

THE HILLS OF WATERFORD

EXHIBIT A

CONDOMINIUM BY-LAWS

ARTICLE I

ASSOCIATION OF CO-OWNERS

Section 1. The Hills of Waterford, a residential Condominium located in the Township of Waterford, Oakland County, Michigan, shall be administered by an organization of Co-owners, which shall be a non-profit Corporation, hereinafter referred to as the "Association," organized under the applicable laws of the State of Michigan, and responsible for the management, maintenance, operation, and administration of the Common Elements, property, easements, and affairs of the Condominium Project in accordance with the Master Deed, these By-Laws, the Articles of Incorporation, By-Laws, and any duly adopted Rules and Regulations of the Association, and the laws of the State of Michigan. All Co-owners in the Condominium Project and all persons using or entering upon or acquiring any interest in any Unit therein or the Common Elements thereof shall be subject to the provisions and terms set forth in the aforesaid Condominium Documents.

Section 2. Membership in the Association and voting by members of the Association shall be in accordance with the following provisions:

- (a) Each Co-owner shall be a member of the Association and no other person or entity shall be entitled to membership.
- (b) The share of a Co-owner in the funds and assets of the Association cannot be assigned, pledged, or transferred in any manner except as an appurtenance to his Unit in the Condominium.
- (c) Except as limited in these By-Laws, the Co-owner(s) (of each Unit, irrespective of the number of Co-owners of that Unit), shall be entitled to one (1) vote for each Unit owned.
- (d) No Co-owner, other than the Developer, shall be entitled to vote at any meeting of the Association until he has presented evidence of ownership of a Unit in the Condominium Project to the Association. No Co-owner, other than the Developer, shall be entitled to vote prior to the First Annual Meeting of Members held in accordance with Section 7 of this Article I, except as provided in Section 8 of this Article I. The vote of each Co-owner may only be cast by the individual representative designated by such Co-owner in the notice required in sub-paragraph (e) below or by a proxy given by such individual representative. The Developer shall be the only person entitled to vote at a meeting of the Association until the First Annual Meeting of members and shall be entitled to vote during such period notwithstanding the fact that the Developer may own no Units at some time or from time to time during such period. At and after the First Annual Meeting, the Developer shall be entitled to vote for each Unit which it owns, regardless of whether a dwelling has been constructed thereon.

- (e) Each Co-owner shall file a written notice with the Association designating the individual representative who shall vote at meetings of the Association and receive all notices and other communications from the Association on behalf of such Co-owner. Such notice shall state the name, address and telephone number of the individual representative designated, the number or numbers of the Unit or Units owned by the Co-owner, and the name, address and telephone number of each person, firm, Corporation, Partnership, Association, Trust, or other entity who is the Co-owner. Such notice shall be signed and dated by the Co-owner. The individual representative designated may be changed by the Co-owner at any time by filing a new notice in the manner herein provided.
- (f) There shall be an annual meeting of the members of the Association commencing with the First Annual Meeting held as provided in Section 7 of this Article I. Other meetings may be provided for in the Corporate By-Laws of the Association. Notice of time, place, and subject matter of all meetings as provided in the Corporate By-Laws of the Association, shall be given to each Co-owner by mailing the same to each individual representative designated by the respective Co-owners.
- (g) The presence, in person or by proxy, of thirty-five percent (35%) of the Co-owners qualified to vote shall constitute a quorum for holding a meeting of the members of the Association except for voting on questions specifically provided herein to require a greater quorum. The written absentee ballot of any person furnished at or prior to any duly called meeting at which meeting said person is not otherwise present in person or by proxy shall be counted in determining the presence of quorum with respect to the question upon which the vote is cast.
- (h) Votes may be cast in person or by proxy or by a written absentee ballot duly signed by the designated voting representative not present at a given meeting in person or by proxy. Proxies and any absentee ballots must be filed with the Secretary of the Association at or before the appointed time of each meeting of the members of the Association. Cumulative voting shall not be permitted.
- (i) A majority, except where otherwise provided herein, shall consist of more than fifty percent (50%) of those qualified to vote and present in person or by proxy (or absentee ballot, if applicable) at a given meeting of the members of the Association. Whenever provided specifically herein, the requisite affirmative vote may be required to exceed the simple majority hereinabove set forth and may require a designated percentage of all Co-owners.
- (j) Other provisions as to voting by members, not inconsistent with the provisions herein contained, may be set forth in the Corporate By-Laws of the Association.

Section 3. The Association shall keep detailed books of account showing all expenditures and receipts of administration which shall specify the maintenance and repair expenses of the Common Elements and any other expenses incurred by or on behalf of the Association and the Co-owners. Such accounts and all other non-privileged Association records shall be open for inspection by the Co-owners and their mortgagees during reasonable working hours. The Association shall prepare and distribute to each Co-owner at least annually a financial statement, the contents of which shall be defined by the Association. The books of account shall be audited at least annually by qualified independent auditors; provided however, that such auditors need not be certified public accountants nor does such audit need to be a certified audit. Any institutional holder of a first mortgage lien on any Unit in the Condominium shall be entitled to receive a copy of such annual financial statement within ninety (90) days following the end of the Association's fiscal year upon request therefor. The costs of any audit and any accounting expenses shall be expenses of administration. The Association also shall maintain on file current copies of the Master Deed for the Condominium, any Amendments thereto, and all other Condominium Documents and shall permit all Co-owners, prospective purchasers, existing and prospective mortgagees of Units to inspect the same during reasonable hours.

Section 4. The affairs of the Association shall be governed by a Board of Directors - all of whom shall serve without compensation and who must be members in good standing of the Association, except for the First Board of Directors designated in the Articles of Incorporation of the Association and any successors thereto which shall be appointed by the Developer prior to the First Annual Meeting of members held pursuant to Section 7 of this Article I. If a member of the Association is a partnership, limited liability company, or corporation, then any partner or employee of the partnership, or officer or member of the limited liability company, or director or employee of the corporation shall be qualified to serve as a director. The number, terms of office, manner of election, removal and replacement, meeting, quorum and voting requirements, and other duties or provisions of or relating to directors not inconsistent with the following, shall be provided by the Association's Corporate By-Laws. Unless otherwise expressly provided in the Condominium Documents, any action which may be taken by the Association shall be exercisable by and through the Board of Directors.

- (a) The Board of Directors shall have all powers and duties necessary for the administration of the affairs of the Association and may do all acts and things as are not prohibited by the Condominium Documents or required thereby to be exercised and done by the Co-owners. In addition to the foregoing general duties imposed by these By-Laws, or any further general duties which may be imposed by resolution of the members of the Association or which may be set forth in the Association's Corporate By-Laws, the Board of Directors shall have the authority and responsibility to do the following:
- (1) To manage and to administer the affairs of and to maintain the Condominium and the Common Elements thereof.
 - (2) To levy and collect assessments against and from the Co-owner members of the Association and to use the proceeds thereof for the purposes of the Association.
 - (3) To carry insurance and to collect and to allocate the proceeds thereof.
 - (4) To rebuild improvements after casualty.
 - (5) To contract for and employ persons, firms, corporations, or other agents to assist in the management, operation, maintenance, and administration of the Condominium, including common trash pickup from all Units.
 - (6) To acquire, maintain and improve, and to buy, operate, manage, sell, convey, assign, mortgage or lease any real or personal property (including any Unit in the Condominium, easements, rights-of-way, and licenses) on behalf of the Association in furtherance of any of the purposes of the Association.
 - (7) To grant easements, rights-of way, rights of entry, and licenses to, through, over, and with respect to the common elements of the Condominium on behalf of the members of the Association, to effectuate any further Developer rights reserved to the Developer or in furtherance of any of the purposes of the Association, and to dedicate to the public any portion of the common elements of the Condominium; provided, however, that any such action shall be approved by an affirmative vote of more than sixty (60%) percent of all Co-owners.
 - (8) To borrow money and issue evidences of indebtedness in furtherance of any and all of the purposes of the Association, and to secure the same by mortgage, pledge, or other lien on property owned by the Association; provided, however, that any such action shall also be approved by affirmative vote of more than sixty (60%) percent of all Co-owners.
 - (9) To make and enforce reasonable rules and regulations in accordance with Article VI, Section 11 of these By-Laws and to make and enforce

resolutions and policies in furtherance of any or all of the purposes of the Association or of the Condominium Documents.

- (10) To establish such committees as it deems necessary, convenient, or desirable and to appoint persons thereto for the purpose of implementing the administration of the Condominium and to delegate to such committees any functions or responsibilities which are not by law or by the Condominium Documents required to be performed by the Board of Directors.
 - (11) To make rules and regulations and/or to enter into agreements with institutional lenders, the purposes of which are to obtain mortgage financing for Unit Co-owners which are acceptable for purchase by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association, and/or any other agency of the Federal Government or the State of Michigan or to satisfy the requirements of the United States Department of Housing and Urban Development.
 - (12) To enforce the provisions of the Condominium Documents.
 - (13) To assert, defend, or settle claims on behalf of all Co-owners in connection with the Common Elements of the Condominium Project, and to sue in all courts and participate in actions and proceedings judicial, administrative, arbitral or otherwise, subject to the express limitations on suits, actions and proceedings as set forth in Article XIII of these By-Laws. The Board of Directors shall provide at least a ten (10) day written notice to all Co-owners on actions proposed by the Board of Directors with regard thereto.
- (b) The Board of Directors may employ, for the Association, a professional management agency (which may include the Developer or any person or entity related thereto but which shall not be a Co-owner or resident or affiliated with a Co-owner or resident) at reasonable compensation established by the Board of Directors, to perform such duties and services as the Board of Directors shall authorize, including but not limited to, the duties listed in Section 4(a) of this Article I, and the Board of Directors may delegate to such management agent any other duties or powers which are not by law or by the Condominium Documents required to be performed by or have the approval of the Board of Directors or the members of the Association. In no event shall the Board of Directors be authorized to enter into any contract with a professional management agent, or any other contract providing for services by the Developer, sponsor, or builder, in which the maximum term is greater than three (3) years or which is not terminable by the Association upon sixty (60) days written notice thereof to the other party and no such contract shall violate the provisions of Section 55 of the Act.
- (c) All of the actions (including, without limitation, the adoption of these By-Laws and any rules and regulations for the Association) of the First Board of Directors of the Association named in its Articles of Incorporation or any successors thereto appointed by the Developer before the First Annual Meeting of members shall be binding upon the Association in the same manner as though such actions had been authorized by a Board of Directors duly elected by the members of the Association at the First Annual Meeting of members or at any subsequent annual meeting of members, provided that such actions are within the scope of the powers and duties which may be exercised by any Board of Directors as provided in the Condominium Documents
- (d) After the First Annual Meeting, no expenditure for an item which exceeds by One Thousand (\$1,000.00) Dollars or more, the amount budgeted for that item, if any, in the annual Association budget, as amended, shall be made without prior approval of a majority of the Co-owners present at a special meeting called for

that purpose unless there is such an emergency that there is no time to call a special meeting of the Association for approval.

Section 5. The Association's Corporate By-Laws shall provide the designation, number, terms of office, qualifications, manner of election, duties, removal, and replacement of the officers of the Association and may contain any other provisions pertinent to officers of the Association in furtherance of the provisions and purposes of the Condominium Documents and not inconsistent therewith. Officers may be compensated but only upon the affirmative vote of more than sixty (60%) percent of the Co-owners.

