses, paragraphs, sections or Articles contained therein should be invalid or should operate to render this Agreement invalid, this instrument shall be construed as if such invalid phrase or phrases, sentence, clause or clauses, paragraph or paragraphs, section or sections, Article or Articles, have not been inserted, and shall in no way affect any of the other provisions which shall remain in full force and effect.

C. Amendment. Amendment of this Declaration and the necessity therefore shall be governed by the following:

1. Percentage Interest. The percentage interest in the common elements appurtenant to an ownership in a unit may be changed only by unanimous consent of all unit owners and their mortgagees; provided, in the event of condemnation of any unit, the same may be adjusted and may be amended as provided in paragraph 3a of this Article.

2. Contracts Excepted. No lawful agreement entered into by the Association shall require an amendment of this Declaration, provided the same is not in conflict herewith.

3. General Procedure. Except as otherwise provided in this Article, this Declaration may be amended other than pursuant to an amendment to the Bylaws:

a. By the owners acting through the Association and in accordance with the procedures of its Bylaws at a regular or special membership meeting as to which notice of the proposed amendment has been given and upon the favorable vote of 3/5ths of the total number of votes outstanding and entitled to be cast. No amendment shall be adopted at variance with that proposed in the notice, but the notice may contain more than one proposed amendment. Approval of the Association is not required of an amendment thus adopted. However, until such time as the

Developer disposes of all his units, this Declaration may not be amended without the consent of the Developer.

b. Any amendment required by governmental agency or government-affiliated lending agency may be made without the consent of other unit owners.

c. By the owners' written unanimous agreement.

4. Recording Amendments. Any amendment must be recorded and made of record. An amendment pursuant to paragraph 1 or 2 of this article shall be effective when executed with the formalities of a deed and recorded in the Recorder's office, Madison County, Iowa. An amendment adopted pursuant to paragraph 3a shall be effective when a certificate of its due and proper adoption containing the provisions of the amendment is executed in the name of the Association by its Secretary with the formalities of a deed and acknowledged as having been thus executed by authorization of the owners as herein provided, and is recorded in the Recorder's office, Madison County, Iowa.

D. No activity shall be allowed which unduly interferes with the peaceful possession and use of the property by the unit owners nor shall any fire hazard or unsightly accumulation of refuse be allowed.

E. The Association shall have the authority to adopt rules and regulations governing the use of the property, and such rules shall be observed and obeyed by the owners, their guests, and licensees.

ARTICLE XIV
EFFECTIVE DATE; POSSESSION OF COMMON
ELEMENTS; CONDEMNATION AND
OBSOLESCENCE; PARTITION; SEVERABILITY;
ARTICLES OF INCORPORATION AND BYLAWS OF
THE S.A.L.E.M. CONDOMINIUMS HOMEOWNERS
ASSOCIATION;

A. Effective Date of Percentage Interest. The fraction of ownership interest in the common elements referred to in this Declaration shall come into being and take effect at such time as this Declaration has been recorded and thereafter exist for all purposes irrespective of any actual occupancy or use and whether the units are sold or not.

B. Possession of Common Elements. Each unit owner, the Developer, and the Association may use the common elements other than the limited common elements for the purposes for which they are maintained, but without hindering or encroaching upon the lawful rights of other users subject to the rights of the Association to limit such use with published rules and regulations.

C. Condemnation and Obsolescence. The contingencies of condemnation and long-term obsolescence have not been provided for in this Declaration and may be governed by appropriate amendments to this Declaration and/or Bylaws, as the case may be.

D. Partition. The common elements shall remain undivided and neither a unit owner, nor any other person or organization may bring an action for the partition or division of the whole or any part thereof with or without sale, except in connection with removal of all of the property from the regime pursuant to Chapter 499B.8, Code of Iowa, or a specific determination not to repair, reconstruct, or rebuild with the consequences set forth in Section 499B.16 thereof.

E. Partnership of The S.A.L.E.M. Condominiums Homeowners Association. The provisions of the partnership of The S.A.L.E.M. Condominiums Homeowners Association are by this reference incorporated herein and made a part of this Declaration the same as if they were fully set forth herein, and the owners of units are bound thereby.

F. These Condominium documents and all rules and regulations, advisories, and guidelines which have been adopted by the Association shall be binding upon the unit owners,

their grantees, successors in interest, estate representatives and creditors, or any receivers appointed by any Court or assigns.

