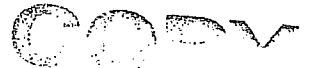


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COVINGTON RIDGE SUBDIVISION

STATE OF MICHIGAN
OAKLAND COUNTY
RECORDED COPY

COVINGTON RIDGE SUBDIVISION NO. 2

22 APR 96 10:19 A.M.

COVINGTON RIDGE SUBDIVISION NO. 3

LYNN D. ALLEN
CLERK/REGISTER OF DEEDS

FIRST AMENDED AND RESTATED DECLARATION OF EASEMENTS,
COVENANTS AND RESTRICTIONS

WHEREAS, COVINGTON RIDGE VENTURE, a Michigan co-partnership, of 755 West Big Beaver Road, Suite 1275, Troy, Michigan 48084 (the "Declarant"), is the developer of Covington Ridge Subdivision, a Subdivision created pursuant to a plat recorded in Liber 233, Pages 32 through 35 of Plats, Oakland County Records, located in the City of Troy, Oakland County, Michigan ("Covington Ridge Subdivision");

WHEREAS, the Declarant has executed a Declaration of Easements, Covenants and Restrictions in connection with the Covington Ridge Subdivision, recorded on October 11, 1994 at Liber 15031, Pages 741 through 758, Oakland County Records (the "Prior Declaration");

WHEREAS, the Declarant is the owner of fee simple title to certain real property adjacent to Covington Ridge Subdivision, which real property is described in Exhibit A attached hereto and incorporated herein, upon which the Declarant desires to create two (2) subdivisions of land to be known, respectively, as Covington Ridge Subdivision No. 2 ("Covington Ridge Subdivision No. 2") and Covington Ridge Subdivision No. 3 ("Covington Ridge Subdivision No. 3") (Covington Ridge Subdivision, Covington Ridge Subdivision No. 2

COVINGTON RIDGE SUB.

LOTS 1-25

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and Covington Ridge Subdivision No. 3 are hereafter referred to individually as "Subdivision" and collectively as the "Subdivisions");

WHEREAS, the Declarant has reserved the power under the Prior Declaration to amend the Prior Declaration to subject additional subdivisions of land to the easements, covenants, restrictions, charges and liens set forth therein;

WHEREAS, the Declarant desires to amend and restate the Prior Declaration to provide for the preservation and enhancement of the property values and amenities in the Subdivisions and for the maintenance of certain common areas (the "Common Areas"), as defined below, in the Subdivisions, and to subject both Subdivisions and the Common Areas situated in each of them to the easements, covenants and restrictions, charges and liens set forth herein, each and all for the benefit of both Subdivisions and each Owner (defined below) therein;

WHEREAS, the Declarant has deemed it desirable for the efficient preservation of the values and amenities in the Subdivisions to create one legal entity to own, maintain and administer the Common Areas; to collect and disburse the assessments and charges hereinafter created; and to promote the recreation, health, safety, welfare, common benefit and enjoyment of the Owners; and

WHEREAS, the Declarant may, at some future time, plat additional subdivisions of land adjacent to the Subdivisions and subject the land so platted to the easements, covenants, restrictions and liens set forth herein;

NOW, THEREFORE, in consideration of the mutual benefits derived by the Declarant, its successors and assigns, and for all Owners of Lots in Covington Ridge Subdivision and all intending purchasers and Owners of the various Lots comprising the Subdivisions, the Declarant, for itself, its successors and assigns, does hereby publish, declare and make known to all Owners of Lots comprising the Subdivisions, that the same will and shall be used, owned, held, and/or sold expressly subject to the following conditions, easements, covenants, restrictions and agreements which shall be incorporated by reference in all deeds of conveyance and contracts for the sale of said Lots and shall run with the land and be binding upon all grantees of individual Lots in the Subdivisions and on their respective heirs, personal representatives, successors and assigns.

ARTICLE I

DEFINITIONS

Section 1. Definitions.

