

MASTER DEED

OF

THE HILLS OF WATERFORD

THIS MASTER DEED is made and executed on this 27th day of June, 1997, by American Quality Homes, Inc., a Michigan Corporation, hereinafter referred to as "Developer," whose address is 41050 Vincent Court, Novi, Michigan 48375, represented herein by Bernard Gliberman, who is fully empowered and qualified to act on behalf of the Corporation, in pursuance of the provisions of the Michigan Condominium Act (being Act 59 of the Public Acts of 1978, as amended), hereinafter referred to as the "Act."

WITNESSETH:

WHEREAS, the Developer desires by recording this Master Deed, together with the Condominium By-Laws, attached hereto as Exhibit A, and together with the Condominium Subdivision Plan, attached hereto as Exhibit B (both of which are hereby incorporated by reference and made a part hereof), to establish the real property described in Article II below, together with the improvements located and to be located thereon, and the appurtenances thereto, as a residential Condominium Project under the provisions of the Act.

NOW, THEREFORE, the Developer does, upon the recording hereof, establish The Hills of Waterford as a Condominium Project under the Act and does declare that The Hills of Waterford, hereinafter referred to as the "Condominium," "Project," or the "Condominium Project," shall, after such establishment, be held, conveyed, hypothecated, encumbered, leased, rented, occupied, improved, or in any other manner utilized, subject to the provisions of the Act, and to the covenants, conditions, restrictions, uses, limitations, and affirmative obligations set forth in this Master Deed and Exhibits A and B hereto, all of which shall be deemed to run with the land and shall be a burden and benefit to the Developer, its successors, and assigns, and any persons acquiring or owning interests in the said real property, their grantees, successor, heirs, representatives, administrators, and assigns. In furtherance of the establishment of said Condominium Project, it is provided as follows:

ARTICLE I

TITLE AND NATURE

The Condominium Project shall be known as The Hills of Waterford, Oakland County Condominium Subdivision Plan No. 1056. The engineering plans for the Project were approved by and filed with the Township of Waterford. The architectural plans for all dwellings and other improvements to be constructed within the Project must be approved by the Township of Waterford and thereafter will be filed with the Township of Waterford. The Condominium Project is established in accordance with the Act. The Units contained in the Condominium, including the number, boundaries, dimensions, and area of each Unit therein are set forth completely in the Condominium Subdivision Plan attached as Exhibit B hereto. Each Unit has been created for residential purposes and each Unit is capable of individual utilization on account of having its own entrance from and exit to a Common Element of the Condominium Project. Each Co-owner in the Condominium Project shall have an exclusive right to his Unit and shall have undivided and inseparable rights to share with other Co-owners the Common Elements of the Condominium Project as are designated by the Master Deed. The provisions of this Master

Deed, including, but without limitation, the purposes of the Condominium, shall not be construed to give rise to any warranty or representation, express or implied, as to the composition or physical condition of the Condominium, other than that which is expressly provided herein.

ARTICLE II

LEGAL DESCRIPTION

The land which is submitted to the Condominium Project established by this Master Deed is particularly described as follows:

Part of the south 1/2 of Section 9, Town 3 north, Range 9 east, Waterford Township, Oakland County, Michigan, described as beginning at the south 1/4 corner of said Section 9, thence north 89 degrees 35 minutes 30 seconds west (recorded as north 89 degrees 33 minutes 12 seconds west) 660.56 feet along the south line of said Section 9 (as occupied), also being the center of Hatchery Road; thence north 00 degrees 17 minutes 32 seconds west 488.69 feet (recorded as north 00 degrees 10 minutes 13 seconds west 487.75 feet); thence north 89 degrees 35 minutes 30 seconds west 660.62 feet (recorded as north 89 degrees 33 minutes 12 seconds west 661.50 feet); thence north 00 degrees 17 minutes 32 seconds west (recorded as north 00 degrees 15 minutes 46 seconds west) 1877.30 feet; thence north 89 degrees 43 minutes 20 seconds east 165.63 feet; north 05 degrees 25 minutes 00 seconds west 286.12 feet to a point on the east-west 1/4 line of said Section 9 and the south line of "Burlingham Lake Park Subdivision" as recorded in Liber 47 of Plats, page 13, Oakland County records; thence north 89 degrees 49 minutes 00 seconds east 60.00 feet along the east-west 1/4 line of said Section 9 and the south line of "Burlingham Lake Park Subdivision;" thence south 05 degrees 25 minutes 00 seconds east 150.00 feet; thence north 89 degrees 49 minutes 00 seconds east 290.00 feet; thence north 05 degrees 25 minutes 00 seconds west 150.00 feet to a point on the east-west 1/4 line of said Section 9 and the south line of "Burlingham Lake Park Subdivision;" thence north 89 degrees 49 minutes 00 seconds east 634.58 feet along the east-west 1/4 line of said Section 9 and the south line of "Burlingham Lake Park Subdivision;" thence south 00 degrees 01 minute 00 seconds east 780.00 feet; thence north 89 degrees 23 minutes 00 seconds east 617.56 feet (recorded as 618.86 feet); thence south 00 degrees 02 minutes 06 seconds west 572.86 feet; thence south 00 degrees 05 minutes 04 seconds east 1315.99 feet to a point on the south Section line of said Section 9; thence south 89 degrees 43 minutes 31 seconds west 409.33 feet (recorded as 89 degrees 44 minutes 51 seconds west 411.45 feet) along the south line of said Section 9, also being the centerline of Hatchery Road to the point of beginning. Containing 85.5524 acres excepting the rights of the public over the southerly 33.00 feet for Hatchery Road and easements and restrictions of record, if any.

ARTICLE III

DEFINITIONS

Certain terms are utilized not only in this Master Deed and Exhibits A and B hereto, but are or may be used in various other instruments such as, by way of example and not limitation, the Articles of Incorporation, Corporate By-Laws, and Rules and Regulations of The Hills of Waterford Association, a Michigan non-profit Corporation, and Deeds, Mortgages, Liens, Land Contracts, Easements, and other instruments affecting the establishment of, or transfer of, interest in The Hills of Waterford, as a Condominium. Wherever used in such documents or any other pertinent instruments, the terms set forth below shall be defined as follows:

The "Act" means the Michigan Condominium Act, being Act 59 of the Public Acts of 1978, as amended.

A. "Administrator" means the Michigan Department of Commerce or an authorized designee.

B. "Association" means The Hills of Waterford Association which is the non-profit corporation organized under Michigan law of which all Co-owners shall be members, which corporation shall administer, operate, manage and maintain the Condominium. Any action required of or permitted to the Association shall be exercisable by its Board of Directors unless specifically reserved to its members by the Condominium documents or the laws of the State of Michigan.

C. "Association Corporate By-Laws" means the Corporate By-Laws of The Hills of Waterford Association, the Michigan non-profit Corporation organized to manage, maintain, and administer the Condominium.

D. "Board of Directors" or "Board" means the Board of Directors of The Hills of Waterford Association, a Michigan non-profit corporation organized to manage, maintain and administer the Condominium.

E. "Common Elements" where used without modification shall mean both the General Common Elements described in Article IV hereof and such Limited Common Elements as may be created in accordance with the provisions of this Master Deed.

F. "Condominium By-Laws" means Exhibit A hereto, being the By-Laws setting forth the substantive rights and obligations of the Co-owners and required by Section 3(8) of the Act to be recorded as part of the Master Deed.

G. "Condominium Documents," wherever used, means and includes this Master Deed and Exhibits A and B hereto, the Articles of Incorporation, Association Corporation By-Laws, and Rules and Regulations, if any, of the Association as all of the same may be amended from time to time.

H. "Condominium Premises" means and includes the land, described in Article II above, all improvements and structures thereon, and all easements, rights, and appurtenances belonging to The Hills of Waterford, as described above.

