

DISCLOSURE STATEMENT

Common Interest Community Number 46 A Planned Community

Walker Lake Preserve

The information in this Disclosure Statement is accurate as of the 26th day of February, 2010.

STATUTORY NOTICE

- (1) Declarant 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. Except as expressly provided in this chapter, the ten-day rescission period cannot be waived.
- (2) 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.
- (3) 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.
- (4) 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).

End of Statutory Notice

This Disclosure Statement is furnished to you as a prospective Purchaser as required by the Minnesota Common Interest Ownership Act, Chapter 515B of Minnesota Statutes (the "Act"). Neither Declarant nor its representatives are authorized to give you legal or tax advice. You should consult your own counsel and tax advisor as to the legal and tax matters relating to this purchase.

The following paragraphs one (1) through twenty-three (23) correspond to the required disclosure items listed in Section 515B.4-102 of the Act.

1) Name and number of the common interest community.

Walker Lake Preserve, Common Interest Community Number 46,

2) Name and principal address of Declarant.

WLP Development, LLC of 4725 Bayside Road, Orono, MN 55359, a Minnesota limited liability corporation.

3) Number of units and statement that the common interest community is either a condominium, cooperative, or planned community.

Walker Lake Preserve is a planned community located on the west side of Walker Lake, Ottertail county in the state of Minnesota. It includes a maximum of 34 dwelling units.

4) General description, including, the number of buildings, dwellings, type of construction, and roads, trails, and or utilities that the association maintain.

Walker Lake Preserve includes up to 18 single family homes, 10 twin homes and 6 row-style town homes (the “custom town homes”). All homes will be constructed in compliance with applicable county ordinances, shoreland regulations and the conditional use permit issued with respect to the property.

A pavilion has been constructed for community use. A pool need not be built next to the pavilion. A water oriented accessory structure need not be built in the beach area.

The Property is served by two roads: Preserve Drive and Preserve Way. Preserve Drive is intended to be dedicated to Amor Township after paving at which point road maintenance will be performed by the township. Until then, maintenance and paving will be performed by the Association. There is a walking trail along about ½ mile of shoreline that is maintained by the Association. Other walking trails may be added in the future. There is electrical and phone service buried underground to serve the Property. There are also various storm water control ponds that may require occasional maintenance.

Walker Lake Preserve Community Services Association (the “Association”) will provide overall administration of the Property. Consistent with its environmental nature, the Walker Lake Preserve community will focus on three primary objectives:

- To maintain the common elements and all improvements thereon, including open spaces, shoreland buffer areas, wetlands, roads, landscaping, signs, entrance monument and amenities;
- To administer and enforce the covenants, restrictions, easements and other rights and obligations set forth in the governing documents; and

- To control, preserve and enhance the architectural and natural environmental character of the property.

The custom town homes will be constructed in a multi-unit building configuration located on Unit 24. At such time as Unit 24 is to be subdivided into not more than six units, the Declarant shall have the authority to unilaterally prepare and record, at Declarant's expense, an amendment to this Declaration and an amended common interest community plat (the "CIC Plat"). The amended CIC plat may create three dimensional parcels ("Units") using typical two dimensional drawings to define the front, back and side boundaries, and, if necessary, elevations to define the upper and lower boundaries.

Walker Lake Preserve is planned to include a variety of recreational amenities, including approximately 28 boat slips in a cluster dock facility, two beach areas, picnic area, play field, pavilion, walking trails and related parking.

Walker Lake Preserve will be served by centrally managed septic systems consisting of numerous shared septic fields, constructed in accordance with the standards established by the Minnesota Pollution Control Agency and Otter Tail Water Management District.

The Walker Lake Preserve community will be governed by Walker Lake Preserve Community Service Association, a property owner association as defined in Minnesota Statutes Chapter 515B (the Minnesota Common Interest Ownership Act or "MCIOA"). The property owners association is a Minnesota nonprofit corporation organized and established pursuant to Minnesota Statutes Chapter 317A (the Minnesota Nonprofit Corporation Act). The address of the Property Owners Association is 220 W. Washington Ave., Suite 103, Fergus Falls, MN 56537. The members of the property owners association will be the homeowners in Walker Lake Preserve. The property owners association will be administered by a board of directors.

The Property Owners Association (acting through the Board) will have the power to levy common expense assessments on its members to fund its operations, and amend or increase the assessments. Except as noted in the Declaration, Property Owners Association common expenses will be allocated equally among the units.