CONSENT TO DECLARATION OF SUBMISSION OF PROPERTY
TO HORIZONTAL PROPERTY REGIME

Firststar Bank, N.A., being the owner and holder of a mortgage or mortgages on the lands described in the Declaration of Submission of Property to Horizontal Property Regime to which this is attached, consents to the Declaration of Submission of said property to a Horizontal Property Regime for the S.A.L.E.M. Condominiums.

Dated 2/27/02

Firststar Bank, N.A.

By:  exvr.

S.A.L.E.M. Enterprises, being the owner of the land described in the Declaration of Submission of Property to Horizontal Property Regime to which this is attached, consents to the Declaration of Submission of said property to a Horizontal Property Regime for the S.A.L.E.M. Condominiums.

Dated 2-25-2002

S.A.L.E.M. ENTERPRISES

By: 
Loren E. Milligan, Partner

Borrower Pat Milligan dba SALEM Enterprises, Inc.

Property Address 108 West North Street

City Winterset

County Madison

State Iowa

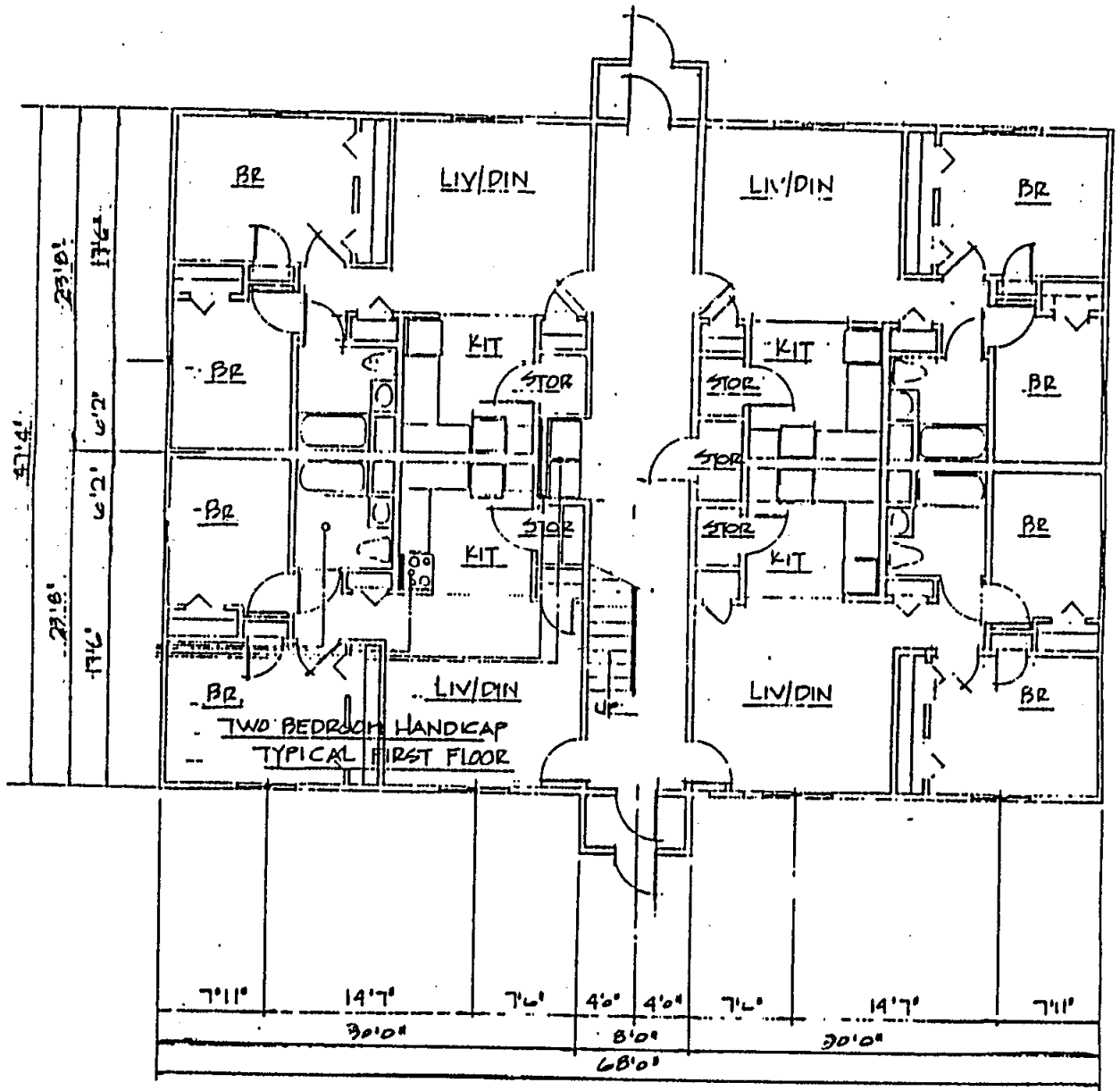
Zip Code 50273

Lender/Client N A

Address

PENGAD-BAYON
EXHIBIT
A

First Floor Plan



FIRST FLOOR PLAN 1/8"=1'0"

Borrower Pat Milligan dba SALEM Enterprises, Inc.