Section 6.

- (a) Every director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel 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 a director or officer of the Association, whether or not he is a director or officer at the time such expenses are incurred, except in such cases where the director or officer is adjudged guilty of willful or wanton misconduct or gross negligence in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the director or officer seeking such reimbursement or indemnification, the indemnification herein shall apply only if the Board of Directors (with the director seeking reimbursement abstaining) approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled. At least ten (10) days prior to payment of any indemnification which it has approved, the Board of Directors shall notify all Co-owners thereof.
- (b) The Association shall provide liability insurance to every director and every officer of the Association for the same purposes provided above and in such amounts as may reasonably insure against potential liability arising out of the performance of their respective duties. With the prior written consent of the Association, a director or an officer of the Association may waive any liability insurance for such director's or officer's personal benefit. No director or officer shall collect for the same expense or liability under sub-sections (a) and (b) of this Section 6; however, to the extent that the liability insurance provided herein to a director or officer was not waived by such director or officer and is inadequate to pay any expenses or liabilities otherwise properly indemnifiable under the terms hereof, a director or officer shall be reimbursed or indemnified only for such excess amounts under sub-section (a) hereof.

Section 7. The First Annual Meeting of members of the Association may be convened only by Developer and may be called at any time after more than fifty (50%) percent in number of the Units that may be created have been sold and the purchasers thereof qualified as members of the Association. In no event, however, shall such meeting be called later than 120 days after the conveyance of legal or equitable title to non-developer Co-owners of seventy-five (75%) percent in number of all Units that may be created or 54 months after the first conveyance of legal or equitable title to a non-developer Co-owner of a Unit in the Project, whichever first occurs unless extended pursuant to Article VIII, Section G of the Master Deed. Thereafter meetings shall be held in accordance with the Association By-Laws or as may be required to comply with the Act. Developer may call meetings of members for informative or other appropriate purposes prior to the First Annual Meeting of members and no such meeting shall be construed as the First Annual Meeting of members. The phrase "Units that may be created" as used in this paragraph and elsewhere in the Condominium Documents refers to the maximum number of Units which the Developer is permitted under the Condominium Documents to include in the Condominium.

Section 8. The following provisions shall apply notwithstanding the fact that the First Annual Meeting may not have been called.:

- (a) Within one (1) year after conveyance of legal or equitable title to the first Unit in the Condominium to a purchaser, or within 120 days after conveyance to purchasers of one-third (1/3) of the total number of Units that may be created, whichever first occurs, the Developer shall cause to be established an Advisory Committee consisting of at least three (3) non-Developer Co-owners. The Committee shall be established and perpetuated in any manner the Developer deems advisable, except that, if more than fifty (50%) percent of the non-Developer Co-owners petition the Board of Directors for an election to select the Advisory Committee, then an election for such purpose shall be held. The purpose of the Advisory Committee shall be to facilitate communications between the temporary Board of Directors and the non-Developer Co-owners and to aid the transition of control of the Association from the Developer to the Co-owners. The Advisory Committee shall cease to exist automatically when a majority of the Board of Directors of the Association is elected by the non-Developer Co-owners. The Developer may remove and replace at its discretion at any time any member of the Advisory Committee who has not been elected thereto by the Co-owners. For the purposes of this Section 8, the phrase "Units that may be created" refers to the maximum number of Units which the Developer is permitted, under the Condominium Documents as may be amended, to include in the Condominium.
- (b) Not later than 120 days after conveyance of legal or equitable title to non-Developer Co-owners of twenty-five (25%) percent of the Units that may be created, at least one (1) director and not less than twenty-five (25%) percent of the Board of Directors of the Association shall be elected by non-Developer Co-owners. Not later than 120 days after conveyance of legal or equitable title to non-Developer Co-owners of fifty (50%) percent of the Units that may be created, not less than thirty-three and one-third (33-1/3%) percent of the Board of Directors shall be elected by non-Developer Co-owners. When the required percentage levels of conveyance have been reached, the Developer shall notify the non-Developer Co-owners and request that they hold a meeting and elect the required director or directors, as the case may be. Upon certification by the Co-owners to the Developer of the director or directors so elected, the Developer shall then immediately appoint such director or directors to the Board of Directors to serve until the First Annual Meeting of members unless he is removed pursuant to the Association's Corporate By-Laws or he resigns or becomes incapacitated. Not later than 120 days after conveyance of legal or equitable title to non-Developer Co-owners of seventy-five (75%) percent of the Units that may be created, and before conveyance of ninety (90%) percent of such Units, the First Annual Meeting shall be called and the non-Developer Co-owners shall elect all directors on the Board of Directors, except that the Developer shall have the right to designate at least one (1) director as long as the Developer owns and offers for sale at least ten (10%) percent of the Units in the Project or as long as ten (10%) percent of the Units remain that may be created.
- (c) Notwithstanding the formula provided in sub-section (b) above, fifty-four (54) months after the first conveyance of legal or equitable title to a non-Developer Co-owner of a Unit in the Project, if title to not less than seventy-five (75%) percent of the Units that may be created has not been conveyed, the First Annual Meeting shall be called and the non-Developer Co-owners shall have the right to elect, as provided in the Condominium Documents, the number of members of the Board of Directors of the Association of Co-owners equal to the percentage of Units held by the non-Developer Co-owners, and the Developer shall have the right to elect, as provided in the Condominium Documents, the number of members of the Board of Directors equal to the percentage of Units which are owned by the Developer and for which all assessments are payable by the Developer; provided, however, that five (5) years after the first conveyance of legal or equitable title to a non-Developer Co-owner of a Unit in the Project, the non-Developer Co-owners shall have the right to elect a least fifty-one (51%) percent of the members of the Board of Directors of the Association. This election may increase, but shall not reduce, the minimum election and designation rights otherwise established in sub-section (b) above. Application of this sub-

section does not require a change in the size of the Board of Directors as determined in the Condominium Documents.

- (d) If the calculation of the percentage of members of the Board of Directors that the non-Developer Co-owners have the right to elect under sub-section (b) above, or if the product of the number of members of the Board of Directors multiplied by the percentage of Units held by the non-Developer Co-owners under sub-section (c) above, results in a right of non-Developer Co-owners to elect a fractional number of members of the Board of Directors, then a fractional election right of 0.5 or greater shall be rounded up to the nearest whole number, which number shall be the number of members of the Board of Directors that the non-Developer Co-owners have the right to elect. After application of this formula, the Developer shall have the right to elect the remaining members of the Board of Directors. Application of this sub-section shall not eliminate the right of the Developer to designate one (1) member of the Board of Directors as provided in sub-section (b) above.

Section 9. At some time subsequent to the initial development, it may become necessary to pave or improve some or all of the roads within or adjacent to the Condominium Premises. The improvement may be financed in whole or in part by the creation of a special assessment district or districts which may include The Hills of Waterford. The acceptance of a conveyance or the execution of a land contract by any Co-owner or purchaser of a Unit, shall constitute the agreement by such Co-owner or purchaser, his heirs, executors, administrators or assigns that the Board of Directors of the Association shall be vested with full power and authority to obligate all Co-owners to participate in a special assessment district, sign petitions requesting special assessment, and consider and otherwise act on all assessment issues on behalf of the Association and all Co-owners; provided that prior to signature by the Association on a petition for improvement of such public roads, the desirability of said improvement shall be approved by an affirmative vote of not less than fifty-one (51%) percent of all Co-owners. No consent of mortgagees shall be required for approval of said public road or utility improvement.

ARTICLE II

ASSESSMENTS

Section 1. The Association shall be assessed as the person or entity in possession of any tangible personal property of the Condominium owned or possessed in common by the Co-owners, and personal property taxes based thereon shall be treated as expenses of administration.

Section 2. All costs incurred by the Association in satisfaction of any liability arising within, caused by, or connected with the Common Elements or the administration of the Condominium Project, including Common Areas and storm water drainage within the Condominium, shall constitute expenditures affecting the administration of the Project, and all sums received as the proceeds of, or pursuant to, a policy of insurance securing the interest of the Co-owners against liabilities or losses arising within, caused by, or connected with the Common Elements or the administration of the Condominium shall constitute receipts affecting the administration of the Condominium Project within the meaning of Section 54(4) of the Act.

Section 3. Assessments shall be determined in accordance with the following provisions:

- (a) The Board of Directors of the association shall establish an annual budget in advance for each fiscal year and such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management, and maintenance of the Condominium Project, including a reasonable allowance for contingencies and reserves. Failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Co-owner's obligation to pay the allocable share of the common expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget each Unit Co-owner shall continue to pay each periodic installment at the periodic rate established for the previous fiscal year until notified of the periodic payment

which is due more than ten (10) days after such new annual or adjusted budget is adopted. An adequate reserve fund for maintenance, repairs, and replacement of those Common Elements that must be replaced on a periodic basis must be established in the budget and must be funded by regular annual or other periodic payments, as set forth in Section 4 below, rather than by special assessments. At a minimum, the reserve fund shall be equal to ten percent (10%) of the Association's current annual budget on a noncumulative basis. Since the minimum standard required by this Section may prove to be inadequate for this particular Condominium, the Association of Co-owners should carefully analyze the Condominium to determine if a greater amount should be set aside, or if additional reserve funds should be established for other purposes, from time to time. Upon adoption of an annual budget by the Board of Directors, copies of said budget shall be delivered to each Co-owner and the assessment for said year shall be established based upon said budget, although the delivery of a copy of the budget to each Co-owner shall not affect the liability of any Co-owner for any existing or future assessments.

- (b) The Board of Directors shall have the authority to increase the general assessment or to levy such additional assessment or special assessments as it shall deem to be necessary, if:
- (1) such an emergency exists that there is insufficient time to call a special meeting of the Co-owners to approve such expenditure or,
 - (2) such assessment is for an expenditure approved by the Co-owners present at a special meeting called for that purpose; pursuant to Article I, Section 4(d) hereof, or not requiring approval by virtue of that section,
 - (3) it determines that assessments levied are or may prove to be insufficient to pay the ordinary costs of operation and management of the Condominium, and it has given all Co-owners thirty (30) days prior written notice of the proposed amendment to the annual budget and assessments.

Section 4. Unless otherwise provided herein, all assessments levied against the Co-owner to cover expenses of administration shall be apportioned among and paid by the Co-owners in accordance with the percentage of value allocated to each Unit in Article V of the Master Deed without increase or decrease for the existence of any right to the use of Limited Common Elements appurtenant to a Unit. Any unusual expenses of administration which benefit less than all of the Units in the Condominium, may be specifically assessed against the Condominium or the Units so benefitted and may be allocated to the benefitted Condominium or Units in the proportion which the percentage of value of the benefitted Unit bears to the total percentages of value of all Units so specially benefitted. Annual assessments as determined in accordance with Article II, Section 3(a) above shall be payable by Co-owner in annual or other periodic installments as may be determined by the Board of Directors, commencing with acceptance of a Deed to or a Land Contract purchaser's interest in a Unit or with acquisition of fee simple title to a Unit by any other means. The payment of an assessment shall be in default if such assessment, or any part thereof, is not paid to the Association in full on or before the due date for such payment. A late charge in the amount of \$10.00, or such other amount as may be determined by the Board of Directors effective upon fifteen (15) days notice to the members of the Association, shall be assessed automatically by the Association upon any assessment installment in default until paid in full. Such late charge shall not be deemed to be a penalty or interest upon the funds due to the Association but is intended to constitute a reasonable estimate of the administrative costs and other damages incurred by the Association in connection with the late payment of assessments. Assessments in default shall bear interest at the rate of seven (7%) percent per annum or such higher rate as may be allowed by law until paid in full. Each Co-owner (whether one (1) or more persons) shall be, and remain, personally liable for the payment of all assessments (including late charges and costs of collection and enforcement of payment) pertinent to his Unit which may be levied while such Co-owner is the owner thereof. In addition to a Co-owner who is also a land contract seller, the land contract purchaser shall be personally liable for the payment of all assessments (including late charges and costs of collection and enforcement of payment) pertinent to the subject Unit which are levied up to and including the

date upon which the land contract seller actually takes possession of the Unit following extinguishment of all rights of the land contract purchaser in the Unit. Payments on account of installments of assessments in default shall be applied as follows: first, to any late charges on such installments; second, to costs of collection and enforcement of payment, including reasonable attorney's fees, and finally to installments in default in order of their due dates, oldest to most recent. A co-owner selling a Unit shall not be entitled to any refund whatsoever from the Association with respect to any reserve or other asset of the Association.