The cost of services that are unique to a particular housing group (i.e., the twin homes or custom town homes) may be assessed against only the homes in that housing group. Homeowners are responsible for all maintenance of their homes and private yard areas within their units, unless provided otherwise in the Declaration.

The Property Owners Association has the authority under Section 5.5 of the Declaration to enter into a management agreement under a contract not to exceed one year in duration. It is possible that the Property Owners Association will, while under Developer control, enter into a contract with a professional manager to manage the Property Owners Association. These management services are likely to include, among other services, assisting with budgeting, vendor contracting, and Property Owners Association meetings and operations. The management fees will be included in the projected Property Owners Association budget. The Board may determine to select other management when the contract expires.

5) Schedule of commencement and completion of construction of any buildings and other improvements.

The pavilion is complete. The roads will be paved the calendar year following the sale of 18 units. Preserve Way will be paved following the construction of the custom town homes. A pool need not be built. Unit owners may vote to construct a pool at the annual meeting. If voted for by a majority, a special assessment will be placed on every unit to cover the cost of building the pool and related facility and equipment. A water oriented accessory structure need not be built; if built, the construction would likely be coordinated with the custom town homes.

Homes will be constructed by independent builders. Home sites will be sold to builders or prospective homeowners, and construction of the homes will be subject to construction schedules established between those parties, except that there will be a requirement to complete construction on a home site no later than 12 months following its commencement by the prospective homeowner or builder. Consequently, the schedule for commencement and completion of the homes will vary, depending upon the contract between the homeowner and the builder, market demand, weather conditions and availability of materials.

Homes are subject to restrictions of use and must meet minimum architectural standards; these are detailed in the declaration in section 7 and 8. There will be an architectural control committee that determines whether the standards have been met. Architectural standards include, but are not limited to the following: dwellings must include at least 1,000 square feet of above-ground living space, have a roof slope of at least 5 in 12, must use natural exterior colors designed to blend in with environment, have space for inside parking for at least two vehicles (400 square feet).

6) Any expenses or services, not reflected in the budget, that the Declarant pays or provides, which may become a common expense and an explanation of Declarant's limited assessment liability.

Declarant is unaware of any supplies and services that are not reflected in the estimated annual operating budget, or of any expenses that may become a Common Expense of the Association. Accordingly, there is no projected Common Expense assessment of which Declarant at this time is aware which would be attributable to any such supplies or services.

The Declarant has established an alternative assessment program under the authority of Section 515B.3-115 of Minnesota Statutes. Under this program, once a common expense assessment has been levied, any unsold Unit owned by Declarant shall be assessed at the rate of twenty-five percent (25%) of the Assessments levied on other units of the same type until the calendar month a unit is occupied, or six months after a building permit has been issued, whichever comes first. This alternative assessment program will not affect the allocated share of replacement reserves required for units owned by Declarant; however, there are no assurances that the program will not affect the level of services for items set forth in the Association's budget.

Unimproved lots, not owned by the Declarant shall be assessed at the rate of fifty percent (50%) of the Assessments levied on other units of the same type until the calendar month

after a unit construction begins, two years after purchase, or six months after a building permit has been issued, whichever comes first.

7) Initial or special fees due from the purchaser at closing with the purpose and method of calculating the fee.

At the closing, Purchaser will pay to the Association an assessment for working capital in an amount equal to two (2) months projected Common Expense assessments for the unit purchased. Such assessment is to be used to provide a working capital reserve fund for the Association. The assessment is neither refundable, nor is it to be considered an advance payment of quarterly assessments. The estimate of the quarterly Common Expenses assessable to the unit Purchaser is buying and the working capital assessment required by the Purchase Agreement is detailed in the documentation annexed hereto. In addition, Purchaser shall pay to the Association at closing the full Common Expense assessment for the quarter succeeding the closing. Purchasers will also pay Declarant \$350 for legal and \$250 for surveying to cover a portion of Declarant's expenses associated with each unit sold.

8) Liens, defects, or encumbrances which will continue to affect the title to a unit or real property owned by the association.