The words and phrases below are defined as follows:

a. "Assessment Period" shall mean a twelve (12) month period of operation of the Association for which an assessment is collected.

b. "Association" shall mean and refer to the Covington Ridge Homeowners' Association, a Michigan nonprofit corporation, its successors and assigns;

c. "Builder" shall mean and refer to any person or entity who acquires a Lot for the purpose of engaging in and does engage in the business of constructing residential buildings for the purpose of resale and not for his own use;

d. "Bylaws" shall mean and refer to the Bylaws of the Association;

e. "Common Areas" shall mean those areas of land within the Subdivision (including the improvements made in those areas) now or hereafter owned by the Association for the common use and enjoyment of the Owners; the Common Areas include, but are not limited to, Covington Ridge Park; the Common Areas shall also mean those areas of the Land located within the public right-of-way but which are to be maintained by the Association pursuant to the terms of this Declaration;

f. "Declarant" shall mean and refer to Covington Ridge Venture, a Michigan co-partnership, and its successors and assigns;

g. "Declaration" shall mean and refer to this First Amended and Restated Declaration of Easements, Covenants and Restrictions and any amendments as recorded in the office of the Oakland County Register of Deeds, State of Michigan;

h. "Lot" shall mean and refer to any numbered lot shown on the recorded plat of the Subdivisions and any future adjacent subdivision hereinafter annexed;

i. "Member" shall mean and refer to those persons entitled to membership in the Association, as provided in this Declaration;

j. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of either Subdivision. When more than one person or entity has an interest in the fee simple title to a Lot, the collective interest of all such persons or entities shall be considered to be that of a single Owner. If any Lot is sold on a land contract, the land contract purchaser shall be considered the Owner. Those persons having any interest in a Lot merely as security for the performance of an obligation are not considered to be Owners;

k. "Plat" or "Plats" shall mean and refer to any or all of the plats of the Subdivisions, recorded or to be recorded in the office of the Oakland County Register of Deeds; and

l. "Subdivision" or "Subdivisions" shall mean and refer to, individually or collectively, as applicable, Lots 1 through 25 of Covington Ridge Subdivision, Lots 26 through 37 of Covington Ridge Subdivision No. 2, and Lots 38 through 43 of Covington Ridge Subdivision No. 3.

m. "Subsequent Phase" shall mean any and all subsequent phases of the Subdivisions, including adjacent subdivisions which may, in the sole discretion of the Declarant, be created by the recording of plats or any unplatted land adjacent to the Subdivisions or any Subsequent Phase offered for sale in parcels which are approximately the size of a Lot, all of which may become subject to this Declaration by an amendment thereto.

ARTICLE II

ASSOCIATION OF OWNERS

Section 1. Establishment of Association.

The Declarant has heretofore established an association of Owners to be known as the Covington Ridge Homeowners' Association. The Association shall be organized as a nonprofit corporation for a perpetual term under the laws of the State of Michigan and shall have such powers as are enumerated in this Declaration as well as those set forth in the Articles of Incorporation and Bylaws of the Association.

Section 2. Membership and Voting Rights.

Section 2.1 Membership. Every Owner shall be a member of the Association. Membership shall be appurtenant to, and may not be separated from, ownership of a Lot.

Section 2.2 Board of Directors. The Board of Directors of the Association shall be comprised of at least three (3) and no more than five (5) persons. Initially, the Directors shall be appointed by the Declarant. The Directors may be employees, officers, agents or equity owners of the Declarant and need not be Owners or Builders. The Declarant shall continue to appoint all members of the Board of Directors until the First Annual Meeting of the Association, which shall occur no later than six (6) months after the date upon which ninety-five percent (95%) of the Lots are owned by persons other than the Declarant or Builders. At the First Annual Meeting and at each Annual Meeting of the Association thereafter, the

Members shall elect all of the Directors following the procedures described in the Bylaws.

Section 2.3 Officers. The Board of Directors shall elect the officers of the Association as provided in the Bylaws.

Section 2.4 Voting Rights; Designated Representative. Each Owner shall be entitled to one vote for each Lot owned. When more than one person or entity owns an interest in a Lot, all such persons shall collectively be Members and the vote for such Lot shall be exercised by the designated representative of the Owners as they shall determine. The name of the designated representative shall be provided to the Association in writing at least ten (10) days prior to any meeting at which said designee intends to vote. If notice of a designated representative is not properly given, the vote related to a Lot will be suspended in the event more than one person seeks to exercise said vote.

Section 2.5 Adoption of Bylaws. The Association shall adopt Bylaws for the purposes of providing for the election of officers and directors, the conduct of meetings and the governance of the association, which shall comply with all requirements of the Michigan Nonprofit Corporation Act.

Section 3. Association Assessments.