I. "Condominium Project," "Condominium," or "Project" means The Hills of Waterford as a Condominium established in conformity with the provisions of the Act.

J. "Condominium Subdivision Plan" means Exhibit B hereto.

K. "Construction and Sales Period" means the period commencing with the recording of the Master Deed and continuing as long as the Developer owns any Unit which it offers for sale or for so long as the Developer continues to construct or proposes to construct additional Units within the Project, together with any applicable warranty period in regard to such Units or dwellings built thereon.

L. "Co-owner" means a person, firm, Corporation, Partnership, Association, Trust, Limited Liability Company, Land Contract Vendee, if the Land Contract so provides, other legal entity or any combination thereof who or which own one (1) or more Units in the Condominium Project. The term "Owner," wherever used, shall be synonymous with the term "Co-owner."

M. "Contractible Area" means that portion of the submitted lands which may be withdrawn from the Project pursuant to provisions in the documents and in accordance with the Act.

N. "Developer" shall mean American Quality Homes, Inc., which has made and executed this Master Deed, and its successors and assigns. Both successors and assigns shall always deemed to be included in the term "Developer" whenever, however, and wherever such term is used in the Condominium documents.

O. "First Annual Meeting" means the initial meeting at which non-Developer Co-owners are permitted to vote for the election of all directors and upon all other matters which may properly be brought before the meeting. Such meeting is to be held: (a) in the Developer's sole discretion after fifty (50%) percent of the Units which may be created are sold, or (b) mandatorily after the elapse of fifty-four (54) months from the date of the first Unit conveyance, or (c) mandatorily after seventy-five (75%) percent of all Units which may be created are sold, whichever first occurs.

P. "Unit" or "Condominium" each mean a single Unit in The Hills of Waterford as such space may be described in Article V-A hereof, and shall have the same meaning as the term "Condominium Unit" which is defined in the Act. All structures and improvements now or hereafter located within the boundaries of a Unit shall be owned in their entirety by the Co-owner of the Unit within which they are located and shall not, unless otherwise expressly provided in the Condominium Documents, constitute Common Elements.

Q. Other terms which may be utilized in the Condominium documents and which are not defined hereinabove shall have the meanings as provided in the Act.

Whenever any reference herein is made to one gender, the same shall include a reference to any and all genders where the same would be appropriate; similarly, whenever a reference is made herein to the singular, a reference shall also be included to the plural where the same would be appropriate.

ARTICLE IV

COMMON ELEMENTS

The Common Elements of the Project described in Exhibit B attached hereto and the responsibility for maintenance, repair, or replacement thereof are as follows:

A. The General Common Elements are:

1. The land as described in Article II hereof, excepting that portion described in Article V-A below and in Exhibit "B" hereto as constituting the Units.

2. All roads, cul-de-sacs and other surface improvements not located within the boundaries of a Unit and not dedicated to the public. Those structures and improvements that now or hereafter are located within the boundaries of a Unit shall be owned in their entirety by the Co-owner of the Unit in which they are located and shall not, unless otherwise expressly provided in the Condominium documents, constitute Common Elements.

3. The electrical transmission system throughout the Project up to but not including the electric meter for each residential dwelling that now or hereafter is constructed within the perimeter of a Unit, together with common lighting for the Project, if any, as installed.

4. The telephone and cable T.V. wiring network, if any, throughout the Project up to the point of ancillary connection for Unit service.

5. The gas distribution system throughout the Project up to the point of lateral connection for Unit service.

6. The water distribution system throughout the Project up to the point of lateral connection for Unit service, including all common sprinkling system fixtures and connections.

7. The sanitary sewer system throughout the Project up to the point of lateral connection for Unit service.

8. The storm sewer system, including any detention basins, throughout the Project.

9. The telecommunications system, if and when it may be installed, up to the point of ancillary connection for Unit service.

10. The berms, landscaping and signs on General Common Elements.

11. Any areas designated as wetlands within the Condominium.

12. Such other elements of the Condominium, not herein designated as General Common Elements, which are not enclosed within the boundaries of a Unit, and which are intended for common use or necessary to the existence, upkeep, and safety of the Condominium.

Some or all of the utility lines, systems (including mains and service leads) and equipment and the telecommunications system, if and when constructed, described above may be owned by the local public authority or by the company that is providing the pertinent service. Accordingly, such utility lines, systems and equipment and the telecommunications system, if and when constructed, shall be General Common Elements only to the extent of the Co-owners' interest therein, if any, and Developer makes no warranty whatsoever with respect to the nature or extent of such interest, in any.

B. The Limited Common Elements are:

1. The mail boxes and mail box stands shall be subject to the exclusive use and enjoyment of the Co-owners of such Units which such items service.

C. The respective responsibilities for the maintenance, decoration, repair, and replacement of the Common Elements are as follows:

1. The costs of maintenance, repair, and replacement of all General and Limited Common Elements other than as described below shall be borne by the Association, subject to any provisions of the Condominium By-Laws expressly to the contrary.

2. It is anticipated that a residential structure will be constructed on each Unit in the Condominium Premises. The costs of maintaining, decorating, and repairing those structures shall be borne by the respective Co-owners. The Co-owner shall also be responsible for maintaining lawn, gardens, and trees, as well as snow shoveling on their respective Units. Co-owners shall also be responsible for shoveling the snow on any walkways and for maintaining the lawn located between the edge of their Units and the curb of the roadway. If they fail to do so, the Association may but is not required to do so and assess the Co-owners for the cost of same.

3. The Association shall be responsible for maintaining the street, walkways, berms, all storm easements, drainage and detention systems, street lighting, and signs, if any. The Association may also, if acting through its Board of Directors, undertake such repair and replacement procedures on the exterior of any Premises constructed within the Units as it deems necessary or appropriate to maintain the quality and character of the Condominium development. In the event that the Association does not adequately maintain the above items, the Township, although not required to do so, may maintain same and assess the cost of that maintenance to the Co-owners if the roads, walkways and berms are not maintained in a safe condition.

4. No Co-owner shall use his Unit or the Common Elements in any manner inconsistent with the purposes of the Project or in any manner which will interfere with or impair the rights of any other Co-owner in the use and enjoyment of his Unit or the Common Elements.

5. The Association Board of Directors shall have the authority to speak on behalf of all Co-owners relative to maintenance and repair of any storm water detention areas.

6. The Association and the Co-owners shall be prohibited from taking any action which would undermine the character and/or function of the wetlands within the Condominium.

ARTICLE V

UNIT DESCRIPTION AND PERCENTAGE OF VALUE

A. Each Unit in the Condominium Project is described in this paragraph with reference to the Condominium Subdivision Plan of The Hills of Waterford as prepared by Timothy J. Hart of Keift Engineering, Registered Land Surveyor, and dated June 20, 1997, and attached hereto as Exhibit B. Each Unit shall consist of the space contained within the Unit boundaries as shown in Exhibit B hereto and delineated with heavy outlines together with all appurtenances thereto.

B. The percentage of value assigned to each Unit shall be equal for all 52 Units which are designated as "must be built." The determination that percentages of value should be equal was made after reviewing the comparative characteristics of each Unit in the Project which

would affect maintenance costs and value and concluding that there are no material differences among the Units insofar as the allocation of percentages of value is concerned. The percentage of value assigned to each Unit shall be determinative of each Co-owner's respective share of the Common Elements of the Condominium Project, the proportionate share of each respective Co-owner in the proceeds and the expenses of administration and the value of such Co-owner's vote at meetings of the Association. The total value of the Project is one hundred (100%) percent.