Section 5. No Co-owner may exempt himself from liability for his contribution toward the expenses of administration by waiver of the use or enjoyment of any of the Common Elements or by the abandonment of his Unit or because of any uncompleted repair work, or the failure of the Association to provide service to the Condominium. The Board of Directors may reduce or waive the assessment for any Unit which does not have a structure built on it.

Section 6. The Association may enforce collection of delinquent assessments by a suit at law for a money judgment or by foreclosure of the statutory lien that secures payment of assessments, or both, in accordance with the Act. Pursuant to Section 139 of the Act, no Co-owner may assert in an answer or set-off to a complaint brought by the Association for non-payment of assessments the fact that the Association or its agents have not provided the services or management to the Co-owner. Each Co-owner, and every other person who from time to time has any interest in the Condominium, shall be deemed to have granted to the Association the unqualified right to elect to foreclose such lien either by judicial action or by advertisement. The provisions of Michigan law pertaining to foreclosure of mortgages by judicial action and by advertisement, as the same may be amended from time to time, are incorporated herein by reference for the purposes of establishing the alternative procedures to be followed in lien foreclosure actions and the rights and obligations of the parties to such actions. Further, each Co-owner and every other person who from time to time has any interest in the Condominium, shall be deemed to have authorized and empowered the Association to sell or to cause to be sold the Unit with respect to which the assessment(s) is or are delinquent and to receive, hold, and distribute the proceeds of such sale in accordance with the priorities established by applicable law. The Association, acting on behalf of all Co-owners, may bid in at the foreclosure sale, and acquire, hold, lease, mortgage or convey the Unit. Each Co-owner of a Unit in the Condominium acknowledges that at the time of acquiring title to such Unit, he was notified of the provisions of this Section and that he voluntarily, intelligently, and knowingly waived notice of any proceedings brought by the Association to foreclose by advertisement the lien for nonpayment of assessments and a hearing on the same prior to the sale of the subject Unit. Notwithstanding the foregoing, neither a judicial foreclosure action nor a suit at law for a money judgment shall be commenced, nor shall any notice of foreclosure by advertisement be published, until the expiration of ten (10) days after mailing, by first-class mail, postage prepaid, addressed to the delinquent Co-owner(s) at his or their last known address of a written notice that one (1) or more installments of the annual assessment or a portion of all of a special assessment levied against the pertinent Unit is or are delinquent and that the Association may invoke any of its remedies hereunder if the default is not cured within ten (10) days after the date of mailing. Such written notice shall be accompanied by a written Affidavit of an authorized representative of the Association that sets forth: (i) the affiant's capacity to make the Affidavit; (ii) the statutory and other authority for the lien; (iii) the amount outstanding (exclusive of interest, costs, attorney fees, and future assessments); (iv) the legal description of the subject Units(s); and (v) the name(s) of the Co-owner(s) of record. Such Affidavit shall be recorded in the office of the Register of Deeds in the County in which the Condominium is located prior to the commencement of any foreclosure proceeding, but it need not have been recorded as of the date of mailing as aforesaid. If the delinquency is not cured within the ten (10) day period, the Association may take such remedial action as may be available to it hereunder or under Michigan law. In the event the Association elects to foreclose the lien by advertisement, the Association shall so notify the Co-owner and shall inform the Co-owner that he may request a judicial hearing by bringing suit against the Association. The expenses incurred in collection of unpaid assessments, including interest, costs, actual attorney fees, (not limited to statutory fees) and advances for taxes or other liens paid by the Association to protect its lien, shall be chargeable to the Co-owner in default and shall be secured by the lien on his Unit. In the event of default by any Co-owner in the payment of any installment of the annual assessment levied against his Unit, and/or in the event of default by any Co-owner in the payment of any installment and/or portion of any special assessment levied against his Unit, or any other obligation of a Co-owner, which according to the Master Deed and/or these

Condominium By-Laws, may be assessed to and collected from the responsible Co-owner in the manner provided in Article II hereof, the Association shall have the right to declare all unpaid installments of the annual assessment for the applicable fiscal year (and for any future fiscal years in which said delinquency continues) and/or all unpaid portions or installments of the special assessment, if applicable, immediately due and payable. A Co-owner in default shall not be entitled to utilize any of the General Common Elements of the Condominium, shall not be entitled to vote at any meeting of the Association and shall not be entitled to seek office as director of the Association so long as such default continues; provided however, that this provision shall not operate to deprive any Co-owner of ingress and egress to his Unit. In a judicial foreclosure action, a receiver may be appointed to collect a reasonable rental for the Unit from the Co-owner thereof or any persons claiming under him, as provided by the Act.

Section 7. Notwithstanding any other provisions of the Condominium Documents, the holder of any first mortgage covering any Unit in the Project which comes into possession of the Unit pursuant to the remedies provided in the mortgage or by Deed (or assignment) in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the property free of any claims for unpaid assessments or charges against the mortgaged Unit which accrue prior to the time such holder comes into possession of the Unit (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Units including the mortgaged Unit).

Section 8. The Developer of the Condominium, although a member of the Association, shall not be responsible at any time for payment of the regular Association assessments. The Developer, however, shall, during the Construction and Sales Period, pay a proportionate share of the Association's current maintenance expenses actually incurred for the Units that it owns, including the improvements located thereon, together with a proportionate share of all current expenses of administration actually incurred by the Association from time to time, based upon the ratio of Units which have Completed Residential Structures on them, owned by the Developer, at the time the expense is incurred to the total number of Units in the Condominium. Said proportionate share shall be due from Developer to the Association thirty (30) days subsequent to receipt of notice for payment of same.

In no event shall Developer be responsible for payment, during the Construction and Sales Period, of any assessments for deferred maintenance, reserves for replacement, capital improvements, or other special assessments, except with respect to Units which have Occupied Residential Structures on them owned by it. The Developer shall, in no event, be liable for any assessment levied in whole or in part to purchase any Unit from the Developer or to finance any litigation or other claims against the Developer, any cost of investigating and preparing such litigation or claim or any similar or related costs. An "Occupied Residential Structure" shall mean a residential structure which is used as a residence or a model. A "Completed Residential Structure" shall mean a residential structure with respect to which a Certificate of Occupancy has been issued by the local public authority. The Developer shall not be responsible at any time for payment of Association assessments or payment of any expenses whatsoever with respect to unbuilt Units notwithstanding the fact that such unbuilt Units may have been included in the Master Deed.

Section 9. All property taxes, road improvement special assessments and other special assessments shall be assessed in accordance with Section 131 of 1978 Public Act 59 as amended (MCL 559.231).

Section 10. Any lien arising pursuant to the laws of the State of Michigan shall be subject to Section 132 of the Act.

Section 11. Pursuant to the provisions of the Act, the purchaser of any Unit may request a statement of the Association as to the outstanding amount of any unpaid Association assessments thereon, whether regular or special, and related collection costs. Upon written request to the Association accompanied by a copy of the executed Purchase Agreement, pursuant to which the purchaser holds right to acquire a Unit, the Association shall provide a written statement of such unpaid assessments and related collection costs as may exist or a statement that none exist, which statement shall be binding upon the Association for the period stated therein. Upon the payment of that sum within the period stated, the Association's lien for assessments as to such Unit shall be deemed satisfied; provided, however, that the failure of a purchaser to

request such statement at least five (5) days prior to the closing of the purchase of such Unit shall render any unpaid assessments together with interest, costs, and attorneys' fees incurred in the collection thereof, and the lien securing same, fully enforceable against such purchaser and the Unit itself, to the extent provided by the Act. Under the Act, unpaid assessments constitute a lien upon the Unit and the proceeds of sale thereof prior to all claims except real property taxes and first mortgages of record. The Association may charge such reasonable amounts for preparation of such a statement as the Association shall, in its discretion, determine.

ARTICLE III

ARBITRATION

DISPUTES, CLAIMS, OR GRIEVANCES ARISING OUT OF OR RELATING TO THE INTERPRETATION OR THE APPLICATION OF THE CONDOMINIUM DOCUMENTS OR ANY DISPUTES, CLAIMS, OR GRIEVANCES ARISING BETWEEN THE DEVELOPER OR ITS AGENTS AND THE ASSOCIATION OR ANY CO-OWNER OR ANYONE CLAIMING UNDER THEM SHALL BE SETTLED IN ACCORDANCE WITH THE CONSTRUCTION INDUSTRY ARBITRATION RULES OF THE AMERICAN ARBITRATION ASSOCIATION, AND JUDGMENT UPON THE AWARD RENDERED BY THE ARBITRATOR(S) MAY BE ENTERED IN ANY COURT HAVING JURISDICTION THEREON.

ARTICLE IV

INSURANCE

Section 1. The Association shall, to the extent appropriate given the nature of the Common Elements of the Project, carry a standard "all risk" insurance policy, which includes, among other things, fire and extended coverage, vandalism and malicious mischief, and liability insurance (in a minimum amount to be determined by the Developer or the Association, in its discretion, but in no event less than one million (\$1,000,000.00) dollars per occurrence), officers' and directors' liability insurance, and workers' compensation insurance, if applicable, and any other insurance the Association may deem applicable, desirable or necessary, pertinent to the ownership, use and maintenance of the General Common Elements of the Condominium. The Association, through its Board of Directors, or the Developer, prior to the First Annual Meeting, may elect to undertake the responsibility for obtaining such insurance specifically described above pertinent to the ownership, use and maintenance of all Unit dwellings and their appurtenant Limited Common Elements, if any, exclusive of insurance covering the contents within a Co-owners' residence, and the cost of the insurance shall be included as an expense of administration in the Association budget; however, the Association shall under no circumstances have any obligation to obtain such insurance, nor have any liability to any person for failure to do so. If a loss is to a residence or part of a residence erected on a Unit, or the contents within a Co-owner's residence, the Co-owner shall be responsible for paying any deductible. All Co-owners shall be notified of the Board of Directors' election to obtain such insurance at least sixty (60) days prior to its effectiveness. Co-owners may obtain supplementary insurance but in no event shall any such insurance coverage undertaken by a Co-owner permit a Co-owner to withhold payment of its share of the Association assessment that relates to the equivalent insurance carried by the Association. The Association shall not reimburse Co-owners for the cost of premiums resulting from the early cancellation of an insurance policy.