Property Address 1108 West North Street

City Winterset

County Madison

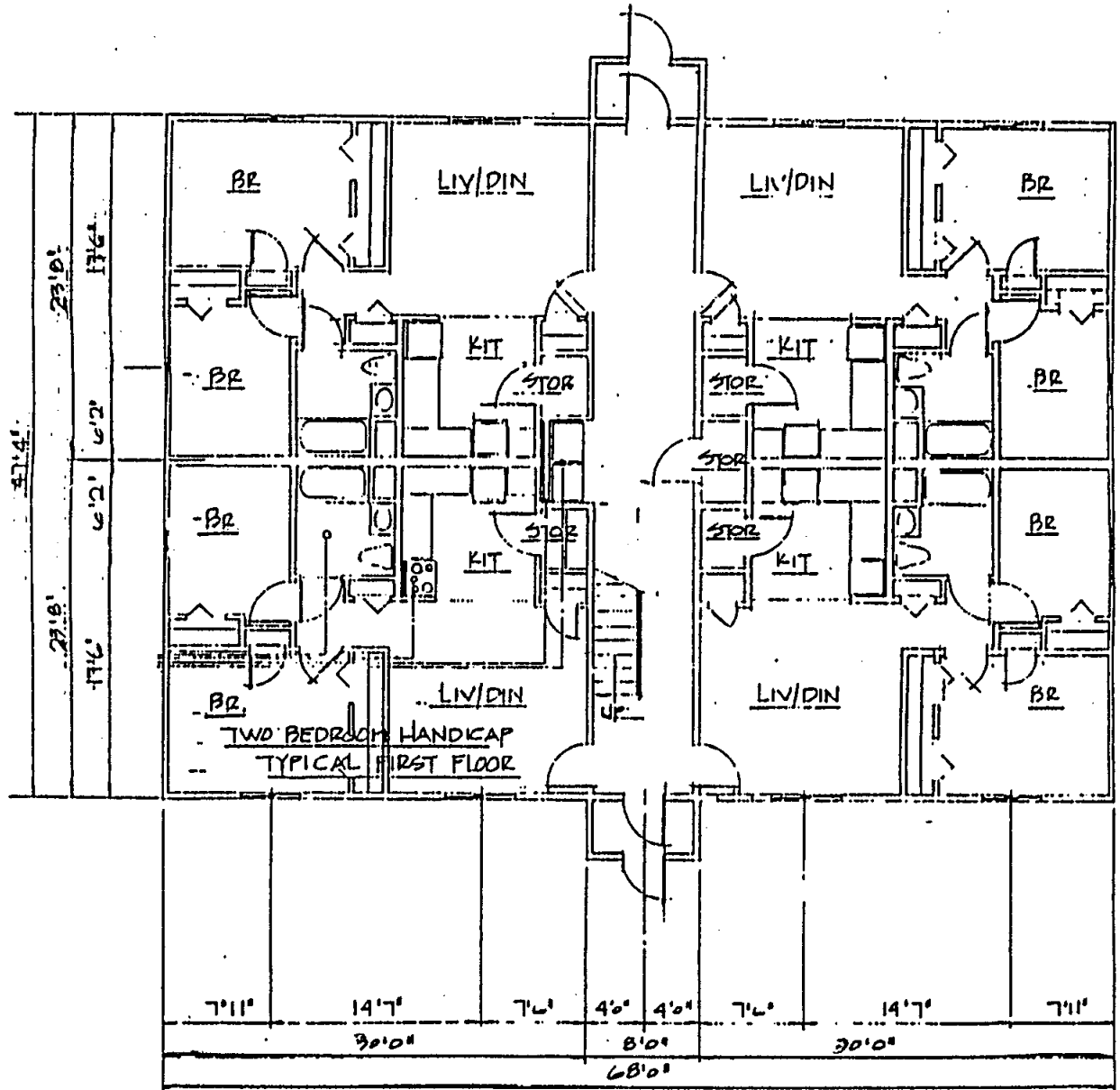
State Iowa

Zip Code 50273

Lender/Client N A

Address

First Floor Plan



FIRST FLOOR PLAN 1/8"=1'0"

SKETCH ADDENDUM

File No. 71299

Borrower Pat Milligan dba SALEM Enterprises, Inc.