C. The size, location, nature, design or elevation of Units and/or Common Elements appurtenant or geographically proximate to any Units described in Exhibit "B", as same may be revised or amended from time to time, may be modified, in Developer's sole discretion, by amendment to this Master Deed effected solely by the Developer and its successors without the consent of any person so long as such modifications do not unreasonably impair or diminish the appearance of the Condominium or the view, privacy or other significant attribute or amenity of any Unit which adjoins or is proximate to the modified Unit or Common Element. All of the Co-owners and mortgagees of Units and other persons interested or to become interested in the Condominium from time to time shall be deemed to have unanimously consented to such amendment or amendments to this Master Deed to effectuate the foregoing. All such interested persons irrevocably appoint Developer or its successors and assigns as agent and attorney for the purpose of execution of such amendment or amendments to the Master Deed and all other documents necessary to effectuate the foregoing.

D. Units 1 through 17 and Units 70 through 191 "need not be built." In the event that some or all of the Units labeled "need not be built" are not built, all of the percentages will remain equal but each Unit will represent a different percentage of the entire Project.

The precise determination of the adjustments or readjustments in percentages of value shall be within the sole judgment of the Developer. Such adjustments or readjustments, however, shall reflect a continuing reasonable relationship among percentages of value based upon relative size of various Units.

ARTICLE VI

CONTRACTION

A. The Project established pursuant to the Master Deed of The Hills of Waterford consists initially of 52 Units that "must be built." It is anticipated that as Units are sold, additional Units will be subsequently designated "must be built." The Developer hereby reserves the right to reduce the number of Units in the Project to not less than 52 Units within a period of time no later than six (6) years after the recording of this Master Deed. There are no restrictions on the election of the Developer to contract the Project or the order or number of times it can be done other than as explicitly set forth herein. The Developer is free to contract the Project by removing any part of the submitted land from the Project that does not have any conveyed Units located on it, along with the general and limited common elements adjacent and appurtenant which service those Units (hereinafter referred to as "Contractible Area").

B. The nature and extent of any contraction shall be determined by the Developer in its sole judgment. In connection with such contraction, the Developer unconditionally reserves the right to withdraw from the Project such portions or portions of the submitted land as is not reasonably necessary to provide access to or otherwise serve the Units included in the Project as so contracted. Developer reserves the right not to develop, or to use the portion of the land so withdrawn to establish, in its sole discretion, a rental development, a separate condominium project (or projects) or any other form of development. Developer further reserves the right, subsequent to such withdrawal but prior to six (6) years from the date of recording this Master Deed, to expand the Project as so reduced to include all or any portion of the land so withdrawn.

C. Such contraction of this Project shall be given effect by appropriate amendments to this Master Deed in the manner provided by law, which amendments shall be prepared by and at the discretion of the Developer or the Association, as the case may be. The percentage of value as set forth in Article V hereof shall be readjusted for the entire Project because of such amendment to this Master Deed but all Units shall retain an equal share of ownership and vote. The percentages of value shall remain equal but the number of Units participating may change.

D. Such amendments to the Master Deed shall also contain such further definitions and re-definitions of Common Elements as may be necessary to adequately describe, serve and provide access to any parcels being withdrawn from the Project or Units being created or modified by such amendments. In connection with any such amendments, the Developer shall have the right to change the nature of any Common Elements previously included in the Project for any purpose reasonably necessary to achieve the purposes of this Article, including but not limited to, the connection of roadways and sidewalks in the Project to any roadways and sidewalks that may be located on, or planned for any contractible area, and to provide access to any Unit that is located on, or planned for any contractible area, from the roadways and sidewalks located in the Project.

E. The Developer further reserves the right to amend and alter the site plans, size, and location of any Units described in the Subdivision Plan attached hereto. The nature and appearance of all such altered Units shall be determined by the Developer in its sole judgment; but such altered Units shall be reasonably compatible with the existing Units in the Project, as determined by the Developer in its sole discretion, subject only to approval of the Township of Waterford. No Unit shall be created as part of this Project that is not restricted exclusively to a residential Unit use.

F. All of the Co-owners and mortgagees of Units and other persons interested or to become interested in the Project from time to time shall be deemed to have irrevocably and unanimously consented to such amendments to this Master Deed as may be proposed by the Developer to effectuate the purposes of this article and to any proportionate reallocation of percentages of value of existing Units which the Developer may determine necessary in conjunction with such amendments. All such interested persons irrevocably appoint the Developer as agent and attorney for the purpose of execution of such amendments to the Master Deed and all other documents necessary to effectuate the foregoing. Such amendments may be effected without the necessity of re-recording the entire Master Deed or the Exhibits hereto and may incorporate by reference all or any pertinent portions of this Master Deed and the Exhibits hereto.

ARTICLE VII

CONVERSION OF CONDOMINIUM

A. Developer reserves the right in its sole discretion during a period ending no later than six (6) years after the recording of this Master Deed to modify the size and location of any unsold Unit or to convert that Unit to a General Common Element or to convert it to a Limited Common Element, appurtenant to any other Unit. It is the Developer's intention to make this conversion if such Unit proves to be not feasible for building.

B. Such conversion shall be given effect by appropriate amendments to this Master Deed in the manner provided by law, which amendment shall be prepared by Developer, shall provide that the percentages of value set forth in Article V hereof shall be proportionately readjusted in order to preserve a total value of 100% for the entire project, resulting from such amendments to this Master Deed. The precise determination of adjustments and readjustments and percentages of value shall be made within the sole judgment of the Developer unless after the Construction and Sales Period, in which case by the Association Board of Directors. Such readjustments, however, shall reflect a continuing reasonable relationship among percentages of value based upon the original method of determining percentages of value for the Project.

C. Such amendments to the Master Deed shall also contain such further definitions and re-definitions of Common Elements as may be necessary to adequately describe, serve and provide access to any parcels being withdrawn from the Project or Units being created or modified by such amendments. In connection with any such amendments, the Developer shall have the right to change the nature of any Common Elements previously included in the Project for any purpose reasonably necessary to achieve the purposes of this Article, including but not limited to, the connection of roadways and sidewalks in the Project to any roadways and sidewalks that may be located on, or planned for contractible area, and to provide access to any Unit that is located on, or planned for any contractible area or convertible area, from the roadways and sidewalks located in the Project.

D. A Consolidating Master Deed shall be recorded pursuant to the Act when the Project is finally concluded, as determined by the Developer in its discretion, in order to

incorporate into one set of instruments all successive stages of development. The Consolidating Master Deed, when recorded, shall supersede the previously recorded Master Deed and all amendments thereto.

E. All of the Co-owners and mortgagees of Units and other persons interested or to become interested in the Project from time to time shall be deemed to have irrevocably and unanimously consented to such amendments to this Master Deed as may be proposed by the Developer to effectuate the purposes of this article and to any proportionate reallocation of percentages of value of existing Units which the Developer may determine necessary in conjunction with such amendments. All such interested persons irrevocably appoint the Developer as agent and attorney for the purpose of execution of such amendments to the Master Deed and all other documents necessary to effectuate the foregoing. Such amendments may be effected without the necessity of re-recording the entire Master Deed or the Exhibits hereto and may incorporate by reference all or any pertinent portions of this Master Deed and the Exhibits hereto.

ARTICLE VIII

EASEMENTS

A. In the event any portion of a Unit or Common Element encroaches upon another Unit or Common Element due to shifting, settling, or moving of a building or due to survey errors or construction deviations, reciprocal easements shall exist for the maintenance of such encroachment for so long as such encroachment exists, and for maintenance thereof after rebuilding in the event of any destruction. There shall be easements to, through and over those portions of the land, structures, buildings, and improvements, and walls (including interior Unit dwelling walls) contained therein for access for the continuing maintenance and repair of all utilities in the Condominium. It is understood that in regard to the utility easements for power lines, if any fences are erected around the power line poles or towers and said fences are damaged or removed incident to the exercise of the utility company's easement(s) rights, it shall be the responsibility of the Association to repair such damage.