Such insurance, other than title insurance, shall be carried and administered in accordance with the following provisions:

- (a) All such insurance shall be purchased by the Association for the benefit of the Association, and the Co-owners and their mortgagees, as their interests may appear, and provision shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of Co-owners. Unless the Co-owners are notified in writing that the Association is carrying the following described insurance coverage, each Co-owner shall be responsible for obtaining a standard "all risk" insurance policy, which includes, among other things, fire and extended coverage and vandalism and malicious mischief insurance, and liability insurance with respect to his residential dwelling, interior and exterior, and on all

other improvements constructed or to be constructed within his Unit perimeter, together with Limited Common Elements, if any, appurtenant to his Unit, whether located within or outside the perimeter of his Unit. Notwithstanding any insurance coverage that may be maintained by the Association, at all times each Co-owner shall be responsible for obtaining a standard "all risk" insurance policy, which includes, among other things, fire and extended coverage and vandalism and malicious mischief insurance, and liability insurance, with respect to his personal property located within or outside of his Unit perimeter, on any Limited Common Elements or elsewhere in the Condominium, and also for alternative living expense in the event of fire. All Such insurance shall be carried by each Co-owner in an amount equal to the maximum insurable replacement value, excluding foundation and excavation costs. In the event of the failure of a Co-owner to obtain such insurance, the Association may obtain such insurance on behalf of such Co-owner and the premiums therefor shall constitute a lien against the Co-owner's Unit which may be collected from the Co-owner in the same manner the Association assessments are collected in accordance with Article II above. Unless the Co-owners are notified in writing that the Association is carrying the following described insurance coverage, each Co-owner shall also be obligated to obtain insurance coverage for his personal liability for occurrences within the perimeter of his Unit or within the residential dwelling located thereon, and on Limited Common Elements, if any, appurtenant thereto, regardless of where located. The Association shall under no circumstances have any obligation to obtain any of the insurance coverage described in this subsection (a) to be the responsibility of the Co-owner to obtain, nor shall the Association have any liability to any person for failure to do so. Each Co-owner shall file a copy of such insurance policy, or policies, including all endorsements thereon, or, in the Association's discretion, certificates of insurance or other satisfactory evidence of insurance, with the Association in order that the Association may be assured that such insurance coverage is in effect. The Association, as to all policies which it obtains, and all Co-owners, as to all policies which they obtain, shall use their best efforts to see that all property and liability insurance carried by the Association or any Co-owner shall contain appropriate provisions whereby the insurer waives its right of subrogation as to any claims against any Co-owner or the Association.

- (b) All General Common Elements of the Condominium and, if the Developer or the Board of Directors has elected to carry insurance coverage on the Units and their improvements and appurtenant Limited Common Elements, shall be insured against fire and other perils covered by a standard extended coverage endorsement, in an amount equal to the current insurable replacement value, excluding foundation and excavation costs, as determined annually by the Board of Directors of the Association in consultation with the Association's insurance carrier and/or its representatives in light of commonly employed methods for the reasonable determination of replacement costs. Such coverage shall be effected upon an agreed-amount basis for the entire Condominium with appropriate inflation riders in order that no co-insurance provisions shall be invoked by the insurance carrier in a manner that will cause loss payments to be reduced below the actual amount of any loss (except in the unlikely event of total project destruction if the insurance proceeds failed, for some reason, to be equal to the total cost of replacement). All information in the Association's records regarding insurance coverage shall be made available to all Co-owners upon request and reasonable notice during normal business hours so that Co-owners shall be enabled to judge the adequacy of coverage and, upon the taking of due Association procedures, to direct the Board of Directors at a properly constituted meeting, to change the nature and extent of any applicable coverages, if so determined. Upon such annual re-evaluation and effectuation of coverage, the Association shall notify all Co-owners of the nature and extent of all changes in coverages.
- (c) All premiums for insurance purchased by the Association pursuant to these By-Laws shall be expenses of administration.

- (d) Proceeds of all insurance policies owned by the Association shall be received by the Association, held in a separate account, and distributed to the Association and the Co-owners and their mortgagees as their interests may appear; provided, however, whenever repair or reconstruction of the Condominium shall be required as provided in Article V of these By-Laws, the proceeds of any insurance received by the Association as a result of any loss requiring repair or reconstruction shall be applied for such repair or reconstruction and in no event shall hazard insurance proceeds be used for any purpose other than for repair, replacement, or reconstruction of the Project unless all of the holders of first mortgages on Units in the Project have given their prior written approval.

Section 2. Each Co-owner, by ownership of a Unit in the Condominium Project, shall be deemed to appoint the Association as his true and lawful attorney-in-fact to act in connection with all matters concerning the maintenance of a standard all-risk policy, including among other things, fire, extended coverage, vandalism and malicious mischief, liability insurance, and workmen's compensation insurance, if applicable, pertinent to the Condominium Project, his Unit, and the Common Elements appurtenant thereto with such insurer as may, from time to time, provide such insurance for the Condominium Project. Without limitation on the generality of the foregoing, the Association as said attorney shall have full power and authority to purchase and maintain such insurance; collect and remit premiums therefor; collect proceeds and to distribute the same to the Association, Co-owners, and respective mortgagees as their interests may appear (subject always to the Condominium Documents); to execute releases of liability; to execute all documents; and to do all things on behalf of such Co-owner and the Condominium as shall be necessary or convenient to the accomplishment of the foregoing. This Power of Attorney shall not be affected by disability of the Co-owner.

ARTICLE V

RECONSTRUCTION OR REPAIR

Section 1. If any part of the Condominium Premises shall be partially or completely destroyed, the determination of whether or not it shall be reconstructed or repaired shall be made in the following manner:

- (a) In the event the damaged property is a Common Element or the dwelling constructed within the perimeter of a Unit, the property shall be rebuilt or repaired if any Unit in the Condominium is tenantable, unless it is determined by unanimous vote of all of the Co-owners in the Condominium that the Condominium shall be terminated and each institutional holder of a first mortgage lien on any Unit in the Condominium has given its prior written approval for such termination.
- (b) In the event the Condominium is so damaged that no dwelling constructed within any Unit is tenantable, the damaged property shall not be rebuilt and the Condominium shall be terminated, unless eighty (80%) percent or more of all of the Co-owners agree to reconstruction by vote or in writing within ninety (90) days after the destruction.

Section 2. Any such reconstruction or repair shall be substantially in accordance with the Master Deed and the plans and specifications on file with the Township of Waterford for each dwelling in the Project and restore it to a condition as comparable as possible to the condition existing prior to damage unless the Co-owners shall unanimously decide otherwise.

Section 3. In the event the damage is to a dwelling or other improvement constructed within the perimeter of a Unit or a Limited Common Element, if any, appurtenant thereto which is the responsibility of a Co-owner to maintain, repair and replace, it shall be the responsibility of the Co-owner to reconstruct, maintain, repair and replace the damaged structural elements contained within the perimeter of his Unit and all Limited Common Elements appurtenant to the Unit. In all other cases, the responsibility for reconstruction and repair shall be that of the Association. In the event that a Co-owner fails or neglects to maintain the exterior components of his Unit in an aesthetic and/or harmonious manner as may from time to time be established by the Association in duly adopted regulations promulgated by the Board of Directors pursuant

to its authority set forth in Article VI, Section 11 of these By-Laws, the Association shall be entitled to effect such maintenance to the Unit and to assess the Co-owner the costs thereof and to collect such costs as part of the assessments under Article II of these by-Laws. Each Co-owner shall also be responsible for the reconstruction, maintenance and repair of the interior of the dwelling constructed within the perimeter of his Unit, including, but not limited to, floor coverings, wall coverings, window shades, draperies, interior walls, interior trim, furniture, light fixtures and all appliances, whether freestanding or built-in. In the event damage to a Unit dwelling structure or to any Limited Common Elements appurtenant thereto is covered by insurance held by the Association, then the reconstruction or repair shall be the responsibility of the Association in accordance with Section 4 of this Article V. If and to the extent that any Unit dwelling structure or Limited Common Element is covered by insurance held by the Association for the benefit of the Co-owner, the Co-owner shall be entitled to receive the proceeds of insurance relative thereto, and if there is a mortgagee endorsement, the proceeds shall be payable to the Co-owner and the mortgagee jointly. In the event of substantial damage to or destruction of any Unit or any improvements thereon or any part of the Common Elements, the Association promptly shall notify each institutional holder of a first mortgage lien on any of the Units in the Condominium.

Section 4. Except as provided in Section 3 hereof, the Association shall be responsible for maintenance, repair, and reconstruction of the Common Elements (except as specifically otherwise provided in the Master Deed). Immediately after a casualty causing damage to property for which the Association has the responsibility of maintenance, repair, and reconstruction, the Association shall obtain reliable and detailed estimates of the cost to replace the damaged property in a condition as good as that existing before the damage. If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction or repair required to be performed by the Association, or if at any time during such reconstruction or repair, or upon completion of such reconstruction or repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against all Co-owners for the cost of reconstruction or repair of the damaged property in sufficient amounts to provide funds to pay the estimated or actual cost of repair. This shall not be construed as to require replacement of mature shrubs, trees and bushes that become damaged, with shrubs, trees and bushes of equivalent size.

Section 5. If damage to Common Elements or a Unit or a structure built on a Unit, adversely affects the appearance of the Condominium, the Association or Co-owner responsible for the reconstruction, repair and maintenance thereof shall proceed with replacement of the damaged property without delay, and shall complete such replacement within six (6) months after the date of the occurrence which caused damage to the property.

Section 6. Section 133 of the Act and the following provisions shall control upon any taking by eminent domain:

- (a) In the event of any taking of an entire Unit by eminent domain, the award for such taking shall be paid to the owner of such Unit and any mortgagee thereof as their interests may appear. After acceptance of such award by the owner and any mortgagee, they shall be divested of all interest in the Condominium. In the event that any condemnation award shall become payable to any Co-owner whose Unit is not wholly taken by eminent domain, then such award shall be paid by the condemning authority to the Co-owner and any mortgagee, as their interests may appear.
- (b) If there is any taking of any portion of the Condominium other than any Unit the condemnation proceeds relative to such taking shall be paid to the Co-owner and any mortgagees in proportion to their respective interests in the Common Elements and the affirmative vote of more than fifty percent (50%) of the Co-owners shall determine whether to rebuild, repair, or replace the portion so taken or to take such other action as they deem appropriate.
- (c) In the event the Condominium Project continues after taking by eminent domain, then the remaining portion of the Condominium Project shall be resurveyed and the Master Deed amended accordingly, and, if any Unit shall have been taken, then Article V of the Master Deed shall also be amended to reflect such taking and to proportionately readjust the percentages of value of the remaining Co-

owners based upon the continuing value of the Condominium of one hundred percent (100%). Such Amendment may be effected by an officer of the Association duly authorized by the Board of Directors without the necessity of execution or specific approval thereof by any Co-owner.

- (d) In the event any Unit in the Condominium, or any portion thereof, or the Common Elements, or any portion thereof, is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, the Association promptly shall so notify each holder of a first mortgage lien on any of the Units in the Condominium.

Section 7. In the event any mortgage in the Project is held by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Governmental National Mortgage Association or any other agency of the Federal Governmental or the State of Michigan, then the Association shall give those entities written notice at such address as they may, from time to time direct, of any loss to, or taking of, the Common Elements of the Project, if the loss or taking exceeds Ten Thousand and 00/100 Dollars (\$10,000.00) in amount, or if damage to a Unit covered by a mortgage purchased in whole or in part by one of the above entities exceeds One Thousand and 00/100 Dollars (\$1,000.00). The Association shall provide such other reasonable notice as may be required from time to time by other institutional holders of mortgages upon Units.