Property Address 108 West North Street

City Winterset

County Madison

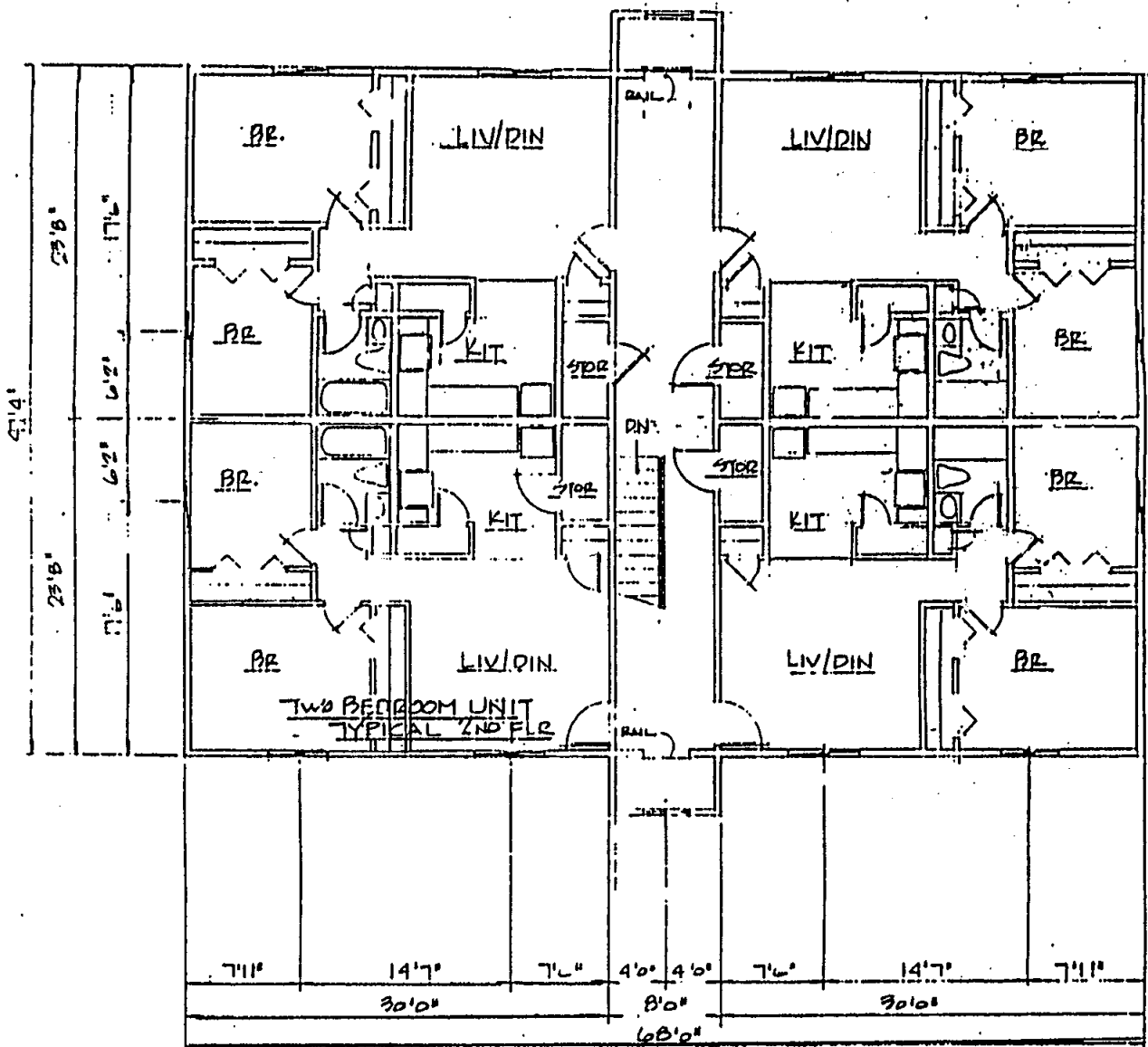
State Iowa

Zip Code 50273

Lender/Client N A

Address

Second Floor Plan



Borrower Pat Milligan dba SALEM Enterprises, Inc.