B. There shall be easements to and in favor of the Association, and its officers, directors, agents and designees, in, on and over all Units and Common Elements in the Project, for access to the Units and the exterior of each of the residential dwellings that are constructed within the Project to permit the maintenance, decoration, repair and replacement thereof in accordance with the terms hereof. The individual Co-owners are responsible for the maintenance, repair and replacement of all structural elements contained within their respective Unit boundaries, including the driveways, and for lawn mowing and maintenance of landscaping; provided, however, that the Association shall have the responsibility to provide snow removal services for driveways according to such reasonable standards as the Association may, from time to time, adopt. In the event that a Co-owner fails or neglects to maintain the exterior structural components of the Co-owner's Unit, including the driveway, in an aesthetic and/or harmonious manner as may from time to time be established by the Association in duly adopted regulations passed by the Board of Directors pursuant to its authority set forth in Article VI, Section 11 of the Condominium By-Laws (Exhibit "A" hereto), or fails to mow the lawn or otherwise maintain the landscaping within the Unit boundaries, the Association shall be entitled to effect such maintenance to the Unit and/or such maintenance of landscaping and to assess the Co-owner the costs thereof and to collect such costs as part of the assessments under Article II of the Condominium By-Laws (Exhibit "A" hereto). There also shall exist easements to and in favor of the Association, and its officers, directors, agents and designees, in, on and over all Units and Common Elements of the Project for access to and maintenance of those Common Elements of the Project for which the Association may from time to time be responsible. The Association shall in no event be obligated to repair any dwelling or other improvement located within or appurtenant to a Unit as a Limited Common Element to the extent repair is necessitated on account of an occurrence with respect to which a Co-owner is required under the Condominium documents to maintain insurance coverage, nor shall the Association be obligated to make any capital expenditures of any type whatsoever with respect to such dwellings or improvements or to perform any maintenance or repairs thereon.

C. Developer reserves for the benefit of itself, its successors, and assigns, and all future owners of the land described in Article II above, or any portion(s) thereof, an easement for the unrestricted connection to and use of all roads and walkways in the Condominium for the purpose of ingress and egress to and from all or any portion of the parcel described in

Article II, and any contiguous land the Developer owns or acquires during the Construction and Sales Period. All expenses of maintenance, repair, replacement, and resurfacing of any road referred to in this Article VIII-C shall be shared by this Condominium and any developed portions of the contiguous land described above if the roadways in that land connect to the roadways in the Condominium. The Co-owners of this Condominium shall be responsible from time to time for payment of a proportionate share of said expenses, which share shall be determined by multiplying such expenses times a fraction - the numerator of which is the number of dwelling Units in this Condominium and the denominator of which is comprised of the number of such Units plus all other dwelling Units in the balance of the land described above. The balance of the expenses shall be paid by the adjoining land owners on a similar basis.

D. Developer also hereby reserves for the benefit of itself, its successors and assigns, and all future owners of the land, and any land contiguous to the Condominium, or any portion or portions thereof, perpetual easements to utilize, tap, tie into, extend, and enlarge all utility mains located on the Condominium Premises, including, but not limited to, telephone, electric, water, gas, cable television, video text, broad band cable, satellite dish, earth antenna and other telecommunications systems, storm, and sanitary sewer mains. In the event Developer, its successors, or assigns, utilizes, taps, ties into, extends, or enlarges any utilities located on the Condominium Premises, it shall be obligated to pay all of the expenses reasonably necessary to restore the Condominium Premises to their state immediately prior to such utilization, tapping, tying-in, extension, or enlargement. All expenses of maintenance, upkeep, repair and replacement of the utility mains described above, shall be shared by this Condominium and any developed portions of the contiguous land described above who benefit from such utility mains. The Co-owners of this Condominium shall be responsible, from time to time, for payment of a proportionate share of said expenses, which share shall be determined by multiplying said expenses times a fraction, the numerator of which is the number of dwelling units in this Condominium, and the denominator of which is comprised of the number of such Units plus all other dwelling Units in the adjoining land described above who benefit from such utility mains; (the balance of the expenses shall be paid by the adjoining land owners on a similar basis) provided, however, that the foregoing expenses are to be so paid and shared only if such expenses are not borne by a governmental agency or public utility; provided, further, that the expense sharing shall be applicable only to utility mains and all expenses of maintenance, upkeep, repair and replacement of utility leads shall be borne by the Association or the individual Co-owners, as the case may be, to the extent such leads are located on the Condominium and by the owner(s) or an Association of owners, as the case may be, of the land described, or portion thereof, upon which are located the dwelling Units which such lead or leads service. Developer also hereby reserves for the benefit of itself, its successors and assigns, a perpetual easement to modify the landscaping and/or grade on any portion of the Condominium premises in order to preserve and/or facilitate surface drainage in a portion or all of the contiguous land described above. The Developer, its successors and assigns, shall bear all costs of such modifications. Any such modification to the landscaping and/or grade in the Condominium premises under the provisions of this Article VII-D shall not impair the surface drainage in this Condominium.

E. The Developer also reserves the right to dedicate the roadways in this Condominium and to grant easements for utilities over, under, and across the Condominium to appropriate government agencies and/or public utility companies and to transfer title to roadways and/or utilities to state, county or local governments. Any such dedication, easements or transfer of title may be conveyed by Developer without the consent of any Co-owner, mortgagee or other person and shall be evidenced by an appropriate amendment to the Master Deed and Exhibit "B" hereto and recorded in the Oakland County Register of Deeds Office. All of the Co-owners and mortgagees of Units and other persons interested or to become interested in the Condominium Project from time to time, shall be deemed to have irrevocably and unanimously consented to such amendment or amendments of this Master Deed to effectuate the foregoing dedication, easement or transfer of title.

F. The Association, acting through its lawfully constituted Board of Directors (including any Board of Directors acting prior to the First Annual Meeting) shall be empowered and obligated to grant such easements, licenses, rights-of-entry, dedications, and rights-of-way over, under, and across, the Common Elements for utility purposes, access purposes, or other lawful purposes as may be necessary for the benefit of the Condominium or to dedicate any portion of the Common Elements to the public for such purposes; subject, however, to the approval of the Developer so long as the Construction and Sales Period has not expired. The intent of this provision is to avoid any problems associated with roads and/or utilities required

for the overall benefit of all co-owners which could be interfered with by the refusal of a single co-owner whose undivided interest in these common elements could be interpreted to allow the non-conveyance of a property interest that is for the benefit of all. Notice requirements of such dedication actions by the Condominium Association shall be strictly complied with. Certified mail notice would be required to all co-owners before any such action is taken to assure that the Association has full advisory input from the co-owners before any actions are undertaken.

G. The Developer, Association, and all public or private utilities shall have such easements as may be necessary over the Condominium Premises, including all Units and Common Elements to fulfill any responsibilities of maintenance, repair, decoration, or replacement which they, or any of them, are required or permitted to perform under the Condominium Documents.

H. The Association, acting through its duly constituted Board of Directors and subject to the Developer's approval during the Construction and Sales Period, shall have the power to grant such easements, licenses and other rights of entry, use and access and to enter into any contract or agreement, including wiring agreements, utility agreements, rights-of-way agreements, access agreements and multi-Unit agreements and, to the extent allowed by the law, contracts for sharing of any installation of periodic subscriber service fees as may be necessary, convenient or desirable to provide for telecommunications, videotext, broad band cable, satellite dish, earth antenna and similar services (collectively "telecommunications") to the Condominium or any Unit therein. Notwithstanding the foregoing, in no event shall the Board of Directors enter into any contract or agreement or grant any easement, license or right of entry or do any other act or thing which will violate any provision of any federal, state or local law or ordinance. Any and all sums paid by any telecommunications or any other company or entity in connection with such service, including fees, if any, for the privilege of installing same, or sharing periodic subscriber service fees, shall be paid over to the Developer if prior to the Transitional Control Date, and if after the Transitional Control Date shall be regarded as receipts affecting the administration of the Condominium within the meaning of the Act and shall be paid over to and shall be the property of the Association.