The following are the liens, defects or encumbrances on or affecting the title to the unit or property owned by the Association after conveyance by Declarant to Purchaser:

- (a) Reservation of any minerals or mineral rights to the State of Minnesota;
- (b) Requirements of the Minnesota Common Interest Ownership Act, Minnesota Statutes 515B.1-101 to 515B.4-118, as amended;
- (c) Requirements, restrictions, easements, conditions, obligations, covenants and reservations contained in the Declaration, By-laws and plat of record, or any amendments thereto;
- (d) Building, housing and zoning laws, codes, ordinances and regulations - federal, state and local including the Otter Tail County Shoreland Management Ordinance;
- (e) Lien of real estate taxes and installments of special assessments (including interest) payable therewith in the year of the closing and in subsequent years;
- (f) Any mortgage given by Purchaser and encumbering the unit together with its undivided interest in the Common Area;
- (g) Easements for utilities, driveways and walkways, including Storm Water Pond Easements, areas within Delineated Wetland Boundaries, and walking trails as depicted on the Plat;
- (h) Requirements of Conditional Use Permit #6351 issued by Otter Tail County;
- (i) Bylaws, rules and regulations of the Walker Lake Preserve Community Services Association;
- (j) Terms and conditions of Declarations dated February 26, 2010 and filed on February 26, 2010 in Otter Tail County, Minnesota as Document Number TBD.
- (k) Conservation Easement favoring the Department of Natural Resources, State of Minnesota, dated August 2, 2007 and recorded in the office of the Otter Tail County Recorder, State of Minnesota, on February 8, 2008, as Document No. 1033989.

9) Description of financing offered or arranged by the Declarant.

Declarant may arrange for financing at the request of the Purchaser, but does not have any standard financing packages.

10) Statement on project approvals 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)

Declarant has neither sought nor received project approvals from FNMA, FHLMC, HUD, or VA.

11) Warranties provided by the Declarant.

Declarant's primary intention is to sell lots to owner-occupants, including seasonal or recreational owners. Depending on market conditions, however, Declarant may market individual units or blocks of units to investors or developers.

In connection with the sale of the unit Purchaser is purchasing from Declarant, Declarant makes the express and implied warranties that are set forth under Minnesota Statutes Chapter 327A and Sections 515B.4-112 to 515B.4-115, which are attached to this Disclosure and are incorporated herein by reference, except as hereafter limited. Warranties imposed by law may be excluded or modified by Minnesota Statutes, Section 515B.4-114, and are subject to the statute of limitations for warranties, Minnesota Statutes Section 515B.4-115. The statute of limitations for enforcement of the implied warranties provided by Minnesota Statute Section 515B.4-113 shall be two years after the date of conveyance of the unit by Declarant to purchaser.

Purchaser will be provided with any written warranties of the manufacturers of any appliances included in the unit purchased by Purchaser when applicable. These warranties may be found in or on the appliances covered. Declarant makes no representations with respect to the expected useful lives of any of the structural components and mechanical and electrical installations material to the use and enjoyment of the Community.

PURCHASER ACKNOWLEDGES THAT PURCHASER HAS NOT RELIED UPON ANY DESCRIPTION OF THE PHYSICAL CHARACTERISTICS OF THE UNIT AS SET FORTH IN THIS DISCLOSURE STATEMENT IN PURCHASING THE UNIT. INSTEAD, PURCHASER HAS RELIED UPON PURCHASER'S INSPECTION AND EXAMINATION OF THE UNIT AND THE COMMON ELEMENTS OF WALKER LAKE PRESERVE PRIOR TO CLOSING ON THE PURCHASE OF THE UNIT.

DECLARANT MAKES NO AFFIRMATIONS OF FACT OR PROMISES WITH RESPECT TO THE UNIT, ITS USE, OR RIGHTS APPURTENANT THERETO, AREA IMPROVEMENTS WHICH WOULD DIRECTLY BENEFIT THE UNIT, OR THE RIGHT TO USE OR HAVE THE BENEFIT OF FACILITIES NOT LOCATED IN WALKER LAKE PRESERVE EXCEPT THOSE WHICH ARE CONTAINED IN THE DECLARATION ESTABLISHING THE PLANNED COMMUNITY, THE ARTICLES AND BYLAWS OF THE ASSOCIATION, AND THE RULES AND REGULATIONS OF THE ASSOCIATION.

THE DRAWINGS AND PICTURES CONTAINED IN ANY SALES BROCHURE OR LITERATURE DO NOT CONSTITUTE A REPRESENTATION OR WARRANTY OF ITEMS INCLUDED IN THE PURCHASE PRICE OR THAT ANY UNIT WILL CONFORM TO THE DRAWINGS AND PICTURES.

12) Receipt of disclosure statement and cancellation.

Declarant hereby advises Purchaser to review the Statutory Notice at the beginning of this Disclosure Statement.