Section 3.1 Creation of the Lien and Personal Obligation of Assessments. Each Owner of a Lot, by acceptance of a deed or execution of a land contract therefor, whether or not it shall be so expressed in such deed or land contract, is deemed to covenant and agree to pay to the Association: (a)

annual general assessments ("General Assessments"), (b) periodic special assessments ("Special Assessments"), and (c) a one-time mailbox assessment ("Mailbox Assessment") (collectively, the "Assessments") in accordance with the provisions of this Declaration. Such Assessments shall be established and collected as hereinafter provided. The Assessments, together with (a) interest thereon at the highest rate permitted by law, and (b) collection costs, including reasonable attorney's fees, shall be a charge on the Lot. A lien upon the Lot against which each such Assessment is made in the amount of such Assessment shall be created to the benefit of the Association on the date the Association declares an Assessment to be due and payable (the "Assessment Date"). Each such Assessment, together with interest thereon at the highest rate permitted by law, and collection costs, including reasonable attorney's fees, shall also be the personal obligation of all persons who were the Owners of such Lot on the Assessment Date. Notwithstanding the foregoing, the Declarant and each Builder shall only be obligated to pay Assessments as provided in Section 3.3 of this Article.

Section 3.2 Purpose of Assessments. The Assessments levied by the Association shall be used exclusively to promote the recreation, health, safety, welfare, common benefit and enjoyment of the Owners in the Subdivision, and in particular for: (a) the maintenance and improvement of the Common Areas now or hereafter owned by the Association; (b) the payment of real estate taxes and special assessments relating to the Common

Areas and improvements made on the Common Areas and other property under the control of the Association, including any subdivision entrances; (c) the planting and maintenance of trees, shrubs and grass; (d) the maintenance of median islands dedicated to the City of Troy, if any; (e) the maintenance of the greenbelt abutting Long Lake Road; (f) the acquisition of Common Areas; (g) the construction, operation, maintenance, repair, and replacement of recreational facilities; (h) caring for vacant Lots; (i) providing community services; (j) installing mailboxes serving each Lot; (k) obtaining insurance for the protection of the Owners; (l) maintaining, illuminating, irrigating, repairing, and replacing the entryway sign, monument wall and landscaping; (m) maintaining and replacing street signs not maintained or replaced by the City of Troy; and (n) establishing and maintaining appropriate reserves for those purposes.

Section 3.3 Establishing Assessments; Uniformity.

The Assessments shall be established by the Board of Directors following the procedures set forth in the Bylaws at a uniform rate for all Lots. Notwithstanding anything to the contrary contained herein or elsewhere in this Declaration, no Assessment shall be levied against a Lot owned by the Declarant or any Builder except that Builders shall be assessed in the same manner as any other Owner five (5) years after the date of the recording of the Plat.

Section 3.4 Maximum General Assessments. General Assessments shall not exceed the following amounts:

- a. Until January 1 of the year immediately following the first conveyance of a Lot to an Owner, excluding Builders, the maximum Assessment shall not exceed One Hundred Twenty Dollars (\$120.00) per Lot;
- b. From and after January 1 of the year immediately following the first conveyance of a Lot to any Owner, excluding Builders, the maximum General Assessment may be increased each year without a vote of the Members by an amount of not more than ten percent (10%) of the General Assessment for the previous year; and
- c. From and after January 1 of the year immediately following the first conveyance of a Lot to an Owner, excluding Builders, the maximum General Assessment may be increased by an amount in excess of ten percent (10%) per year only if a majority of the Members entitled to cast votes, in person or by proxy, vote in favor of such Assessment at a meeting of the Association duly called for that purpose.

Section 3.5 First Assessments. Upon purchasing any Lot from a Builder or the Declarant, an Owner other than a Builder shall be liable for the Assessment for the year in which the Lot is purchased, which shall be pro-rated to the date of closing and payable upon closing. Such Owner shall also be liable for a one time Assessment of One Hundred Dollars

(\$100.00) for working capital, which, except for the Mailbox Assessment, shall be payable to the Association upon closing.