I. Certain Units are burdened and/or affected by utility and/or drain easements as depicted on Exhibit "B" hereto. No buildings or structures shall be placed within these easement areas. The Association, its agents, officer and employees, will have access to the respective Units and limited common areas, to install, repair, maintain, and replace those utility lines. This provision in and of itself does not grant the Association the right to access inside any structures that may be erected on the respective Units. Further, Developer reserves easements for utilities and/or drainage purposes along the side yard and rear yard boundaries of the respective Units and limited common areas of the Condominium.

J. For purposes of this article, the calculation of any fraction for the sharing of pertinent expenses according to the number of Units in this Condominium and the number of other dwelling Units referenced in this article shall include only those Units for which a Certificate of Occupancy has been issued by the Township of Waterford.

K. Upon approval by an affirmative vote of not less than fifty-one (51%) percent of all Co-owners, the Association shall be vested with the power and authority to sign petitions requesting establishment of a special assessment district pursuant to provisions of applicable Michigan Statutes for improvements of water, sewer and roads within or adjacent to the Condominium premises. In the event that a special assessment improvement project is established pursuant to applicable Michigan law, the collective costs assessable to the Condominium premises as a whole shall be borne equally by all Co-owners.

L. All Co-owners shall refrain from altering the topography of, placing fill material in, dredging, removing or excavating any soil or materials from, draining surface water from, constructing or placing any construction in, plowing, tilling, cultivating or otherwise altering or developing the wetlands areas.

M. The County of Oakland, its successors, assigns, and transferees (collectively referred to as "Grantee"), shall have a perpetual and permanent easement in, over, under and through the Condominium Premises, which easement may not be amended or revoked except with the written approval of Grantee, and which is subject to the following terms and conditions, and grants to them the following rights:

1. The Easement shall be for the purpose of developing, establishing, constructing, repairing and maintaining the sanitary sewer and water supply system or related appurtenances in any size, form, shape or capacity.

2. The Grantee shall have the right to sell, assign, transfer or convey this easement to any other governmental unit.

3. No Co-owner in the Condominium shall build or convey to another any permission to build any permanent structures on the said easements.

4. No Co-owner in the Condominium shall build or place on the area covered by the easement any other type of structure, fixture or object, or engage in any activity, or take any action, or convey any property, interest or right that would in any way threaten or actually impair, obstruct or adversely affect the rights of Grantee under said easements.

5. The Grantee and its agents, contractors and designated representatives shall have right-of-entry on, and to gain access to, the easement property.

All Co-owners in the Condominium complex release Grantee and its successors, assigns or transferees from any and all claims to damages in any way arising from or incident to the construction and maintenance of a sanitary sewer and water supply system or otherwise arising from or incident to the exercise by Grantee of its rights under the said easement, and all Co-owners covenant not to sue Grantee for any such damages.

The rights granted to the County of Oakland and their successors and assigns, under this Section of the Master Deed may not, however, be amended without their express written consent. Any purported amendment or modification of the rights granted thereunder shall be void and without legal effect unless agreed to in writing by the Grantee, its successors or assigns.

ARTICLE IX

AMENDMENT

This Master Deed and the Condominium Subdivision Plan (Exhibit B to said Master Deed) may be amended with the consent of sixty six and two-thirds (66 2/3%) percent of all Co-owners except as hereinafter set forth:

A. No Unit dimension may be modified without the consent of a Co-owner or mortgagee of such Unit, nor may the nature or extent of Limited Common Elements or the responsibility for maintenance, repair or replacement thereof nor any provisions relating to the ability or terms under which a Co-owner may rent a Unit, be modified in any material way without the written consent of the Co-owner or mortgagee of any Unit to which the same are appurtenant.

B. Whenever a proposed amendment would materially alter or change the rights of mortgagees generally, then such amendment shall require the approval of sixty-six and two-thirds (66 2/3%) percent of all institutional mortgagees of record, allowing one (1) vote for each mortgage held.

C. Prior to one (1) year after expiration of the Construction and Sales Period described in Article III above, the Developer may, without the consent of any Co-owner or any other person, amend this Master Deed and the Condominium Subdivision Plan attached as Exhibit "B" in order to correct survey or other errors made in such documents and to make such other amendments to such instruments and to the Condominium By-Laws attached hereto as Exhibit "A" as do not materially affect the rights of any Co-owners or mortgagees in the Condominium, 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 United States Department of Housing and Urban Development.

D. The value of the vote of any Co-owner and the corresponding proportion of common expenses assessed against such Co-owner shall not be modified without the written consent of such Co-owner and his mortgagee, nor shall the percentage of value assigned to any

Unit be modified without like consent, except as provided in Article V, Section 7(c) of the Condominium By-Laws.

E. The Condominium may not be terminated, vacated, revoked or abandoned without the written consent of the Developer (during the Construction and Sales Period), together with eighty percent (80%) of the non-Developer Co-owners and eighty (80%) percent of the mortgagees and otherwise allowed by law.

F. The Articles entitled "Contraction," "Easements," and "Amendment" shall not be amended nor shall the provisions thereof be modified by any other amendment to this Master Deed without the written consent of the Developer so long as the Developer continues to offer any Unit in the Condominium for sale. During the time period referenced in the preceding sentence, no other portion of this Master Deed, nor the Condominium By-Laws attached hereto as Exhibit "A", nor the Condominium Subdivision Plan attached hereto as Exhibit "B", nor the Association's Corporate By-Laws may 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. No easements created under the Condominium documents may be modified or obligations with respect thereto varied without the consent of each owner benefitted thereby.

G. The Developer may, with the consent of a majority of the members of the Advisory Committee, amend this Master Deed and the Condominium By-Laws attached hereto, to extend the date of the First Annual Meeting of Members.

H. The Developer may, with the consent of a majority of the members of the Advisory Committee (or, subsequent to the Transitional Control Date, the consent of a majority of the Co-owner members), amend this Master Deed to extend the date of amending the Master Deed to allow for contraction of the Condominium Project as set forth in Article VI hereof.

ARTICLE X

ASSIGNMENT

Any or all of the rights and powers granted or reserved to the Developer in the Condominium Documents or by law, including the 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 duly recorded in the office of the Oakland County Register of Deeds.

WITNESSES:

American Quality Homes, Inc.

_____/s/_____
David S. Keast

_____/s/_____
By: Bernard Gliberman
Its: President

_____/s/_____
Renee K. Zauner

STATE OF MICHIGAN)
) ss.
COUNTY OF OAKLAND)

On this 27th day of June, 1997, the foregoing Master Deed of The Hills of Waterford was acknowledged before me by Bernard Gliberman, President of and on behalf of American Quality Homes, Inc.

_____/s/_____
David S. Keast, Notary Public
Macomb County, Michigan
Acting in Oakland County, Michigan
My Commission Expires: 07/22/01

Drafted By and Return To:
James P. Babcock, Attorney at Law
21610 Eleven Mile Road, Suite One
St. Clair Shores, Michigan 48081
(810) 445-1660

THE HILLS OF WATERFORD

ESCROW AGREEMENT

THIS AGREEMENT is entered into this 27th day of June, 1997, between American Quality Homes, Inc., hereinafter referred to as "Developer," and Transnation Title Insurance Company, hereinafter referred to as "Escrow Agent."