Section 8. Nothing contained in the Condominium Documents shall be construed to give a Unit owner, or any other party, priority over any rights of first mortgagees of Units pursuant to their mortgages in the case of a distribution to Co-owners of insurance proceeds for condemnation awards for losses to or a taking of Units and/or Common Elements.

ARTICLE VI

RESTRICTIONS

Section 1. Each Unit in the Condominium shall be occupied by a single family, only, and shall not be used for other than single family purposes and the Common Elements shall only be used for purposes consistent with those set forth in this Section 1. No Unit shall be used for commercial or business offices, except as permitted by any state statutes or local ordinances, including zoning ordinances. The provisions of this Section shall not be construed to prohibit a Co-owner from maintaining a personal professional library, keeping personal, professional or business records or handling personal business or professional telephone calls in the Co-owner's Unit.

Section 2.

- (a) A Co-owner may lease his Unit for the same purposes set forth in Section 1 of this Article VI; provided that written disclosure of such lease transaction is submitted to the Board of Directors of the Association in the manner specified in sub-section (b) below. No Co-owner shall lease less than an entire Unit in the Condominium and no tenant shall be permitted to occupy except under a written lease unless specifically approved in writing by the Association. Such written lease shall (i) require the lessee to comply with the Condominium Documents and rules and regulations; (ii) provide that failure to comply with the Condominium Documents and rules and regulations constitutes a default under the lease, and (iii) provide that the Board of Directors has the power to terminate the lease or to institute an action to evict the tenant and for money damages after fifteen (15) days prior written notice to the Unit Co-owner, in the event of a default by the tenant in the performance of the lease. The Board of Directors may suggest or require a standard form lease for use by Unit Co-owners. Each Co-owner of a Unit shall, promptly following the execution of any lease of a Unit, forward a conformed copy thereof to the Board of Directors. Under no circumstances shall transient tenants be accommodated. For purposes of this Section 2(a), a "transient tenant" is a non-Co-owner residing in a Unit for less than sixty (60) days, who has paid consideration therefor. The terms of all leases, occupancy agreements and occupancy arrangements shall incorporate, or be deemed to

incorporate, all of the provisions of the Condominium Documents. Tenants and non-Co-owner occupants shall comply with all of the conditions of the Condominium Documents of the Condominium Project and all Leases and Rental Agreements shall so state.

- (b) A Co-owner, including the Developer, desiring to rent or lease a Unit, shall disclose that fact in writing to the Association at least ten (10) days before presenting a Lease form to a potential lessee and shall supply the Association with a copy of the exact Lease form for its review for its compliance with the Condominium Documents. If Developer desires to rent Units before the Transitional Control Date, as that term is defined in the Act, it shall notify either the Advisory Committee or each Co-owner in writing.
- (c) If the Association determines that the tenant or non-Co-owner occupant has failed to comply with the conditions of the Condominium Documents, the Association shall take the following action:
 - (1) The Association shall notify the Co-owner by certified mail advising of the alleged violation by tenant or non-Co-owner occupant.
 - (2) The Co-owner shall have fifteen (15) days after receipt of such notice to investigate and correct the alleged breach by the tenant or non-Co-owner occupant or advise the Association that a violation has not occurred.
 - (3) If after fifteen (15) days the Association believes that the alleged breach is not cured or may be repeated, it may institute on its behalf, or derivatively by the Co-owners on behalf of the Association, if it is under the control of the Developer, an action for eviction and money damages against the tenant, Co-owner, or non-Co-owner occupant and tenant, for breach of the conditions of the Condominium Documents. The relief set forth in this Section may be by summary proceeding. The Association may hold the tenant or non-Co-owner occupant and the Co-owner liable for any damages caused by the Co-owner or tenant in connection with the Unit, of the Condominium and for actual legal fees incurred by the Association in connection with legal proceedings hereunder.
- (d) When a Co-owner is in arrears to the Association for assessments, the Association may give written notice of the arrearage to a tenant occupying a Co-owner Unit under a Lease or Rental Agreement and the tenant, after receiving the notice, shall deduct from rental payments due the Co-owner the arrearage and future assessments as they fall due and pay them to the Association. The deductions shall not be a breach of the Rental Agreement or Lease by the tenant. The form of lease used by any Co-owner shall explicitly contain the foregoing provisions.

Section 3. The Developer of the Project intends that there shall be a residential dwelling and certain other improvements within the boundaries of each of the Units. During the Construction and Sales Period, no one other than Developer shall be entitled to alter the nature or appearance of any improvements constructed within the boundaries of a Unit or the Limited Common Elements, if any, appurtenant thereto without the prior written consent of the Board of Directors in its absolute discretion.

During the Construction and Sales Period, Developer's prior written approval of proposed plans is required for any residential construction, additional buildings or structures, roads, sidewalks, driveways, fences, retaining walls, drives or other improvements to be built or erected on the Premises and any changes to existing buildings or structures prior to the construction or erection thereof (including in color or design), however, such approval shall not be unreasonably withheld. Thereafter the Co-owner can modify and improve the residential structure on his Unit only to the extent consistent with these Condominium By-Laws and as approved by the Association. Developer's failure to approve or reject any improvement shall not limit its rights to approve or reject any subsequent proposed improvement. No hedges, trees or substantial plantings or landscaping modifications be made, until plans and specifications, acceptable to the Developer, showing the nature, kind, shape, height, material, color, scheme,

location and approximate cost of such structure or improvement and the grading or landscaping plan of the area to be affected shall have been submitted to and approved in writing by Developer, its successors or assigns, during the Construction and Sales Period, and a copy of said plans and specifications, as finally approved, lodged permanently with Developer; provided, however, that each Co-owner shall have the right to install plantings and/or landscaping around the foundation of the residential structure within his/her Unit without the approval of the Developer or the Association. Developer's rights under this Article VI, Section 3, may, in Developer's discretion, be assigned to the Association or other successor to Developer. Developer may construct any improvements upon the Condominium Premises that it may, in its sole discretion, elect to make without the necessity of prior consent from the Association or any other person or entity, subject only to the express limitations contained in the Condominium Documents.

A Co-owner intending to construct, erect, modify or install any residence, improvement, deck, garage, structure, or intending to change the exterior or elevation of any structure located on a Unit, shall submit to the Architectural Control Committee plans and specifications, including site, grading, utility, residence, garage and landscape plans, if applicable, prepared and sealed by an architect registered in the State of Michigan, or other person or entity approved by the Architectural Control Committee, showing the size, nature, kind, type and color of the elevations, facade, height and materials, color scheme (including, but not limited to stain and paint colors), siding, location, and the approximate cost of such improvement. The Co-owner shall obtain the express written consent of the Architectural Control Committee which shall have the sole and absolute discretion to determine the suitability of same.

- (a) A copy of the plans and specifications, as finally approved, shall be kept permanently with the Committee. Items requiring the written approval of the Committee include, but are not limited to, the following: residences, fences, walls, additional landscaping, drives, walks, dog runs, substantial planting, trees, playground equipment, decks, mailbox stands, pools, hot tubs, gazebos, exterior light posts, basketball backboards, and gates. Aerials, satellite dishes and antennas up to a maximum of 39 inches in diameter shall be allowed upon approval of the Board of Directors, which approval shall be based on considerations such as fire codes, safety, aesthetics and building appearance. The Board of Directors shall not otherwise restrict the ability of any Co-owner to install and use any such aerial, antenna or satellite dish from any company and shall not do anything to impair reception.
- (b) The Architectural Control Committee shall have the absolute right to waive or grant a variance from any of the requirements in these By-laws and the right to refuse to approve any plans and specifications which are not suitable or desirable in its sole and absolute discretion for aesthetic or any other reasons. In no event shall the Committee have any personal liability for its actions. In considering any plans and specifications, the Committee may take into consideration any of the following: (1) the suitability and aesthetic quality of the proposed building or other structure to be built, erected or installed, (2) the Unit upon which it is proposed to erect the same, (3) the compatibility of the planned structure with the adjacent or neighboring residences, (4) whether the proposed improvement will impair the structural integrity of a residence or Common Elements, (5) whether the proposed improvement would create a nuisance or annoyance to surrounding Co-Owners (6) the impact on the overall standards and appearance of the Project, and (7) practical difficulties with a particular Unit or (8) other good causes.
- (c) The Architectural Control Committee shall have thirty (30) days after the receipt of all required plans and specifications to issue a written approval or denial. If the Committee fails to issue a written approval or denial of the plans and specifications within the thirty (30) day period, then written approval will not be required and the requirements of this Section are satisfied.
- (d) The Developer is specifically excluded from the provisions of the Section. The Developer specifically reserves to itself the right to alter, change, modify, redesign, or improve the structure located on any Unit or the Limited Common Elements appurtenant thereto through and including such time as a Deed has been

executed and delivered from the Developer to an individual purchaser of that Unit.

- (e) A residence on a Unit shall not be substantially similar in exterior design and appearance to a residence on an immediately adjacent Unit. This provision is intended to enhance and increase the desirability and beauty of the Project.
- (f) The purpose of this Section is to assure the continued maintenance of the Project as a beautiful and harmonious residential development and shall be binding both upon the Association, all Co-Owner, their successors, and assigns.
- (g) The Board of Directors shall appoint an Architectural Control Committee for purposes of this Section. Members of said Committee need not be members of the Board of Directors, but a director shall not be disqualified from serving on such Committee. As long as the Developer owns and offers for sale ten (10%) percent of the units that may be created in the Project, the Developer shall have the right to appoint all members of the Architectural Control Committee.

The Co-owner shall be responsible for the maintenance and repair of any such modification or improvement. In the event that the Co-owner fails to maintain and/or repair said modification or improvement to the satisfaction of the Association, the Association may undertake to maintain and/or repair same and assess the Co-owner the costs thereof and collect same from the Co-owner in the same manner as provided for the collection of assessments in Article II hereof. The Co-owner shall indemnify and hold the Association and the Developer harmless from and against any and all costs, damages, and liabilities incurred in regard to said modification and/or improvements.

Any such plans for construction or alteration referred to above shall include a plan for restoration of the Premises after construction or alteration to a condition satisfactory to the Association and/or the Developer, as the case may be. Construction of any dwelling or other improvement must also receive any necessary approvals from the local public authority. Developer shall have the right to refuse to approve any such plan or specifications, or grading or landscaping plan which are not suitable or desirable in its opinion for aesthetic or other reasons; and in passing upon such plans and specifications it shall have the right to take into consideration the suitability of the proposed structure, improvement or modification, the site upon which it is proposed to construct the same, and the degree of harmony thereof with the Condominium as a whole. Developer may also, in its discretion, require as a condition of approval of any plans, an agreement for special assessment of increased maintenance charges from any Co-owner whose proposed dwelling and appurtenances and related improvements will cause the Association abnormal expenses in carrying out its responsibilities with respect thereto under the Master Deed.

The purpose of this Section is to assure the continued maintenance of the Condominium as a beautiful and harmonious residential development, and shall be binding upon both the Association and upon all Co-owners.