Section 3.6 Special Assessments. In addition to the General Assessments authorized above, the Association may levy against each Owner, in any Assessment year, a Special Assessment, applicable to that year only, for the purpose of defraying, in whole or in part, (a) the cost of any acquisition of land or easements to be added to the Common Areas, and (b) the cost of construction, reconstruction, repair or replacement of any improvement upon the Common Areas and any other areas under the control of the Association, including the Subdivision entryway. Any Special Assessment shall have the consent of Members or of proxies entitled to cast a majority of the votes at a meeting duly called for that purpose.

Section 3.7 Notice and Quorum for Actions Authorized Under Sections 3.4 and 3.6. Written notice shall be sent to all Members not less than fifteen (15) days nor more than thirty (30) days in advance of any meeting called for the purpose of taking any action authorized under Sections 3.4 or 3.6 of this Article. At the first such meeting called, the presence of Members, in person or by proxy, entitled to cast fifty percent (50%) of the votes shall constitute a quorum. If the required quorum is not present, another meeting may be called subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

Section 3.8 Mailbox Assessments. Each Owner shall be liable for a one time Mailbox Assessment for the installation of the mailbox and mailbox stand which serves the Lot owned by such Owner. This Mailbox Assessment shall be payable to the Association upon closing on the purchase of the Lot or at the time the Association bills the Owner.

Section 3.9 Association Budget. The Board of Directors, not later than thirty (30) days prior to the beginning of an Assessment Period (for example, prior to December 1 of an Assessment Period from January 1 to December 31 of the following year), shall adopt a budget for the operations of the Association during the following Assessment Period. The budget will be mailed to each Owner with the written notice of the annual Assessment.

Section 3.10 Notice of Annual Assessments and Due Date. The Board of Directors shall establish the amount of the annual General Assessment and any Special Assessments against each Lot at least thirty (30) days in advance of each applicable Assessment Period and determine whether the Assessment will be payable on a monthly, quarterly, semi-annual or annual basis. Written notice of all Assessments shall be sent to every Owner. The due dates shall be established by the Board of Directors. The Association, shall, upon demand, and for a reasonable charge, furnish a certificate signed by an officer of the Association setting forth whether the Assessments on a specified Lot have been paid. A properly executed certificate of the

Association as to the status of Assessments on a Lot is binding upon the Association as of the date of its issuance.

Section 3.11 Effect of Nonpayment of Assessments; Remedies of the Association. Any Assessment not paid within thirty (30) days after the due date shall bear interest from the due date at the highest rate permitted by law. The Association may bring an action against the Owners personally obligated to pay the same and/or to foreclose the lien against the Lot. No Owner may waive or otherwise avoid liability for the Assessments by non-use of the Common Areas or abandonment of his Lot.

Section 3.12 Exempt Property. All Common Areas, all outlots, and all property exempt from taxation by state or local governments or dedicated for public use, shall be exempt from the Assessment, charge and lien created pursuant to this Declaration.

Section 3.13 Subordination of the Lien to Mortgages. The lien of the Assessments provided for herein shall be subordinate to the lien of any first mortgage and to any other contractual lien as to Lots owned by the Declarant. Sale or transfer of any Lot shall not affect the Assessment lien. However, the sale or transfer of any Lot pursuant to mortgage foreclosure shall extinguish the lien but not the obligation for payment of such Assessments as to payments which became due prior to such sale or transfer. No sale or transfer shall relieve such Lot from liability for any Assessment becoming due after such sale or from the lien thereof.

Section 3.14 Right of City to Assess. If the Association fails to levy and collect an Assessment for maintenance of the Common Areas or any of the median islands or landscaped berm, or fails to maintain such Common Areas, median islands or landscaped berm and it becomes necessary for the City of Troy to incur expenses related to maintenance of such Common Areas, median islands or landscaped berm, the City of Troy shall have the right to be subrogated to the powers of the Association to levy and collect Assessments and to enforce liens for the collection of such Assessments.

ARTICLE III

COMMON AREAS

Section 1. Creation and Modification of Common Area Rights and Easements.

Section 1.1 Dedication of Common Areas. The Declarant hereby dedicates and conveys to each Owner a right and easement of enjoyment in and to the Common Areas and hereby covenants that within three (3) years after the date the last Plat has been recorded, it will convey the Common Areas to the Association free and clear of all liens and encumbrances except as set forth herein. Title to the Common Areas shall vest in the Association subject to the rights and easements of enjoyment in and to such Common Areas by the Owners. Said easement of enjoyment shall not be personal, but shall be considered to be appurtenant to the Lots and shall pass with the title to the Lots whether or not specifically set forth in the deeds of

conveyance of the Lots. The Declarant reserves the right to create additional Common Areas by the dedication of outlots to the Association.