WHEREAS, Developer has established or intends to establish The Hills of Waterford as a Site condominium project under applicable Michigan Law; and,

WHEREAS, Developer is selling Condominium Units in The Hills of Waterford and is entering into Purchase Agreements with Purchasers for such Units in substantially the form attached hereto, and each Purchase Agreement requires that all deposits made under such Agreement be held in an escrow account with an Escrow Agent; and

WHEREAS, the Parties hereto desire to enter into an Escrow Agreement to establish such an escrow account on the behalf of Developer and for the benefit of each Purchaser (hereinafter referred to as "Purchaser") who makes deposits under a Purchase Agreement; and

WHEREAS, Escrow Agent is acting as an independent party hereunder pursuant to the provisions of this Agreement and the Michigan Condominium Act (Act No. 59, Public Acts of 1978, as amended, hereinafter referred to as "Act") for the benefit of Developer and all Purchasers and not as the agent of any one or less than all of such parties.

NOW, THEREFORE, it is agreed as follows:

1. **Initial Deposit of Funds.** Developer shall, promptly after receipt, transmit to Escrow Agent all sums deposited with it under a Purchase Agreement, together with a fully executed copy of such Agreement and a receipt signed by the Purchaser for the recorded Master Deed, Condominium Buyer's Handbook, and Disclosure Statement when applicable.

2. **Release of Funds.** The sums paid to Escrow Agent under the terms of any Purchase Agreement shall be held and released to Developer or Purchaser only upon the conditions hereinafter set forth.

A. **Release of Funds to Purchaser.** The escrowed funds shall be released to Purchaser under the following circumstances:

- (1) If Purchaser has executed a Preliminary Reservation Agreement but has not executed a Purchase Agreement, and Purchaser cancels the Agreement, Purchaser shall notify Escrow Agent of such cancellation and all funds deposited pursuant to the Agreement and this Escrow Agreement shall be released to Purchaser.
- (2) If Purchaser has executed a Preliminary Reservation Agreement, but has not executed a Purchase Agreement, and Developer terminates Purchaser's reservation rights as a result of a default by Purchaser, or for any reason permitted by the Preliminary Reservation Agreement, Developer shall notify Escrow Agent of the default and all funds deposited pursuant to the Agreement and this Escrow Agreement shall be released to Purchaser.
- (3) If Purchaser has executed a Purchase Agreement, and Purchaser withdraws from the Agreement within the withdrawal period described therein, Purchaser shall notify Escrow Agent of such withdrawal and all funds deposited pursuant to the Agreement and this Escrow Agreement shall be released to Purchaser.
- (4) If the Purchase Agreement is contingent upon Purchaser obtaining a mortgage and he fails to do so as provided therein and duly withdraws from the Purchase Agreement as a result thereof, all funds deposited pursuant to the Agreement and this Escrow Agreement shall be released to Purchaser.
- (5) If Developer determines not to establish the Condominium Project, or not to construct Purchaser's Unit, Developer shall notify Escrow Agent of its decision and all funds deposited pursuant to the Agreement and this Escrow Agreement shall be released to Purchaser.

- (6) If Developer is unable to convey insurable title to Purchaser within sixty (60) days after the issuance of a title commitment in respect of Purchaser's Unit, Purchaser shall notify Escrow Agent of Developer's inability to convey insurable title and all funds deposited pursuant to the Agreement and this Escrow Agreement shall be released to Purchaser.
- (7) If Developer terminates Purchaser's rights under a Purchase Agreement for any reason permitted by the Purchase Agreement other than the default of Purchaser, Developer shall notify Escrow Agent of the termination and all funds deposited pursuant to the Agreement and this Escrow Agreement shall be released to Purchaser.

All funds released under this sub-paragraph A shall be returned to Purchaser within three (3) business days after Escrow Agent is notified of the satisfaction of any of the conditions described above. The term "business day" as used in this Escrow Agreement shall mean a day other than a Saturday, Sunday, or legal holiday, provided, however, the Escrow Agent shall not be obligated to release any funds until it can satisfactorily ascertain that said funds deposited have been "paid," "settled," and "fully collected" as such terms are defined under the provision of MCL 440.4100 et sequitur.

B. Release of Funds to Developer. The funds held by Escrow Agent with respect to a given Purchaser and Agreement shall be released to Developer under the following circumstances:

- (1) Default by Purchaser. In the event that a Purchaser under a Purchase Agreement defaults in making any payments required by said Agreement or in fulfilling any other obligations thereunder for a period of ten (10) days after written notice by Developer to Purchaser, Escrow Agent shall release sums held pursuant to the Purchase Agreement to Developer in accordance with the terms of said Agreement.
- (2) Upon Conveyance of Title to Purchaser. Upon conveyance of title to a Unit from Developer to Purchaser (or upon execution of a Land Contract between Developer and Purchaser in fulfillment of a Purchase Agreement) and upon issuance of a Certificate of Occupancy with respect to the Unit if required by local public ordinance, Escrow Agent shall release to Developer all sums held in escrow under such Agreement, upon receipt by the Escrow Agent of a certificate signed by a licensed professional engineer or architect either confirming that those portions of the Project in which the Condominium Unit is located and which on the Condominium Subdivision Plan are labeled "must be built" are substantially complete, or determining the amount necessary for substantial completion thereof, and receipt of a certificate signed by a licensed professional engineer or architect either confirming that recreational or other facilities which on the Condominium Subdivision Plan are labeled "must be built," whether located within or outside of the phase of the Project in which the Condominium Unit is located, and which are intended for common use, are substantially complete, or determining the amount necessary for substantial completion thereof.

A structure, element, facility, or other improvement shall be deemed to be substantially complete when it can be reasonably employed for its intended use and, for purposes of certification, it shall not be required to be constructed, installed, or furnished precisely in accordance with the specifications of the Project. A certificate of substantial completion shall not be determined to be a certification as to the quality of the items to which it relates. Items shall be substantially complete only after all utility mains and leads, all major structural components of buildings, all building exteriors and all sidewalks, driveways, landscaping, and access roads, to the extent such items are designated on the Condominium Subdivision Plan as "must be built," are substantially complete in accordance with the pertinent plans therefor.

If the estimated cost of substantial completion of any of these items cannot be determined by a licensed professional engineer or architect due to the absence of plans, specifications, or other details that are sufficiently complete to enable such

a determination to be made, such cost shall be the minimum expenditure specified in the recorded Master Deed or Amendment for completion thereof. To the extent that any item referred to in above is specifically depicted on the Condominium Subdivision Plan, an estimate of the cost of substantial completion prepared by a licensed professional engineer or architect shall be required in place of the minimum expenditure specified in the recorded Master Deed or Amendment.

- (3) **Release of Funds Escrowed for Completion of Incomplete Improvements.** Upon furnishing Escrow Agent a certificate above evidencing substantial completion in accordance with the pertinent plans and specifications of a structure, improvement, facility, or identifiable portion thereof for which funds or other security have been deposited in escrow, Escrow Agent shall release to Developer the amount of such fund or other security specified by the issuer of the certificate as being attributable to such substantially completed item(s), provided, however, that if the amounts remaining in escrow after any such partial release would be insufficient in the opinion of the issuer of such certificate to finance substantial completion of any remaining incomplete items for which funds or other security have been deposited in escrow, only the amount in escrow in excess of such estimated cost to substantially complete shall be released by Escrow Agent to Developer. Notwithstanding a release of escrowed funds that is authorized or required by this section, an Escrow Agent may refuse to release funds from an escrow account if the Escrow Agent, in its judgment has sufficient cause to believe the certificate confirming substantial completion or determining the amount necessary for substantial completion is fraudulent or without factual basis.

All funds released under this sub-paragraph B shall be delivered to Developer within three (3) business days after all of the conditions causing the release have been satisfied, provided, however, the Escrow Agent shall not be obligated to release any funds until it can satisfactorily ascertain, that said funds deposited have been "paid," "settled," and "fully collected" as such terms are defined under the provision of MCL 440.4100 et sequitur.