Property Address & 116 West North Street

City Winterset

County Madison

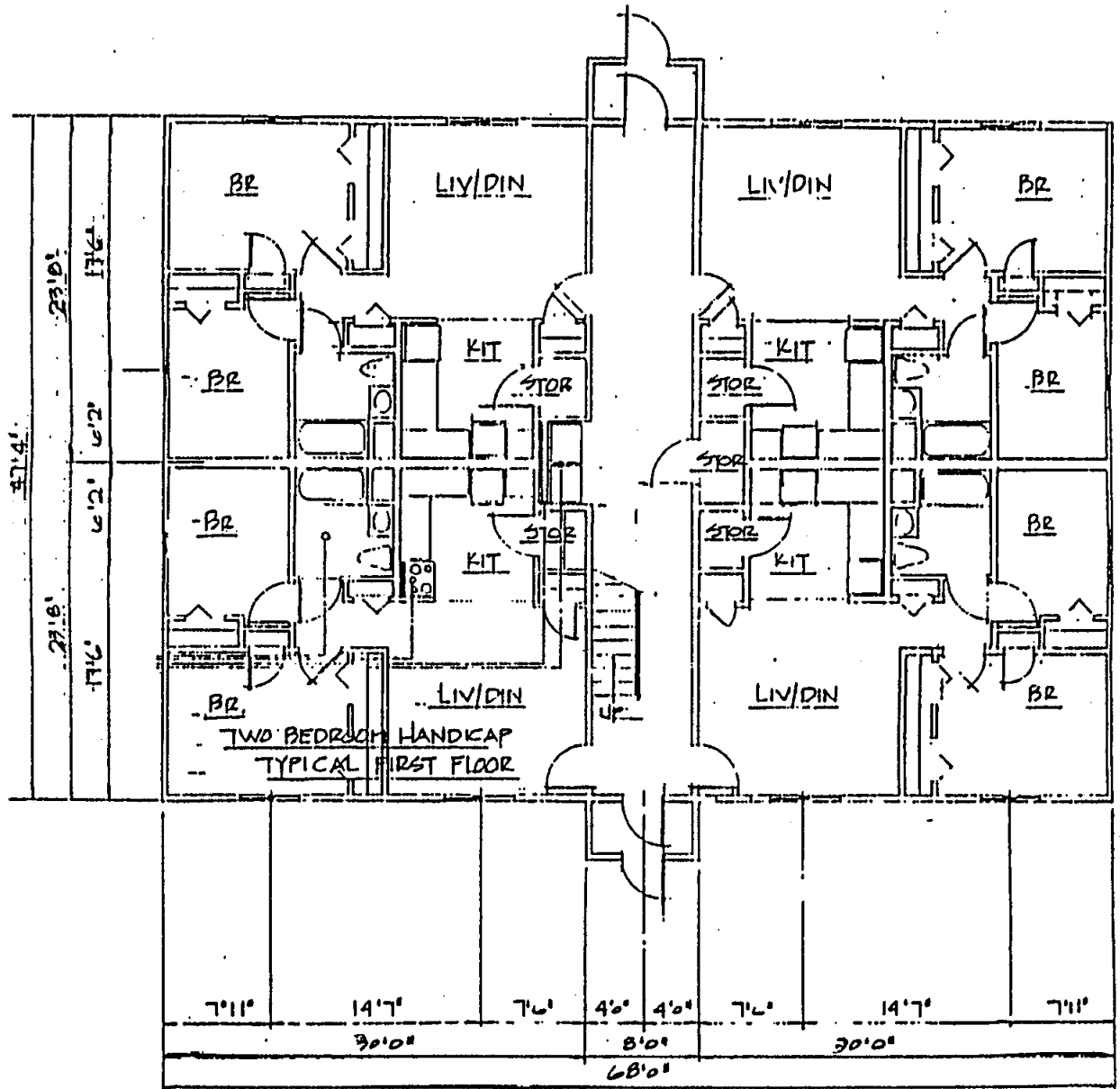
State Iowa

Zip Code 50273

Lender/Client N A

Address

First Floor Plan



FIRST FLOOR PLAN 1/8"=1'0"

SKETCH ADDENDUM

File No. 71299

Borrower Pat Milligan dba SALEM Enterprises, Inc.