Section 1.2 Owner's Easement of Enjoyment.

Section 1.2.1 Grant of Easements. The Declarant hereby grants to each Owner, and his respective successors and assigns, appurtenant, non-exclusive and perpetual easements for pedestrian ingress and egress over, and the use and enjoyment of, the Common Areas, subject to the limitations set forth in Section 1.2.2 below.

Section 1.2.2 Limitations of Easements. The rights and easements of each Owner in and to the Common Areas shall be subject to the following prior rights of the Association, the Declarant, and/or third parties, in addition to other limitations set forth in this Declaration.

- a. The right of the Association to levy and collect Assessments, as set forth in Article II above;
- b. The right of the Association to adopt rules and regulations governing the use of the Common Areas by the Owners and their guests and invitees.
- c. The right of the Association to suspend the right of an Owner to vote and to use the Common Areas during any period in which any Assessment against his/her Lot remains unpaid.

- d. The right of the Association to suspend the right of an Owner to use the Common Areas for any infraction by an Owner of the Association's published rules and regulations for the duration of the infraction and for an additional period thereafter not to exceed sixty (60) days;
- e. The right of the Association to grant easements over, under or across any part of the Common Areas or to dedicate, grant or transfer all or any part of the Common Areas to any public agency, authority or utility for such purposes and subject to such conditions as may be agreed to by the Members. Any dedication, grant or transfer shall be effective only if an instrument agreeing to such dedication, grant or transfer is signed by the Declarant, if the Declarant has an ownership interest in any Lot at the time of the grant and fifty-one percent (51%) of the Members, and is recorded.

Section 1.2.3 Delegation of Use. Any Owner may delegate, in accordance with the Bylaws, his right of enjoyment and use of the Common Areas to the members of his family, his invitees, his tenants or purchasers who reside on his Lot, subject to the terms and conditions of this Declaration, the

Bylaws and any rules and regulations promulgated pursuant to either of them.

Section 1.3. Declarant's Rights to Dedicate or Transfer Property. The Declarant reserves the right to dedicate or transfer:

- a. All or any part of the Common Areas to any public agency, authority or utility for such purposes and subject to such conditions as may be required by law or be in the best interest of the Subdivision as determined by the Declarant.
- b. The Declarant reserves the right to grant an easement to use and enjoy the Common Areas to the Owners of any Lot in any Subsequent Phase, if any, if the Declarant grants an easement to use and enjoy the Common Areas of such other Subsequent Phase to the Owners of Lots in the Subdivision.

Section 1.4. Other Easements

Section 1.4.1 Utility Easements. The Declarant hereby dedicates and reserves the following easements:

- a. Easements for the installation, maintenance, repair, replacement, modification and/or removal of utilities, underground television cable, sanitary and storm sewer lines, water mains, drainage lines, surface drainage swales and any other improvements which would serve the Subdivision, as shown on the Plat, in, on, under

and over strips of land in width as designated on the Plat.

- b. Private easements for public utilities are granted and reserved as shown on the Plat.

No buildings or structures may be constructed or maintained over or on any easements; provided, however, that after the aforementioned utilities have been installed, planting, fencing (where permitted), or other lot line improvements shall be allowed, so long as they do not violate the provisions of this Declaration and do not interfere with, obstruct, hinder or impair the drainage plan of the Subdivision and so long as access be granted, without charge or liability for damages, for the installation, maintenance, repair, replacement, modification and/or removal of the utilities, drainage lines and/or additional facilities.

Section 1.4.2 Landscaping Easements. Declarant hereby reserves the right to create and/or establish Landscape Areas and Easements within those portions of the Common Areas reasonably designated by Declarant. Such areas may include, without limitation, such landscaping and signage as may be determined by Declarant to be necessary and/or desirable to identify and promote the Subdivisions. The Association shall bear all costs and expenses incurred in connection with the ongoing maintenance and repair of such landscaping and signage, including, without limitation, electrical and water expenses.

Section 1.4.3 Right to Transfer Easements to the Association. The Declarant reserves the right to transfer the

easements described in this section to the Association to be maintained by the Association in accordance with Article III, Section 2.