Section 4. Except as provided in Article VI, Section 3, above, with respect to the Developer, no Co-owner shall make any changes in the Common Elements, Limited or General, or to the exterior appearance of any structures on Co-owner's Unit, without the express written approval of the Board of Directors.

Section 5. No immoral, improper, unlawful, or offensive activity shall be carried on in any Unit or upon the Common Elements - Limited or General, nor shall anything be done which may be or become an annoyance or a nuisance to the Co-owners of the Condominium. No unreasonably noisy activity shall occur in or on the Common Elements or in any Unit at any time and disputes among Co-owners, arising as a result of this provision which cannot be amicably resolved, shall be arbitrated by the Association. No Co-owner shall do, or permit anything to be done or keep or permit to be kept in his Unit or on the Common Elements, anything that will increase the rate of insurance on the Condominium without the written approval of the Association and each Co-owner shall pay to the Association the increased cost of insurance premiums resulting from any such activity or the maintenance of any such condition, even if approved. Activities which are deemed offensive and are expressly prohibited

include, but are not limited to, the following: any activity involving the use of firearms, air rifles, pellet guns, b-b guns, bows and arrows, or similar weapons, projectiles or devices.

Section 6. No animal, except up to two (2) domesticated household pets, shall be maintained by any Co-owner unless specifically approved in writing by the Association. No Pit Bulls or any vicious, savage or dangerous animal may be kept on the premises, and no animals may be kept or bred for any commercial purposes. Any Co-owner who causes any animal to be brought or kept upon the Condominium Premises shall indemnify and hold harmless the Association for any loss, damage or liability (including costs and attorneys' fees) which the Association may sustain as a result of the presence of such animal on the Premises, whether or not the Association has given its permission therefor, and the Association may assess and collect from the responsible Co-owner such losses and/or damages in the manner provided in Article II hereof. No dog which barks and can be heard on any frequent or continuing basis shall be kept in any Unit or on the Common Elements. Any animal shall have such care and restraint so as not to be obnoxious or offensive on account of noise, odor or unsanitary conditions. No animal may be permitted to run loose at any time upon the Limited or General Common Elements and any animal shall at all times be leashed and attended by some responsible person. Co-owners shall be responsible to remove immediately after deposit any excrement or other deposits left by their pets or by the pets of their guests or visitors. The Association may charge all Co-owners maintaining animals a reasonable additional assessment to be collected in the manner provided in Article II of these By-Laws, in the event that the Association determines such assessment necessary to defray the maintenance cost to the Association of accommodating animals within the Condominium. The Association shall have the right to require that any pets be registered with it and may adopt such additional rules and regulations with respect to animals as it may deem proper. The Association may, after notice and hearing, without liability to the Co-owner thereof, remove or cause to be removed, any animal from the Condominium which it determines to be in violation of the restrictions imposed by this section or by any applicable rules and regulations of the Association. The Association may also assess fines for such violations of the restrictions imposed by this section or by any applicable rules and regulations of the Association. The term "animal" or "pet" as used in this Section 6, shall not include small domesticated animals which are constantly caged, such as small birds, hamsters or fish.

Section 7. The Common Elements shall not be used for storage of supplies, materials, personal property, trash, or refuse of any kind, except as provided in the duly adopted Rules and Regulations of the Association. Garage doors shall be kept closed at all times except as may reasonably necessary to gain access to and from any garage. No unsightly condition shall be maintained on any patio, porch or deck and only furniture and equipment consistent with the normal and reasonable use of such areas shall be permitted to remain there during seasons when such areas are reasonably in use and no furniture or equipment of any kind shall be stored thereon during seasons when such areas are not reasonably in use. Trash shall be stored in cans and set out on the curbside on the day of pick-up and collected by the commercial contractor selected by the Association. The Association may choose to select one trash collection company and, if they do, expenses of trash collection can then be treated as an expense of administration and paid for collectively by the Association. The Co-owners may put their trash out no sooner than 6:00 p.m. the night before the day of trash pickup. At all other times, trash receptacles shall be maintained in closed garages. In general, no activity shall be carried on nor condition maintained by the Co-owner either in his Unit or upon the Common Elements, which is detrimental to the appearance of the Condominium. No Unit shall be used or maintained as a dumping ground for rubbish, trash, garbage or other waste.

Section 8. Walkways, yards, landscaped areas, driveways, roads and porches shall not be obstructed in any way nor shall they be used for purposes other than for which they are reasonably and obviously intended. No bicycles, vehicles, chairs, or benches may be left unattended on or about the Common Elements. Use of any amenities in the Condominium may be limited to such times and in such manner as the Association shall determine by duly adopted regulations; provided, however, that use of any amenities in the Condominium shall be limited to resident Co-owners who are members in good standing of the Association and to the tenants, land contract purchasers and/or other non-Co-owner occupants of Units in which the Co-owner does not reside, and to the extent permitted by the Rules and Regulations of the Association, guests of such persons; provided, further, however, that the non-resident Co-owners of such Units are members in good standing of the Association.

Section 9. Each dwelling structure shall contain an attached two-car garage, plus space for parking two cars in the driveway apron. Except for vans and pick-up trucks used for personal transportation by a Co-owner, no house trailers, pick-up trucks, recreational vehicles, watercraft, vans or similar vehicles, such as club wagons, commercial vehicles, boat trailers, boats, camping vehicles, camping trailers, mobile homes, dune buggies, motor homes, all terrain vehicles, motorcycles, motor bikes, snowmobiles, snowmobile trailers, or vehicles other than automobiles may be parked or stored upon the Premises of the Condominium, unless said vehicles are parked in the garages of the structures on respective Units, or unless specifically approved by the Association, or parked in an area specifically designated therefor by the Association. Nothing herein contained shall be construed to require the Association to approve the parking or storage of such vehicles or to designate an area therefor. The Association shall not be responsible for any damages, costs or other liability arising from any failure to approve the parking or storage of such vehicles or to designate an area therefor. Unless the Board of Directors specifically approves in writing otherwise, Co-owners shall not park or maintain more than three (3) vehicles on the Condominium Premises and such vehicles shall only be parked in their respective garages, except that if the number of vehicles owned by a Co-owner exceeds the number of vehicles that a Co-owner's garage can accommodate, such additional vehicles shall be parked in the Co-owner's driveway immediately adjoining his or her garage. Commercial vehicles and trucks shall not be parked in or about the Condominium (except as above provided) unless while making deliveries or pick-ups in the normal course of business or unless parked in the Co-owner's garage. Non-operational vehicles or vehicles with expired license plates shall not be parked or stored on the Condominium Premises without the written permission of the Board of Directors. Non-emergency maintenance or repair of motor vehicles shall not be permitted on the Condominium Premises. The Association may cause vehicles parked or stored in violation of this Section to be removed from the Condominium Premises and the cost of such removal may be assessed to and collected from the Co-owner of the Unit responsible for the presence of the vehicle in the manner provided in Article II hereof. Co-owners shall, if the Association shall require, register with the Association all vehicles maintained on the Condominium Premises. The Board of Directors may promulgate reasonable rules and regulations governing the parking of vehicles in the Condominium consistent with the provisions hereof.

Section 10. No signs or other advertising devices shall be displayed which are visible from the exterior of a Unit dwelling or in yard areas, or on the Common Elements including "For Sale" signs and "Open" signs, without written permission from the Association and during the Construction and Sales Period, from the Developer. In the absence of permitted regulations adopted by the Association, permission shall not be unreasonably withheld.

Section 11. Reasonable rules and regulations consistent with the Act, the Master Deed, and these By-Laws, concerning the use of the Common Elements may be made and amended from time to time by the Board of Directors of the Association, including the first Board of Directors (or its successors appointed by the Developer prior to the First Annual Meeting of the entire Association held as provided in Article I, Section 7, of these By-Laws). Copies of all such regulations and amendments thereto, shall be furnished to all Co-owners and shall become effective thirty (30) days after mailing or delivery thereof to the designated voting representative of each Co-owner. Any such regulation or amendment may be revoked at any time by the affirmative vote of more than fifty (50%) percent of all Co-owners except that the Co-owners may not revoke any regulation prior to the First Annual Meeting of the entire Association. "

Section 12. No Co-owner shall perform any landscaping or plant any trees, shrubs or flowers or place any ornamental materials upon the General Common Elements unless approved by the Association in writing. Co-owners are required to seed or sod their Unit within sixty (60) days of completion of construction of their home. A silt fence shall be maintained at the perimeter of the Unit, and at the edge of any open space until seed or sod has taken hold and will function as permanent soil erosion protection. Co-owners will be responsible for planting one (1) deciduous shade tree in the area between the sidewalk and the street in front of their residences within sixty (60) days of occupancy. Those trees shall comply with the requirements of the Zoning Ordinance for the municipality and shall be a minimum of two and one-half (2 1/2) inches in caliper, measured twelve (12) inches above grade with the first branch a minimum of four (4) feet above grade when planted. No Co-owner shall extend any fences or landscaping into any adjacent Unit or common elements. Any fencing is subject to approval as provided in Section 3 of this Article. During the Construction and Sales Period, fences shall only be hedge

or similar landscape plantings or white picket fence variety. No privacy nor stockade fencing is allowed. Thereafter, the Association in its discretion, may adopt alternate fence regulations.

No accessory buildings shall be permitted on any Unit. Accessory structures, other than accessory buildings, shall be permitted on a Unit, however, the location of accessory structures, including so-called play structures and other recreational structures, shall be restricted to an area in the backyard immediately and entirely behind the foundation of the home, with no part of a structure extending toward the side boundaries of the Unit outside of two parallel lines perpendicular with the rear boundary of the Unit, extending from the rear corners of the home to the rear boundary line; nor shall any structure be situated in a location beyond a line parallel to and twenty (20) feet from the rear of the home foundation.

Section 13. No Co-owner may dispose of a Unit in the Condominium, or any interest therein, by a sale or lease without complying with the following terms or conditions:

- (a) A Co-owner intending to make a sale or lease of a Unit in the Condominium, or any interest therein, shall give written notice of such intention delivered to the Association at its registered office and shall furnish the name and address of the intended purchaser or lessee and such other information as the Association may reasonably require. Prior to the sale or lease of a Unit, the selling or leasing Co-owner shall provide a copy of the Condominium Master Deed (including Exhibits A and B thereto) and any amendments to the Master Deed, to the proposed purchaser or lessee. In the event a Co-owner shall fail to notify the Association of the proposed sale or lease or in the event a Co-owner shall fail to provide the prospective purchaser or lessee with a copy of the Master Deed referred to above, such Co-owner shall be liable for all costs and expenses, including attorney fees, that may be incurred by the Association as a result thereof or by reason of any non-compliance of such purchaser or lessee with the terms, provisions and restrictions set forth in the Master Deed; provided, however, that this provision shall not be construed so as to relieve the purchaser or lessee of his obligations to comply with the provisions of the Condominium Documents.
- (b) The Developer shall not be subject to this Section 13 in the sale or, except to the extent provided in Article VI, Section 2(b), the lease of any Unit in the Condominium which it owns, nor shall the holder of any mortgage which comes into possession of a Unit pursuant to the remedies provided in the mortgage, or foreclosure of the mortgage, or deed in lieu of foreclosure, be subject to the provisions of this Section 13.