13) Judgments or Pending Suits Against the Association.

Declarant, to the best of its knowledge, after reasonable inquiry, is unaware of any unsatisfied judgments or lawsuits to which the Association is a party, or of any pending suits that are material to the Community or the unit being purchased by Purchaser.

14) Earnest Money.

Any earnest money paid in connection with the purchase of a unit will be held in an escrow account until (i) delivered to the Seller at closing; (ii) delivered to the Seller because of the purchaser's default under a reservation agreement or a contract to purchase; or (iii) delivered to the purchaser pursuant to the provisions of Minn. Stat. §515B.4-106 or the provisions of a reservation agreement or a contract to purchase. The name and address of the escrow agent will be identified on the purchase agreement.

15) Insurance coverage provided by the Association.

a. Property insurance in broad form covering risks of physical loss in an amount equal to the insurable "replacement cost" of the common elements and any units sharing or having contiguous walls, siding or roofs, exclusive of: (i) deductibles; (ii) land, footings, excavation and other items normally excluded from coverage (but including all building service equipment and machinery) and (iii) improvements and betterments referred to in Section 515B.3-113(b)(i) through (vii) of the Act if authorized by the Board. The policy or policies shall cover personal property owned by the Association. Each homeowner must purchase their own insurance on personal property and single family homes since this is not covered by the association. The policy or policies may also contain "Inflation Guard" and "Agreed Amount" endorsements, if reasonably available. Such policy or policies shall include such additional endorsements, coverage and limits with respect to the foregoing and other hazards as may be required from time to time by the regulations of the Federal National Mortgage Association ("FNMA"), the FHA or the VA, if required by one of such agencies as a precondition to their purchase, financing, insuring or guarantee of a mortgage on a Unit. The Board may also, on behalf of the Association, enter into binding written agreements with a mortgagee, or insurer, guarantor or servicer of a mortgage, obligating the Association to keep certain specified coverages or endorsements in effect.

b. Comprehensive public liability insurance covering the use, operation and maintenance of the Common Elements, with minimum limits of One Million Dollars per occurrence, against claims for death, bodily injury and property damage and such other risks

as are customarily covered by such policies for projects similar in construction, location and use to the Property. The policy shall contain a “severability of interest” endorsement which shall preclude the insurer from denying the claim of an Owner or Occupant because of negligent acts of the Association or other Owners or Occupants. The policy shall include additional endorsements, coverage and limits necessary to comply with the regulations of the FNMA, the FHA or VA, if required by one of such agencies as a precondition to the purchase, financing, insuring or guarantee of a mortgage on a Unit.

c. Fidelity bond or insurance coverage against dishonest acts on the part of directors, officers, managers, trustees, employees or persons responsible for handling funds belonging to or administered by the Association, if deemed to be advisable by the Board or required by the regulations of any financing-related institution as a precondition to the purchase, insuring, guarantee or financing of a mortgage on a Unit. The fidelity bond or insurance shall name the Association as the named insured and shall comply with the regulations of the FNMA, the FHA or VA, if required by one of such agencies as a precondition to the purchase, financing, insuring or guarantee of a mortgage on a Unit. An appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers, or a waiver of defense based upon the exclusion of persons serving without compensation shall be added.

d. Workers’ Compensation insurance as applicable and required by law.

e. Directors and officer’s liability insurance as deemed to be advisable by the Board, with such reasonable limits and coverages as the Board shall determine from time to time.

f. Such other insurance as the Board may determine from time to time to be in the best interests of the Association and the Owners.

Individual units and their contents are the responsibility of the individual owners and specifically not covered by Association insurance.

16) 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.

a. The cost for paving roads will be covered by a Declarant, if and when 18 units are sold and occupied up to a maximum of \$240,000 less the contribution of Units 2 and 22. Units 2 and 22 were sold as-is and each pay 1/34 of the cost of paving the road. Any amount over \$240,000 will be charged as a special assessment to all units equally including Units 2 and 22. For example if the paving costs \$250,000, Declarant pays 32/34 of \$240,000 or \$225,882.35; Units 2 and 22 each pay 1/34 of \$250,000 or \$7352.94; the remaining 32 units pay 1/34th of \$10,000 (\$250,000 - \$240,000) or \$294.11 each.

b. Ordinary use of the common facilities will not require any special fees. However, special private functions, irresponsible or unclean actions of association members or their guests may require usage or cleaning fees for special equipment use or maintenance as set by the association board.

c. Use of a boat slip requires purchasing the materials for about 40 feet of dock, related materials and labor for each boat slip. The dock must be purchased from the Association. This amount is due from each slip owner when they declare that they are ready for first use prior to use. This amount is \$4500 for 2010. Property Owners with a boat slip belong to a limited common element and pay an assessment to cover the cost of seasonal movement of the slip and dock, maintenance, utilities and reserves. This fee is set annually and is \$250 for 2010. The fee for the entire season is due March 15th.

d. The construction of the pool, surrounding deck and associated utilities and mechanical equipment will be paid for by special assessment to all members if voted on by the association.