Section 1.5. Alteration of Common Areas and Easements. The Declarant reserves the right, without the consent of the Association or any of its Members, to increase or reduce the size of the Common Areas or to grant easements through any of it for the purposes of allowing the installation, construction, repairs, enlargement, modification or removal of any utility lines, television cable, drainage facilities or any other improvements which would serve the Subdivision or any subsequent Phase.

Section 2. Maintenance of Common Areas and Easements.

Section 2.1. Maintenance of Non-Road Improvements in the Right-of-Way. The Association shall maintain the median islands and all landscaping and light poles and sprinkler systems which are located in the streets, rights-of-way, and median islands within the Subdivision. All landscaping within the median islands shall be maintained in such a manner as to not protrude into the streets or block the vision of vehicular traffic utilizing the streets.

Section 2.2. Maintenance of Landscaping Easement. The Association shall maintain and replace as necessary all landscaping contained within the landscaping easement described in Section 1.4.3 above, from and including the crest of the berm within the easement area to the shoulder of Long Lake Road.

Section 2.3. Maintenance of Common Area. The Association shall maintain and improve, as necessary, the Common Areas in a safe and sanitary condition.

Section 3. Restrictions on Use of Common Areas.

Section 3.1. Litter and Pollution. No Owner shall throw or allow to accumulate on his or any other Lot or the Common Areas trash, refuse, or rubbish of any kind. No Owner shall dump or otherwise dispose of chemicals, motor oil, paint, gasoline or petroleum distillates in, over or within the Subdivision or the sanitary or storm sewer drains serving the Subdivision.

Section 3.2. Liability Insurance. The Association shall maintain liability insurance in sufficient amounts for the purpose of protecting itself as well as the Owners, the Declarant and Builders from the burden of any liability resulting from accidents which may cause death or injury to anyone or damage or casualty to personal property while in the Common Areas or on any property under the jurisdiction or control of the Association.

Section 3.3. Published Rules. The Declarant reserves the right to publish from time to time reasonable rules and regulations consistent herewith governing the use of the Common Areas, as well as other matters relating thereto. The Declarant may delegate or assign this right to its successors or the Association.

ARTICLE IV

ARCHITECTURAL REVIEW

Section 1. Architectural Review Committee.

No building, fence, wall, deck, swimming pool, outbuilding, drainage structure or other structure, or exterior improvement shall be commenced, erected or maintained on any Lot, nor shall any exterior addition to or change or alteration therein or change in the exterior appearance thereof be made until the plans and specifications showing the kind, size, shape, height, colors, materials, topography and location of the same on the Lot shall have been submitted to and approved in writing by an architectural review committee (the "Committee"). The Committee shall be composed of three (3) persons appointed by the Declarant. Committee members are not required to be Members of the Association, and may be employees, officers, directors, agents or affiliates of the Declarant. Each member of the Committee shall serve until he resigns or is replaced by a subsequent appointee. The Declarant may delegate or assign its power of appointment of Committee members to its successors, assigns, or the Association. Neither the Declarant nor the Committee shall have any liability whatsoever for the approval or disapproval of any plans or specifications.

Section 2. Preliminary Plans.

Preliminary plans may first be submitted to the Committee for preliminary approval.

Section 3. Plans and Specifications.

Plans and specifications for final approval by the Committee shall include the following:

- a. Complete plans and specifications sufficient to secure a building permit in the City of Troy including a dimensioned plot plan showing the Lot and placement of all improvements;
- b. Front elevation, side elevations and rear elevation of the building, plus elevations of any walls and fences;
- c. A perspective drawing, if deemed necessary by the Committee, to interpret adequately the exterior design;
- d. Data as to size, materials, colors and texture of all exteriors, including roof coverings and any fences and walls;
- e. One set of blueprints to be left with the Committee until construction is completed;
- f. A tree survey locating all trees which are of the size and character described in Article V, Section 30; and
- g. Any other data, drawings or materials which the Committee requests in order to fulfill its function.

Section 4. Compliance with Building and Use Restrictions.

No approval by the Committee shall be valid if the structure or improvement violates any of the restrictions set

forth in Article V of this Declaration, except in cases where waivers have been granted as provided for in Article V.

Section 5. Disapproval of Plans or Improvements.