Property Address 116 West North Street

City Winterset

County Madison

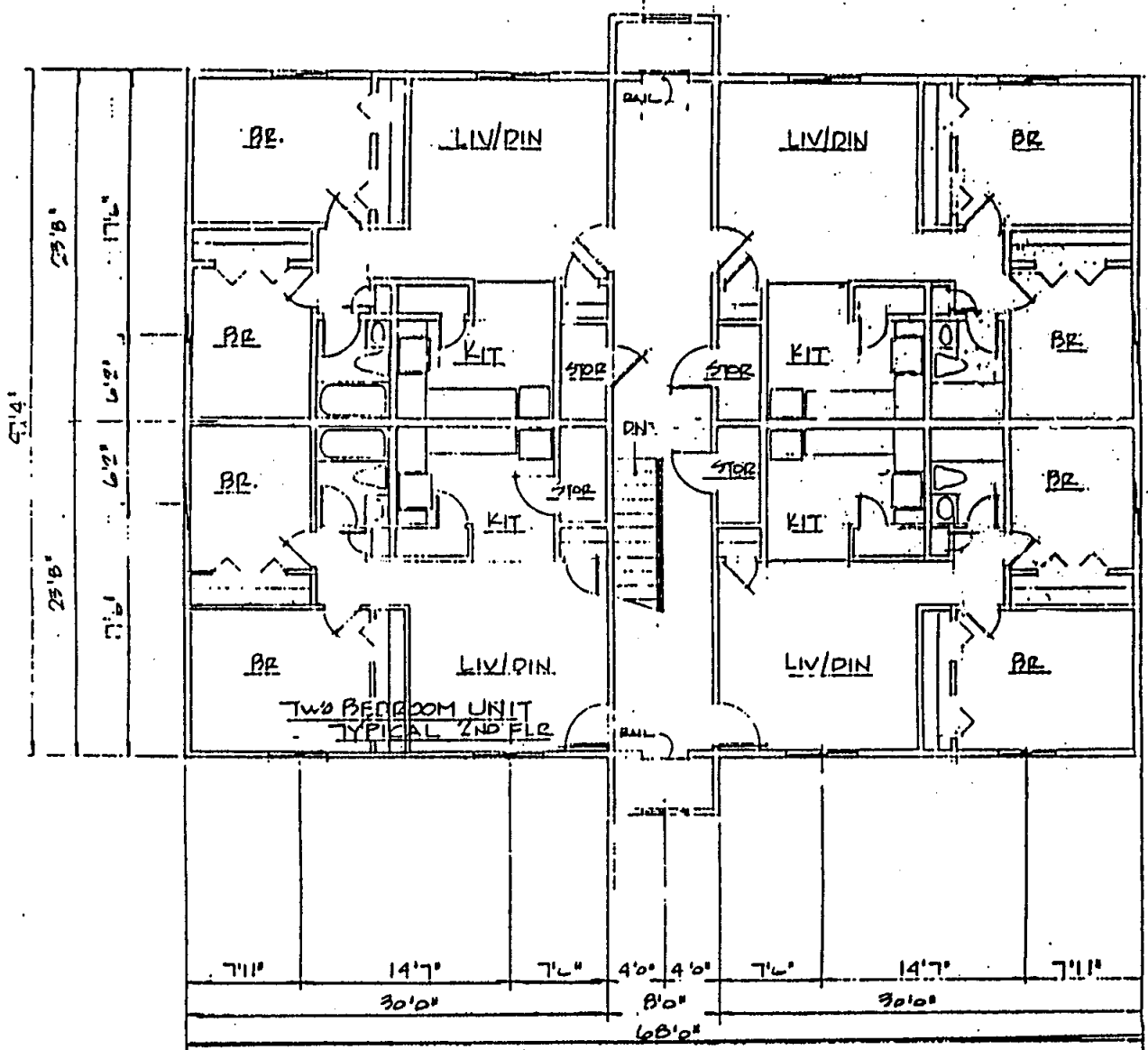
State Iowa

Zip Code 50273

Lender/Client N A

Address

Second Floor Plan



Borrower Pat Milligan dba SALEM Enterprises, Inc.