3. **Release of Interest Upon Escrowed Funds.** Escrow Agent shall be under no obligation to earn interest upon the escrowed sums held pursuant hereto. In the event that interest upon such sums is earned, however, all such interest shall be separately accounted for by the Escrow Agent and shall be held in escrow and released as and when principal deposits are released hereunder, provided, however, that all interest earned on deposits refunded to a Purchaser upon the occasion of his withdrawal from a Purchase Agreement shall be paid to Developer.

4. **Other Adequate Security.** If Developer requests that all of the escrowed funds held hereunder or any part thereof be delivered to it prior to the time it otherwise becomes entitled to receive the same, Escrow Agent may release all such sums to Developer if Developer has placed with Escrow Agent an irrevocable Letter of Credit drawn in favor of Escrow Agent in form and substance satisfactory to Escrow Agent and securing full repayment of said sums, or has placed with Escrow Agent such other substitute security as may be permitted by law and approved by Escrow Agent.

5. **In the Event Elements or Facilities Remain Incomplete.** If Escrow Agent is holding in escrow funds or other security for completion of incomplete elements or facilities under Section 103b(7) of the Act, such funds or other security shall be administered by Escrow Agent in the following manner:

A. Escrow Agent shall upon request give all statutorily required notice under Section 103b(7) of the Act.

B. If Developer, the The Hills of Waterford Association, and any other party or parties asserting a claim to or interest in the escrow deposit, enter into a written agreement (satisfactory in its terms and conditions to Escrow Agent in its absolute and sole discretion), as to the disposition of the funds or security in escrow under Section 103b(7) of the Act, Escrow Agent shall release such funds or security in accordance with the terms of such written agreement among such parties.

C. Failing written agreement as provided in paragraph 5B above, Escrow Agent shall be under no obligation whatever to release any such escrowed funds or security, but Escrow Agent may, in its absolute and sole discretion, at any time take either of the following actions:

- (1) Initiate an interpleader action in any Circuit Court in the State of Michigan naming the Developer, the The Hills of Waterford Association, and all other claimants and interested parties as parties and deposit all funds or other security in escrow under Section 103b(7) of the Act with the Clerk of such Court in full acquittance of its responsibilities under this Agreement; or
- (2) Initiate an arbitration proceeding under the Commercial Arbitration Rules of the American Arbitration Association pursuant to which proceeding both the Developer and the The Hills of Waterford Association shall be named as parties. Escrow Agent shall continue to hold all sums in escrow under Section 103b(7) of the Act pending the outcome of such arbitration but Escrow Agent shall not be a party to such arbitration. All issues relative to disposition of such escrow deposits or other security shall be decided by the arbitrator or arbitration panel and such decision shall be final and binding upon all parties concerned and judgment thereon may be rendered upon such award by any Circuit Court of the State of Michigan. Escrow Agent may in any event release all such escrow deposits in accordance with the arbitration decision or may commence an interpleader action with respect thereto as provided above.

6. Proof of Occurrence; Confirmation of Substantial Completion; Determination of Cost to Complete. Escrow Agent may require reasonable proof of occurrence of any of the events, actions, or conditions stated herein before releasing any sums held by it pursuant to any Purchase Agreement either to Purchaser thereunder or to Developer. Whenever Escrow Agent is required hereby to confirm that a facility, element, structure, improvement, or identifiable portion of any of the same is substantially complete in accordance with the pertinent plans, and specifications therefor, it may base such confirmation entirely upon the certificate of a licensed professional engineer or architect. Likewise, all estimates and determinations of the cost to substantially complete any incomplete elements, facilities, structures, and improvement for which escrowed funds are being specifically maintained shall be made entirely by a licensed professional engineer or architect and the determination of all amounts to be retained or maintained in the escrow account for the completion of any such elements, facilities, improvements, or structures shall be based entirely upon such determinations and estimates as are furnished by such engineer or architect. No inspections of the Project or any portion thereof by any representative of Escrow Agent shall be deemed necessary hereunder, nor must any cost estimates or determinations be made by Escrow Agent and Escrow Agent may rely entirely upon certificates, determinations, and estimates as described above in retaining and releasing all escrowed funds hereunder.

7. Limited Liability of Escrow Agent; Right to Deduct Expenses from Escrow Deposits. Upon making delivery of the funds deposited with Escrow Agent pursuant to any Purchase Agreement and performance of the obligations and services stated therein and herein, Escrow Agent shall be released from any further liability thereunder and hereunder, it being expressly understood that liability is limited by the terms and provision set forth in such Agreements and in this Agreement, and that by acceptance of this Agreement, Escrow Agent is acting in the capacity of a depository and is not, as such, responsible or liable for the sufficiency, correctness, genuineness, or validity of the instruments submitted to it, or the marketability of title to any Unit sold under any other Agreements. Escrow Agent is not responsible for the failure of any banks used by it as an escrow depository for funds received by it under this Agreement.

Further, Escrow Agent is not a guarantor of performance by Developer under the Condominium Documents or any Purchase Agreement and escrow Agent undertakes no responsibilities whatever with respect to the nature, extent, or quality of such performance thereunder or with regard to the conformity of such performance to the terms of such documents, to the plans and specifications for the Project, to local or state laws or in any other particular. So long as Escrow Agent relies in good faith upon any certificate, cost estimate, or determination of the type described in Section 6, Escrow Agent shall have no liability whatever to Developer, any Purchaser, any Co-owner, or any other party for any error in such certificate,

cost estimate, or determination, or for any act or omission by the Escrow Agent in reliance thereon.

Except in instances of gross negligence or willful misconduct, Escrow Agent's liability hereunder shall in all events be limited to return, to the party or parties entitled thereto, of the funds retained in escrow (or which were replaced by security) less any reasonable expenses which Escrow Agent may incur in the administration of such funds or otherwise hereunder, including, without limitation, reasonable attorney fees and litigation expenses paid in connection with the defense, negotiation, or analysis or claims against it, by reason of litigation or otherwise, arising out of the administration of such escrowed funds, all of which costs Escrow Agent shall be entitled without notice to deduct from amounts on deposit hereunder.

8. **Limited Liability of Architect and Engineer.** A licensed professional architect or engineer undertaking to make a certificate hereunder shall be held to the normal standard of care required of a member of that profession in determining substantial completion and the estimated cost of substantial completion under the Act, but such architect or engineer shall not be required to have designed the improvements or item or to have inspected or to have supervised construction or installation of the improvement or item. The certificate by a licensed professional architect or engineer shall not be construed to limit the Developer's liability for any defect in construction. For purposes of this Escrow Agreement, "licensed professional engineer or architect" means a member of those professions who satisfies all requirements of the laws of this State for the practice of the profession, and who is not an employee of the Developer or of a firm in which the Developer, or an officer or director of the Developer, is a principal or holds ten percent (10%) or more of the outstanding shares of that firm.

9. **Notices.** All notices required or permitted hereunder and all notices of change of address shall be deemed sufficient if personally delivered or sent by registered mail, postage pre-paid and return receipt requested, addressed to the recipient party at the address shown below such party's signature to this Agreement or upon the pertinent Purchase Agreement. For purposes of calculating time periods under the provisions of this Agreement, notice shall be deemed effective upon mailing or personal delivery, whichever is applicable.

10. **Changes in Circumstances.** The disability, bankruptcy, insolvency, or absence of a Purchaser, Developer, or Escrow Agent, or any of them, shall not affect or prevent performance by the Escrow Agent of its obligations and instructions hereunder.