Section 14. Each Co-owner shall maintain his Unit and any improvements thereon and Limited Common Elements, if any, appurtenant thereto for which he has maintenance responsibility in a safe, clean, and sanitary condition. Each Co-owner shall also use due care to avoid damaging any of the Common Elements including, but not limited to, the telephone, water, plumbing, electrical, or other utility conduits and systems, and any other elements in any Unit which are appurtenant to or which may affect any other Unit or the improvements thereon. Each Co-owner shall be responsible for damages or costs to the Association or to other Co-owners, as the case may be, resulting from negligent damage to or misuse of any of the Common Elements by him, or his family, guests, tenants, land contract purchasers, agents, or invitees unless such damages or costs are covered by insurance carried by the Association, in which case there shall be no such responsibility (unless full reimbursement to the Association is excluded by virtue of a deductible provision, in which case the responsible Co-owner shall bear the expense to the extent of the deductible amount). Any costs or damages to the Association or the other Co-owners, as the case may be, may be assessed to and collected from the responsible Co-owner in the manner provided in Article II hereof. The Co-owner shall have the responsibility to report to the Association any Common Element which has been damaged or which is otherwise in need of maintenance, repair or replacement.

Section 15. None of the restrictions contained in this Article VI shall apply to the commercial activities, signs, or billboards, if any, of the Developer during the Construction and Sales Period as defined herein, or of the Association in furtherance of its powers and purposes set forth herein and in its Articles of Incorporation and By-Laws as the same may be amended

from time to time. For the purposes of this Section, the Construction and Sales Period shall be deemed to continue so long as Developer owns any Units which it offers for sale or for so long as Developer continues to develop or proposes to develop additional Units on the Project or on property adjoining the Project. Until all Units in the entire Condominium Project are sold by Developer, Developer and/or its designees shall have the right to maintain a sales office, business office, construction office, model Units, storage areas, reasonable parking incident to the foregoing and such access to, from, and over the Project as may be reasonable to enable development and sale of the entire Condominium by Developer and/or the development and sales of other off site property by Developer or its affiliates, and Developer may continue to do so during the entire Construction and Sales Period and Warranty period applicable to any Unit in the Condominium. The Developer shall restore the areas so utilized to habitable status upon termination of use.

Section 16. The Condominium shall at all times be maintained in a manner consistent with the highest standards of a beautiful, serene, private, residential community for the benefit of the Co-owners and all persons interested in the Condominium. If at any time the Association fails or refuses to carry out its obligation to maintain, repair, replace, and landscape in a manner consistent with the maintenance of such high standards, then the Developer, or any entity to whom it may assign this right, at its option, may elect to maintain, repair, and/or replace any Common Elements and/or to do any landscaping required by these By-Laws and to charge the cost thereof to the Association as an expense of administration. The Developer shall have the right to enforce these By-Laws during the Construction and Sales Period, notwithstanding that it may no longer own a Unit in the Condominium, which right of enforcement may include (without limitation) an action to restrain the Association or any Co-owner from any activity prohibited by these By-Laws.

Section 17. The Association, or its duly authorized agents, shall have access to each Unit, any Limited Common Elements appurtenant thereto, and any Limited or General Common Elements accessible from that Unit, from time to time, during reasonable working hours and upon notice to the Co-owner thereof as may be necessary for the maintenance, repair, or replacement of any of the Common Elements there or accessible therefrom. The Association, or its agents, shall also have access to each Unit and any Limited or General Common Elements appurtenant thereto at all times without notice as may be necessary to make emergency repairs to prevent damage to the Common Elements or to another Unit. It shall be the responsibility of each Co-owner to provide the Association a means of access of his Unit, any Limited Common Elements appurtenant thereto, or any General Common Elements accessible from that Unit, during any period of absence. In the event of the failure of such Co-owner to provide a means of access, the Association may gain access in such manner as may be reasonable under the circumstances and shall not be liable to such Co-owner for any necessary damage to his Unit and any Limited Common Elements appurtenant thereto, or any General Common Elements accessible from that Unit caused thereby or for repair or replacement of any doors or windows damaged in gaining such access and the Co-owner shall be responsible for the costs of obtaining such access. This provision in and of itself shall not be construed to permit access to the interiors of residences or other structures located within a Unit.

Section 18. No Unit shall be split or reduced in size by any method whatsoever without the prior written consent of the Association. Units may be enlarged by consolidation with one (1) or more adjoining Units under one (1) ownership. If one (1) or more Units are developed together as one residence, all of the restrictions in this Article shall apply as though a single Unit were involved. Each Co-Owner covenants that he will not change the surface grade of his Unit or appurtenant limited common elements or driveways thereon in a manner which will materially increase or decrease the storm water flowing onto or off of his Unit and will not block, pond or obstruct surface water. The Board of Directors of the Association shall enforce this covenant and may enter upon the Units in the Condominium to correct any violation of this covenant and shall charge the costs of the correction to the Co-Owner and such costs shall be a lien upon the Unit.

Section 19. Any and all costs, damages, expenses and/or attorneys fees incurred by the Association in enforcing any of the restrictions set forth in this Article VI and/or rules and regulations promulgated by the Board of Directors of the Association under Article VI, Section 11, of these By-Laws, may be assessed to and collected from the responsible Co-owner in the manner provided in Article II hereof.

ARTICLE VII

MORTGAGES

Section 1. Any Co-owner who mortgages his Unit shall notify the Association of the name and address of the mortgagee and the Association shall maintain such information in a book entitled "Mortgages of Units." The Association may, at the written request of a mortgagee of any such Unit, report any unpaid assessments due from the Co-owner of such Unit. The Association shall give to the holder of any first mortgage covering any Unit in the Project written notification of any default in the performance of the obligations of the Co-owner of such Unit that is not cured within sixty (60) days.

Section 2. The Association shall, if requested to do so, notify each mortgagee appearing in said book of the name of each company insuring the Condominium against fire, perils covered by extended coverage, and vandalism and malicious mischief and the amount of such coverage, and notify that company of any lapse, cancellation or material modification of those policies.

Section 3. Upon written request submitted to the Association, any holder of a first mortgage lien on any Unit in the Condominium shall be entitled to receive written notification of every meeting of the members of the Association and to designate a representative to attend such meeting.

ARTICLE VIII

AMENDMENTS

Section 1. Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon the vote of the majority of the Directors or by one-third (1/3) or more of the members or by instrument in writing signed by them.

Section 2. Upon any such Amendment being proposed, a meeting for consideration of the same shall be duly called in accordance with the provisions of the Association's Corporate By-Laws.

Section 3. These By-Laws may be amended by the Co-owners at any regular annual meeting or a special meeting called for such purpose by an affirmative vote of not less than sixty six and two-thirds percent (66 2/3%) of all Co-owners. No consent of mortgagees shall be required to amend these By-Laws unless such amendment would materially alter or change the rights of such mortgagees, in which event the approval of sixty-six and two-thirds (66-2/3%) percent of the mortgagees shall be required, with each mortgagee to have one vote for each first mortgage held. During the Construction and Sales Period, these By-Laws may not be amended in any manner so as to materially affect and/or impair the rights of the Developer, unless said amendment has received the prior written consent of the Developer. In no event shall Article XIII or any other Section of By-Laws herein delineating the Developer's rights be amended without the prior written consent of the Developer.

Section 4. Prior to the First Annual Meeting of members, these By-Laws may be amended by the Developer without approval from any other person so long as such amendment does not materially alter or change the rights of a Co-owner or mortgagee, including, but not limited to, amendments for the purpose of facilitating conventional mortgage loan financing for existing or prospective Co-owners and to enable the purchase of such mortgage loans by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Government National Mortgage Association and/or any other agency of the Federal government or the State of Michigan, or to satisfy the requirements of the Department of Housing and Urban Development.

Section 5. Any amendment to these By-Laws (but not the Association's Corporate By-Laws) shall become effective upon recording of such amendment in the office of the Oakland County Register of Deeds.

Section 6. A copy of each Amendment to the By-Laws shall be furnished to every member of the Association after adoption; provided, however, that any Amendment to these By-Laws that is adopted in accordance with this Article shall be binding upon all persons who have an interest in the Project irrespective of whether such persons actually receive a copy of the Amendment.

ARTICLE IX

COMPLIANCE

The Association of Co-owners, present or future Co-owners, tenants, future tenants, land contract purchasers, or any other persons acquiring an interest in or using the facilities of the Project in any manner are subject to and shall comply with the Act, as amended, and with the Condominium Documents and the mere acquisition, occupancy, or rental of any Unit, or an interest therein, or the utilization of or entry upon the Condominium Premises shall signify that the Condominium Documents are accepted and ratified. In the event the Condominium Documents conflict with the provisions of the Act, the Act shall govern. In the event any portion of these By-Laws or the Association's Corporate By-Laws conflict with any provision of the Master Deed, the Master Deed shall govern. In the event any provision of the Association's Corporate By-Laws conflicts with any provision of these By-Laws, these By-Laws shall govern.

ARTICLE X

DEFINITIONS

All terms used herein shall have the same meaning as set forth in the Master Deed to which these By-Laws are attached as an Exhibit or as set forth in the Act.

ARTICLE XI

REMEDIES FOR DEFAULT

Section 1. Any default by a Co-owner shall entitle the Association or another Co-owner or Co-owners to the following relief:

- (a) Failure to comply with any of the terms or provisions of the Condominium Documents or the Act, including any of the rules and regulations promulgated by the Board of Directors of the Association hereunder shall be grounds for relief, which may include without intending to limit the same, an action to recover sums due for damages, injunctive relief, foreclosure of lien (if default in payment of assessment) or any combination thereof, and such relief as may be sought by the Association, or if appropriate, by an aggrieved Co-owner or Co-owners.
- (b) In the event of a default of the Condominium Documents by a Co-owner and/or non-Co-owner resident or guest, the Association shall be entitled to recover from the Co-owner and/or non-Co-owner resident or guest, the prelitigation costs and attorney fees incurred in obtaining their compliance with the Condominium Documents. In any proceeding arising because of an alleged default by any Co-owner, the Association, if successful, shall be entitled to recover the costs of the proceedings and such reasonable attorney's fees, (not limited to statutory fees) as may be determined by the Court, but in no event shall any Co-owner be entitled to recover such attorney's fees. The Association, if successful, shall also be entitled to recoup the costs and attorney's fees incurred in defending any claim, counterclaim or other matter from the Co-owner asserting the claim, counterclaim or other matter.
- (c) The violation of any of the provisions of the Condominium Documents, including the rules and regulations promulgated by the Board of Directors of the Association hereunder, shall also give the Association, or its duly authorized agents, the right, in addition to the rights set forth above, to enter upon the common Elements or into any Unit and the improvements thereon, where

reasonably necessary, and summarily remove and abate, at the expense of the Co-owner in violation, any structure, thing or condition existing or maintained contrary to the provisions of the Condominium Documents; however, such right to summarily remove and abate may only be exercised after reasonable attempts to provide prior notice of the violation and the Board of Director's intent to summarily remove and abate, as is hereinafter described, has been given to the Co-owner in violation, and an opportunity to respond to the allegation has been afforded the Co-owner in violation. Such entry shall be made without a breach of the peace. The Association shall have no liability to any Co-owner in violation. The Association shall have no liability to any Co-owner arising out of the exercise of its removal and abatement power authorized herein.