Property Address 116 West North Street

City Winterset

County Madison

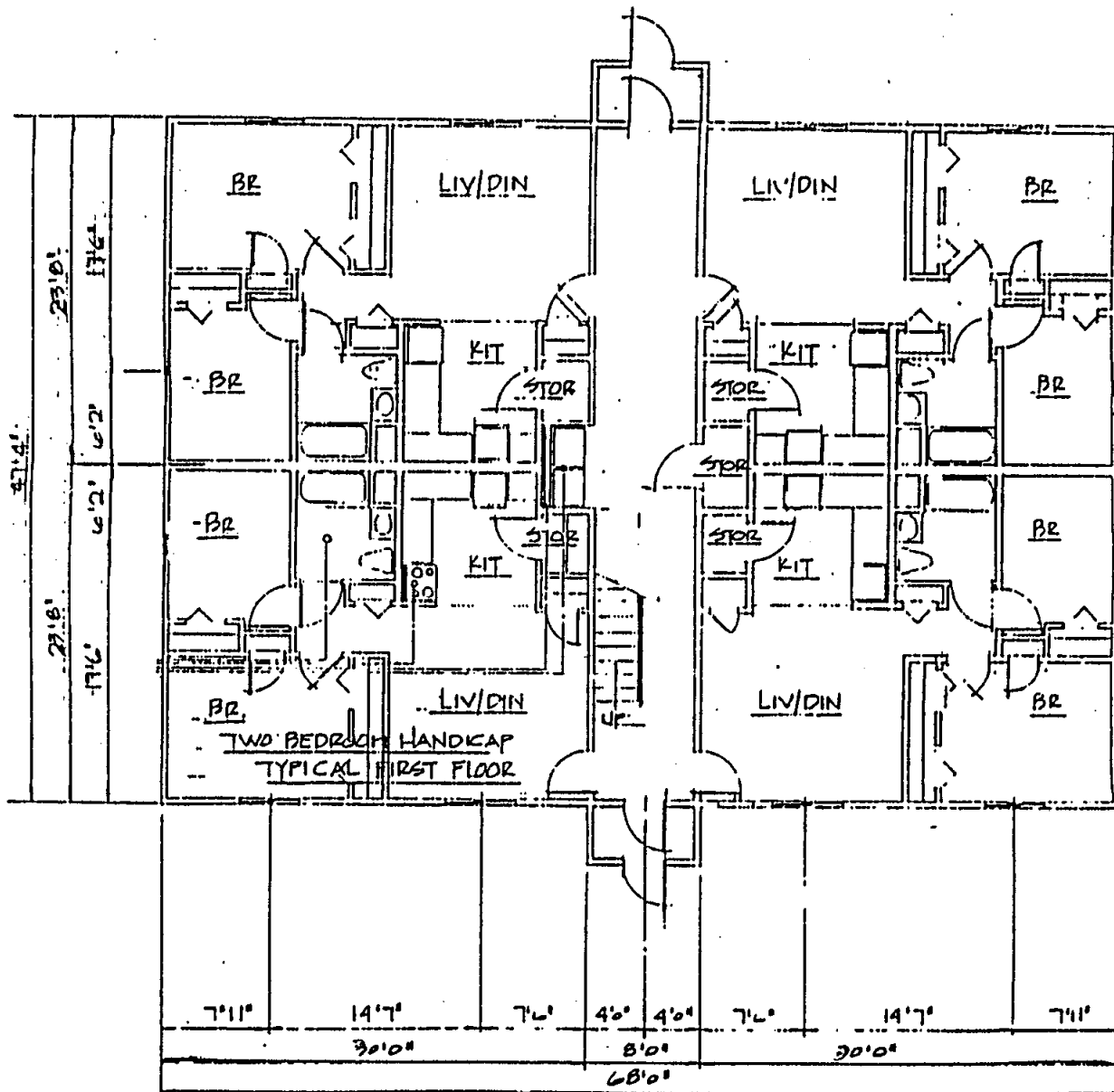
State Iowa

Zip Code 50273

Lender/Client N A

Address

First Floor Plan



FIRST FLOOR PLAN 1/8"=1'0"

SKETCH ADDENDUM

File No. 71299

Borrower Pat Milligan dba SALEM Enterprises, Inc.