17) Financial arrangements for completion of any improvements that “Must Be Built”.

There are no improvements labeled “Must Be Built” which have not been constructed..

18) Real estate taxes and interest deductibility and handling.

The real estate taxes on the common elements owned by the Association for 2010 and future has not been determined. The actual amount of taxes and interest, if any, will be shown on the association financial statements and each owner may be entitled to deduct their proportionate amount. If the association fails to pay its taxes, the unit owners may be liable for their proportionate share. There are no mortgages, contracts for deed, or other blanket security instruments encumbering the property.

19) Real estate taxes and interest.

There are no delinquent real estate taxes or payments due. Total Property taxes in 2009 were \$6,572.

20) Master Association.

Neither the Association nor the purchaser of the Unit will be a member of a master association and, as such, the disclosures required by Minn. Stat. Section 515B.4-1 02(20) are not required.

21) Substantial completion.

Units sold may consist of bare land or completed homes. Units are sold as-is unless stated otherwise on the purchase agreement. The buyer is responsible for completing and constructing homes on bare land purchases.

22) Association documents and description of contracts or leases that may be subject to cancellation by the Association under Minn. Stat § 515B.3-105.

Attached hereto and incorporated herein are copies of the following documents:

- A. Statutory Express and Implied Warranties;
- B. Agreement to Limit Express and Implied Warranties to Two Years;

- C Declaration;
- D. Articles of Incorporation of the Association;
- E. Bylaws of the Association;
- F. Rules and Regulations of the Association;
- G. Conservation Easement;
- H. Management Plan for the Conservation Easement;
- I. Association Budget and Balance Sheet.

As to any contracts or leases that are or may be subject to cancellation by the Association under Minn. Stat. §515B.3-105, the following leases/contracts exist:

a. There is an equipment lease contract between the Declarant and the Association for a John Deere utility tractor and related accessories. The lease includes all maintenance of the equipment by the Declarant. The equipment is to be used for mowing, spraying, brush clearing, tree pruning, dead tree removal and general landscaping. The lease is renewed annually on January 1st and may be canceled upon termination of Declarant control.

b. There is a management contract between the Association and Declarant. The contract calls for assisting with budgeting, bookkeeping, vendor contracting, and Property Owners Association meetings. The contract is renewed annually on January 1st and may be canceled upon termination of Declarant control.

23) Current balance sheet and projected annual budget of the Association.

Attached.

24) Minor Changes to Documents; Priority of Governing Documents.

The Declarant retains the right to make minor, non-material changes to the Governing Documents (the Declaration, the Articles of Incorporation and the Bylaws) in order to comply with the requirements of the Otter Tail County Recorder and applicable rules and regulations. In the event of any discrepancy between the Governing Documents and this Disclosure Statement, the language of the Governing Documents shall control.

THE UNDERSIGNED HEREBY AFFIRMS THAT I AM THE PRESIDENT OF WLP DEVELOPMENT LLC, THE DECLARANT FOR THE PLANNED COMMUNITY DESCRIBED HEREIN, AND THAT I AM AUTHORIZED BY THE DECLARANT TO COMPLETE THIS STATEMENT AND THAT THE STATEMENTS CONTAINED IN THE ABOVE INFORMATION AND THE ATTACHED EXHIBITS ARE TRUE, FULL, COMPLETE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

DECLARANT:

WLP DEVELOPMENT, LLC

By _____
James W. Morgan Jr.,
Its President

PURCHASER(S) HEREBY ACKNOWLEDGE(S) RECEIPT OF THE FOREGOING
DISCLOSURE STATEMENT AND THE DOCUMENTATION INCLUDED HERewith
THIS _____ DAY OF _____, 20__.

PURCHASER:

PURCHASER:

(Name)

(Name)

(Current Address)

(Current Address)

(Telephone No.)

(Telephone No.)