- (d) The violation of any of the provisions of the Condominium Documents, including any of the rules and regulations promulgated by the Board of Directors of the Association hereunder, by any Co-owner, in addition to the rights set forth above, shall be grounds for assessment by the Association of a monetary fine for such violation. No fine may be assessed unless the rules and regulations establishing such fine have first been duly adopted by the Board of Directors of the Association and notice thereof given to all Co-owners in the same manner as prescribed in Article VI, Section 11 of these By-Laws. Thereafter, fines may be assessed only upon notice to the offending Co-owner and an opportunity for such Co-owner to appear before the Board of Directors no less than seven (7) days from the date of the notice and offer evidence in defense of the alleged violation. Upon finding an alleged violation after an opportunity for hearing has been provided, the Board of Directors may levy a fine in such amount as it, in its discretion, deems appropriate. All fines duly assessed may be collected in the same manner as provided in Article II of these By-Laws.

Section 2. The failure of the Association or of any Co-owner to enforce any right, provision, covenant, or condition which may be granted by the Condominium Documents shall not constitute a waiver of the right of the Association or of any such Co-owner to enforce such right, provision, covenant, or condition in the future.

Section 3. All rights, remedies, and privileges granted to the Association or any Co-owner or Co-owners pursuant to any terms, provisions, covenants, or conditions of the aforesaid Condominium Documents shall be deemed to be cumulative and the exercise of any one (1) or more shall not be deemed to constitute an election of remedies, nor shall it preclude the party thus exercising the same from exercising such other and additional rights, remedies, or privileges as may be available to such party at law or in equity.

Section 4. A Co-owner may maintain an action against the Association and its officers and directors to compel such persons to enforce the terms and provisions of the Condominium Documents. A Co-owner may maintain an action against any other Co-owner for injunctive relief or for damages or any combination thereof for non-compliance with the terms and provisions of the Condominium Documents or the Act.

ARTICLE XII

RIGHTS RESERVED TO DEVELOPER

Any or all of the rights and powers granted or reserved to the Developer in the Condominium Documents or by law, including the right and power to approve or disapprove any act, use, or proposed action or any other matter or thing, may be assigned by it to any other entity or to the Association. Any such assignment or transfer shall be made by appropriate instrument in writing in which the assignee or transferee shall join for the purpose of evidencing its consent to the acceptance of such powers and rights and such assignee or transferee shall thereupon have the same rights and powers as herein given and reserved to the Developer. Any rights and powers reserved or retained by Developer or its successors shall expire and terminate, if not sooner assigned to the Association, at the conclusion of the Construction and Sales Period, as same is defined in Article III of the Master Deed. Notwithstanding anything herein to the contrary, the immediately preceding sentence dealing with the expiration and termination of certain rights and powers granted or reserved to the Developer is intended to apply, insofar as

the Developer is concerned, only to the Developer's rights to approve and control the administration of the Condominium and shall not, under any circumstances, be construed to apply to or cause the termination and expiration of any real property rights granted or reserved to the Developer or its successors and assigns in the Master Deed or elsewhere (including, but not limited to, access easements, utility easements and all other easements created and reserved in such documents), which shall not be terminable in any manner hereunder and which shall be governed only in accordance with the terms of their creation or reservation and not hereby, nor to the Developer's right to enforce Article XIII of these By-Laws.

ARTICLE XIII

JUDICIAL ACTIONS AND CLAIMS

Actions on behalf of and against the Co-owners shall be brought in the name of the Association. Subject to the express limitations on actions in these By-Laws and in the Association's By-Laws, the Association may assert, defend or settle claims on behalf of all Co-owners in connection with the Common Elements of the Condominium. As provided in the By-Laws of the Association, the commencement of any civil action (other than one to enforce these By-Laws or collect delinquent assessments) shall require the approval of a majority in number and in value of the Co-owners, and shall be governed by the requirements of this Article. The requirements of this Article will ensure that the Co-owners are fully informed regarding the prospects and likely costs of any civil action the Association proposes to engage in, as well as the ongoing status of any civil actions actually filed by the Association. These requirements are imposed in order to reduce both the cost of litigation and the risk of improvident litigation, and in order to avoid the waste of the Association's assets in litigation where reasonable and prudent alternatives to the litigation exist. Each Co-owner shall have standing to sue to enforce the requirements of this Article. The following procedures and requirements apply to the Association's commencement of any civil action other than an action to enforce these By-Laws or to collect delinquent assessments:

Section 1. Board of Directors' Recommendation to Co-owners. The Association's Board of Directors shall be responsible in the first instance for recommending to the Co-owners that a civil action be filed, and supervising and directing any civil actions that are filed.

Section 2. Litigation Evaluation Meeting. Before an attorney is engaged for purposes of filing a civil action on behalf of the Association, the Board of Directors shall call a special meeting of the Co-owners ("litigation evaluation meeting") for the express purpose of evaluating the merits of the proposed civil action. The written notice to the Co-owners of the date, time and place of the litigation evaluation meeting shall be sent to all Co-owners not less than twenty (20) days before the date of the meeting and shall include the following information copied onto 8 1/2" x 11" paper:

- (a) A certified resolution of the Board of Directors setting forth in detail the concerns of the Board of Directors giving rise to the need to file a civil action and further certifying that:
 - (1) it is in the best interests of the Association to file a lawsuit;
 - (2) that at least one member of the Board of Directors has personally made a good faith effort to negotiate a settlement with the putative defendant(s) on behalf of the Association, without success;
 - (3) litigation is the only prudent, feasible and reasonable alternative; and
 - (4) the Board of Directors' proposed attorney for the civil action is of the written opinion that litigation is the Association's most reasonable and prudent alternative.
- (b) A written summary of the relevant experience of the attorney ("litigation attorney") the Board of Directors recommends be retained to represent the Association in the proposed civil action, including the following information:

- (1) the number of years the litigation attorney has practiced law; and
 - (2) the name and address of every condominium and homeowner association for which the attorney has filed a civil action in any court, together with the case number, county and court in which each civil action was filed.
- (c) The litigation attorney's written estimate of the amount of the Association's likely recovery in the proposed lawsuit, net of legal fees, court costs, expert witness fees and all other expenses expected to be incurred in the litigation.
 - (d) The litigation attorney's written estimate of the cost of the civil action through a trial on the merits of the case ("total estimated cost"). The total estimated cost of the civil action shall include the litigation attorney's expected fees, court costs, expert witness fees, and all other expenses expected to be incurred in the civil action.
 - (e) The litigation attorney's proposed written fee agreement.
 - (f) The amount to be specially assessed against each Unit in the Condominium to fund the estimated cost of the civil action both in total and on a monthly per Unit basis, as required by Section 6 of this Article.

Section 3. Independent Expert Opinion. If the lawsuit relates to the condition of any of the Common Elements of the Condominium, the Board of Directors shall obtain a written independent expert opinion as to reasonable and practical alternative approaches to repairing the problems with the Common Elements, which shall set forth the estimated costs and expected viability of each alternative. In obtaining the independent expert opinion required by the preceding sentence, the Board of Directors shall conduct its own investigation as to the qualifications of any expert and shall not retain any expert recommended by the litigation attorney or any other attorney with whom the Board of Directors consults. The purpose of the independent expert opinion is to avoid any potential confusion regarding the condition of the Common Elements that might be created by a report prepared as an instrument of advocacy for use in a civil action. The independent expert opinion will ensure that the Co-owners have a realistic appraisal of the condition of the Common Elements, the likely cost of repairs to the replacement of the same, and the reasonable and prudent repair and replacement alternatives. The independent expert opinion shall be sent to all Co-owners with the written notice of the litigation evaluation meeting.

Section 4. Fee Agreement With Litigation Attorney. The Association shall have a written fee agreement with the litigation attorney, and any other attorney retained to handle the proposed civil action. The Association shall not enter into any fee agreement that is a combination of the retained attorney's hourly rate and contingent fee arrangement unless the existence of the agreement is disclosed to the Co-owners in the text of the Association's written notice to the Co-owners of the litigation evaluation meeting.

Section 5. Co-owner Vote Required. At the litigation evaluation meeting the Co-owners shall vote on whether to authorize the Board of Directors to proceed with the proposed civil action and whether the matter should be handled by the litigation attorney. The commencement of any civil action by the Association (other than a suit to enforce these By-Laws or collect delinquent assessments) shall require the approval of two-thirds in number and in value of the Co-owners. Any proxies to be voted at the litigation evaluation meeting must be signed at least seven (7) days prior to the litigation evaluation meeting.

Section 6. Litigation Special Assessment. All legal fees incurred in pursuit of any civil action that is subject to Section 1 through 10 of this Article shall be paid by special assessment of the Co-owners ("litigation special assessment"). The litigation special assessment shall be approved at the litigation evaluation meeting (or at any subsequent duly called and noticed meeting) by a majority in number and in value of all Co-owners in the amount of the estimated total cost of the civil action. If the litigation attorney proposed by the Board of Directors is not retained, the litigation special assessment shall be in an amount equal to the estimated total cost of the civil action, as estimated by the attorney actually retained by the Association. The litigation special assessment shall be apportioned to the Co-owners in

accordance with their respective percentage of the value interests in the Condominium and shall be collected from the Co-owners on a monthly basis. The total amount of the litigation special assessment shall be collected monthly over a period not to exceed twenty-four (24) months.

Section 7. Attorney's Written Report. During the course of any civil action authorized by the Co-owners pursuant to this Article, the retained attorney shall submit a written report ("attorney's written report") to the Board of Directors every thirty (30) days setting forth:

- (a) The attorney's fee, the fees of any experts retained by the attorney, and all other costs of the litigation during the thirty (30) days period immediately preceding the date of the attorney's written report ("reporting period").
- (b) All actions taken in the civil action during the reporting period, together with copies of all pleadings, court papers and correspondence filed with the court or sent to opposing counsel during the reporting period.
- (c) A detailed description of all discussions with opposing counsel during the reporting period, written and oral, including but not limited to, settlement discussions.
- (d) The costs incurred in the civil action through the date of the written report, as compared to the attorney's estimated total cost of the civil action.
- (e) Whether the originally estimated total cost of the civil action remains accurate.

Section 8. Monthly Board Meetings. The Board of Directors shall meet monthly during the course of any civil action to discuss and review:

- (a) the status of the litigation;
- (b) the status of settlement efforts, if any; and
- (c) the attorney's written report.

Section 9. Changes in the Litigation Special Assessment. If at any time during the course of a civil action, the Board of Directors determines that the originally estimated total cost of the civil action or any revisions thereof is inaccurate, the Board of Directors shall immediately prepare a revised estimate of the total cost of the civil action. If the revised estimate exceeds the litigation special assessment previously approved by the Co-owners, the Board of Directors shall call a special meeting of the Co-owners to review the status of the litigation, and to allow the co-owners to vote on whether or continue the civil action and increase the litigation special assessment. The meeting shall have the same quorum and voting requirements as a litigation evaluation meeting.

Section 10. Disclosure of Litigation Expenses. The attorneys' fees, court costs, expert witness fees and all other expenses of any civil action filed by the Association ("litigation expenses") shall be fully disclosed to Co-owners in the Association's annual budget. The litigation expenses for each civil action filed by the Association shall be listed as a separate line item captioned "litigation expenses" in the Association's annual budget.

ARTICLE XIV

SEVERABILITY

In the event that any of the terms, provisions, or covenants of these By-Laws or the Condominium Documents are held to be partially or wholly invalid or unenforceable for any reason whatsoever, such holding shall not affect, alter, modify, or impair in any manner whatsoever any of the other terms, provisions, or covenants, of such documents or the remaining portions of any terms, provisions, or covenants held to be partially invalid or unenforceable.