Property Address 116 West North Street

City Winterset

County Madison

State Iowa

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Lender/Client N A

Address

Second Floor Plan

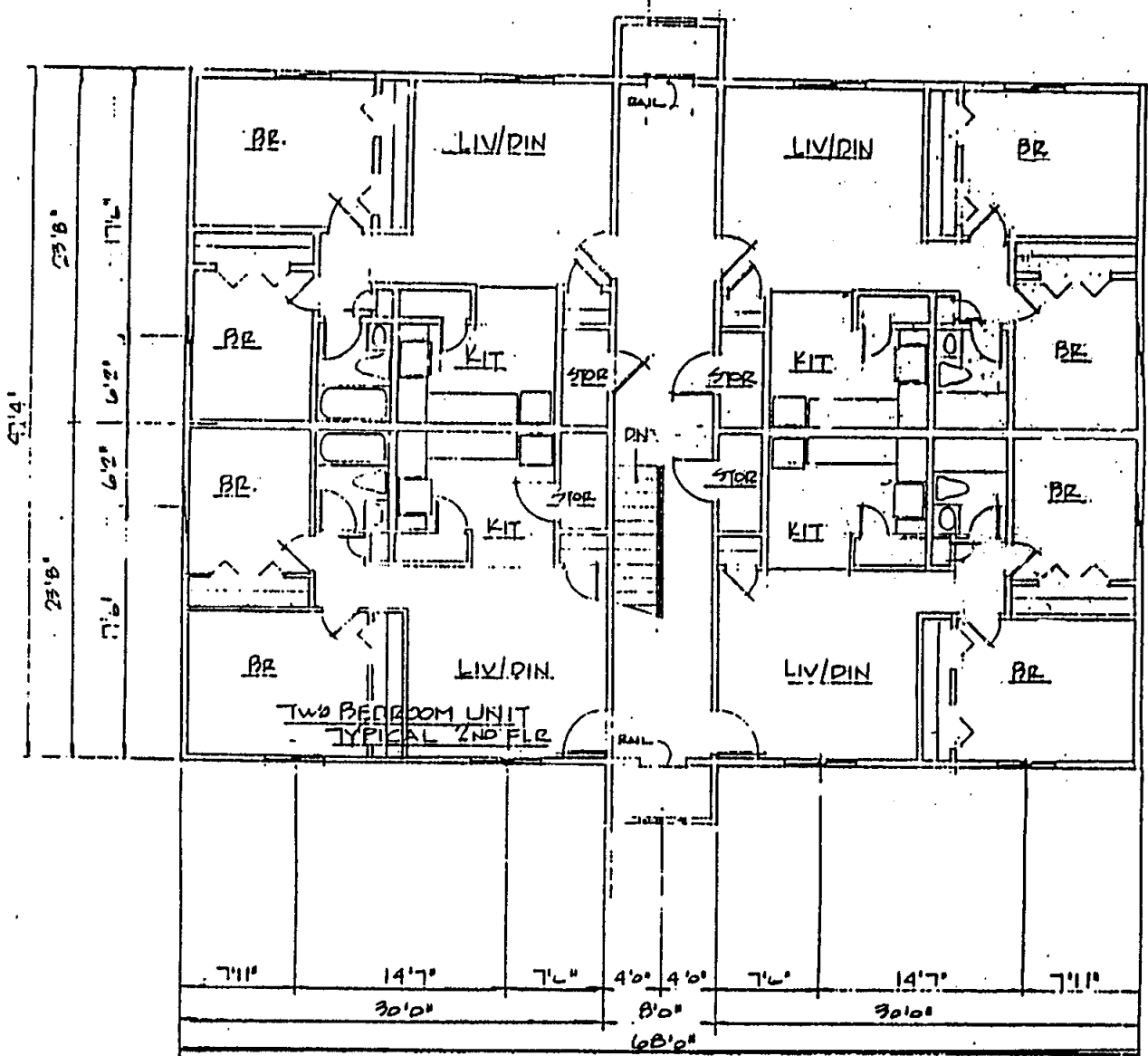


EXHIBIT "B"

- Unit One - undivided one-sixteenth percentage interest in common element
- Unit Two - undivided one-sixteenth percentage interest in common element
- Unit Three - undivided one-sixteenth percentage interest in common element
- Unit Four - undivided one-sixteenth percentage interest in common element
- Unit Five - undivided one-sixteenth percentage interest in common element
- Unit Six - undivided one-sixteenth percentage interest in common element
- Unit Seven - undivided one-sixteenth percentage interest in common element
- Unit Eight - undivided one-sixteenth percentage interest in common element
- Unit Nine - undivided one-sixteenth percentage interest in common element
- Unit Ten - undivided one-sixteenth percentage interest in common element
- Unit Eleven - undivided one-sixteenth percentage interest in common element
- Unit Twelve - undivided one-sixteenth percentage interest in common element
- Unit Thirteen - undivided one-sixteenth percentage interest in common element
- Unit Fourteen - undivided one-sixteenth percentage interest in common element
- Unit Fifteen - undivided one-sixteenth percentage interest in common element
- Unit Sixteen - undivided one-sixteenth percentage interest in common element