11. **No Notification.** If no notification has been received by Escrow Agent within three (3) years from the date of this Escrow Agreement, Escrow Agent may, after thirty (30) days written notice to Developer and Purchaser, deliver the escrowed assets to the Clerk of the Circuit Court of Oakland County, Michigan.

American Quality Homes, Inc.,
a Michigan Corporation,
Developer

_____/s/
By: Bernard Glieberman
Its: President
41050 Vincent Court
Novi, Michigan 48375

Transnation Title Insurance Company,
Escrow Agent

_____/s/
By: James E. Neighbors
Its: Manager
33762 Schoolcraft Road
Livonia, MI 48150

THE HILLS OF WATERFORD

LIMITED WARRANTY

1. **Name and Address of Warrantor.** The name of the Warrantor (i.e. the entity making this Limited Warranty) is Crosswinds Quality Homes, Inc., a Michigan corporation, whose address is 41050 Vincent Court, Novi, MI 48375, and whose phone number is (810) 615-1313.

2. **Term.** Coverage under this Limited Warranty begins on the date on which your Condominium Unit is deeded to you (the closing), or as otherwise provided in this Limited Warranty.

3. **Coverage.** For a period of one year after closing, the floors, ceilings, walls and other internal structural components of the residential structure (hereinafter "Residence") erected within your Condominium Unit which are not excluded by other portions of this Limited Warranty will be free of defects in material or workmanship.

4. **Manufacturers' Warranties.** We assign and pass through to you any manufacturers' warranties on all appliances and equipment located in your Residence. The following are examples of such appliances and equipment, although not every dwelling includes all of these items and some dwellings may include appliances or equipment not in this list: refrigerator, range, furnace, washing machine, dishwasher, garbage disposal, ventilating fan and air conditioner. We do not hereby represent that any such appliances and/or equipment have manufacturers' warranties. To the extent that any such manufacturers' warranties exist on such appliances and/or equipment as may be provided in your Residence, we hereby assign such manufacturers' warranties to you.

5. **Exclusions from Coverage.** We do not assume responsibility for any of the following with respect to your Residence, all of which are excluded from the coverage of this Limited Warranty:

(a) Defects in appliances and pieces of equipment which are covered by manufactured warranties. (We have assigned any such manufacturers' warranties to you and you should follow the procedures in these warranties if defects appear in these items.)

(b) Damage due to ordinary wear and tear, abusive use, modification, or lack of proper maintenance of your Residence.

(c) Conditions which are the result of characteristics common to the materials used, such as (but not limited to) warping and deflection of wood; fading, chalking, and checking of paint due to sunlight; cracks due to drying and curing of concrete, stucco, plaster, bricks and masonry; damage to concrete resulting from use of salt, chemicals or other de-icing agents; drying, shrinking and cracking of caulking and weather stripping; cracks in tile or cement and heaving of tile or cement; sound transmission within or without your Residence, including noise from pipes, appliances and fixtures; settlement of your Residence or the ground under or around your Residence or under or around any other Unit's dwelling or the Common Elements.

(d) Damage to or destruction of any tree, shrub or plant growth which is native to the Condominium site and which remains after completion of construction of the Condominium Project, regardless of our care to protect any tree, shrub or plant growth in either its original or relocated site.

(e) Defects in items installed by you or by anyone else except us or (if requested by us) our sub-contractors.

(f) Work done by you or anyone else except us or (if requested by us) our sub-contractors.

(g) Loss or injury due to the elements.

(h) Conditions resulting from condensation on, or expansion or contraction of, materials.

(i) Consequential or incidental damages.

(j) Loss or damage which you have not taken timely action to minimize.

(k) Any existing environmental or ecological conditions on the subject property.

(l) Nail pops and minor cracks in the drywall will be repaired but only once during the warranty period. This is done during the eleventh month of the warranty period. We will not be obligated to repaint the areas repaired, said obligation resting solely with you.

6. **No Other Warranties.** THIS LIMITED WARRANTY IS THE ONLY WARRANTY WE GIVE YOU WITH RESPECT TO YOUR RESIDENCE. THERE ARE NO IMPLIED WARRANTIES OF ANY KIND AND/OR FOR THE BENEFIT OF ANY PERSON, INCLUDING, BUT NOT LIMITED TO, WARRANTIES OF MERCHANTABILITY, HABITABILITY, CONFORMANCE WITH THE PLANS AND SPECIFICATIONS, AND FITNESS FOR A PARTICULAR PURPOSE. THIS WARRANTY ALSO EXCLUDES ANY CONDITION WHICH MAY BE DEEMED A VIOLATION OF ENVIRONMENTAL LAWS, RULES, POLICIES, OR REGULATIONS, AND/OR ANY CONDITIONS OF TOXIC WASTE OR HAZARDOUS SUBSTANCES. YOU MAY BE REQUIRED TO PAY SUBSTANTIAL SUMS FOR THE REPAIR OF DEFECTS WHICH MAY OCCUR AND WHICH ARE NOT COVERED BY THIS LIMITED WARRANTY. BY EXECUTING THE BUILDING CONTRACT, YOU ALSO ACKNOWLEDGE THAT WE HAVE ADVISED YOU AND YOU AGREE THAT THE SALES REPRESENTATIVES ARE NOT EMPLOYEES AND CONSEQUENTLY ARE NOT AUTHORIZED TO MAKE ANY REPRESENTATION, WARRANTY OR PROMISE, NOR ANY MODIFICATION OR ADDITION TO THE BUILDING CONTRACT, WHICH IS BINDING UPON US, UNLESS THE REPRESENTATION, WARRANTY, PROMISE, MODIFICATION OR ADDITION IS CONTAINED IN A SEPARATE WRITTEN DOCUMENT SIGNED BY OUR PRESIDENT. NO SALES REPRESENTATIVE IS AUTHORIZED TO WAIVE OR DIMINISH THIS PROVISION.

7. **Claims Procedure.** Except for emergencies, you may submit warranty claims in writing to us at the following times: (1) within ninety (90) days after the closing of your Condominium Unit; or (2) within eleven (11) months after the closing of your Condominium Unit. If a defect appears which you think is covered by this Limited Warranty, you must write a letter describing it to our office at the address appearing in Paragraph #1 of this Limited Warranty. We will not assume responsibility for responding to any written letter delivered to us more than fourteen (14) days after the expiration of the one year warranty period, even if the defects that are claimed in the letter may have arisen within the one year warranty period. You must tell us in your letter what times during the day you will be home, so that we can schedule service calls appropriately. If delay will cause extra damage, telephone us. Only emergency reports will be taken by phone.

8. **Repairs.** After receipt of your written report of a defect, we will inspect your Residence. If a defective item is covered by this Limited Warranty, we will repair or replace it at no charge to you within sixty (60) days after our inspection (longer if weather conditions, labor problems, or labor or materials shortages cause delays). The work will be done by us or by subcontractors chosen by us. The choice between repair and replacement is ours.

9. **Warranty Not Transferable.** This Limited Warranty is extended to you only if you are the first purchaser of your Condominium Unit. When the first Purchaser sells the Condominium Unit or moves out of it, this Limited Warranty automatically terminates.

10. **Arbitration.** EVERY CLAIM WHICH MIGHT BE THE SUBJECT OF A CIVIL ACTION AGAINST US OR WHICH MIGHT BE THE SUBJECT OF A CIVIL ACTION BETWEEN YOU OR ANYONE CLAIMING UNDER YOU AND OUR EMPLOYEES OR AGENTS, AND WHICH IN EITHER CASE ARISES OUT OF THE BUILDING CONTRACT OR THE RESIDENCE, SHALL BE SETTLED BY BINDING ARBITRATION 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.

Date of Closing _____, 19____

PURCHASER(S):

Unit No. _____

BUILDER:

Crosswinds Quality Homes, Inc.,
a Michigan Corporation

By: Bernard Glieberman
Its: President