The Committee may disapprove plans because of noncompliance with any of the restrictions set forth in Article V of this Declaration, or because the Committee is not satisfied with the grading and drainage plan, the location of the structure on the Lot, the materials used, the color scheme, the finish, design, proportion, shape, height, style or appropriateness of the proposed improvement or alteration or because of any matter or thing, which, in the judgment of the Committee, would render the proposed improvement or alteration inharmonious with, or out of keeping with, the objectives of the Committee, the Subdivision or with improvements erected or to be erected on other Lots in the Subdivision, including purely aesthetic considerations.

The Committee shall not be liable for the approval or disapproval of any plan.

Section 6. Approval Time Schedule.

If the Committee fails to approve or disapprove plans within thirty (30) days after the proper and complete submission of plans and specifications, then such approval will not be required, but all other limitations, conditions and restrictions set forth in the Declarations shall apply and remain in force as to such plans, specifications, and improvements.

Section 7. Committee Approval.

Committee approval shall be deemed given if either (a) the plans and specifications submitted for approval are marked or

stamped as having been finally approved by the Committee, or (b) an approval form specifically describing the plans and specifications submitted for approval is dated and signed by one (1) of the members of the Committee who was validly serving on the Committee on the date of such approval.

Section 8. Guidelines.

The Committee may, but shall not be required to, adopt guidelines for its approval process. The guidelines, if adopted, may include discussion of aesthetic standards to be utilized by the Committee in approving plans and specifications, preferred materials, preferred styles of residences, and other matters which will assist Owners seeking Committee approval. The guidelines, if adopted, will be intended solely for the purposes of illustrating and explaining current Committee standards. The guidelines shall not be construed to create any obligation on the part of the Committee to approve or reject any specific plan or specification or to otherwise modify or diminish the discretion of the Committee under this Article.

Section 9. Review Fee.

The Committee may charge a review fee of a maximum of One Hundred Dollars (\$100.00) to any Builder or Owner for the purposes of reviewing plans for the construction of a residence. The fee may not be utilized for the purposes of paying salaries to any members of the Committee but shall be utilized exclusively for the purposes of reimbursing actual expenses of the Committee, including, but not limited to, professional review fees of independent consultants.

ARTICLE V

BUILDING AND USE RESTRICTIONS FOR THE SUBDIVISION

Section 1. Use of Lots.

All Lots shall be used for single family residential purposes only. No building of any kind whatsoever shall be erected, re-erected, moved or maintained on any Lot or Lots except one single family dwelling and appurtenant attached structures. Each house shall be designed and erected for occupation by a single family. An attached garage for the sole use of the occupants of the Lot upon which the garage is erected must also be erected and maintained. Lessees of any Lot shall be subject to the terms and conditions of this Declaration, the Bylaws and all rules and regulations promulgated pursuant to this Declaration and the Bylaws, all of which shall be incorporated into the lease of any Lot by reference, and any violation of the same by a lessee shall be deemed to be a violation by the lessor-Owner and subject that Owner to the same penalties and sanctions as if the Owner himself violated the Declaration, Bylaws or any rules and regulations.

Section 2. Character and Size of Buildings.

No dwelling shall be permitted on any Lot unless, in the case of a one-story building, the living area shall be not less than one thousand eight hundred (1,800) square feet; in the case of a one-and-one-half or two-story building, the living area shall be not less than two thousand two hundred (2,200) square feet; and in the case of a quad-level or tri-level building, the living area shall be not less than two thousand two hundred

(2,200) square feet. No building greater than two (2) stories shall be constructed (a walk-out basement shall not be considered as a story). All computations of square footage for determination of the permissibility of erection of residences under this section, shall be exclusive of basements, attics, utility rooms, garages, porches or similar areas which are not normally classified as living areas.

Section 3. Garages.

No garage shall provide space for less than two (2) automobiles. Garage doors must be of solid colors which are harmonious with the remainder of the dwelling. All garages must be attached or architecturally related to the dwelling and the entrance of each garage shall face the side of the Lot and not the street. The Committee may grant such exceptions to this restriction as it deems suitable.

Section 4. Minimum Yard Requirements.

No building on any Lot shall be erected nearer than:

- a. Thirty feet (30') from the front lot line; nor
- b. Ten feet (10') from the side lot line, with a total of twenty-five feet (25') for both; nor
- c. Forty feet (40') from the rear lot line; nor
- d. Thirty feet (30') from the exterior side lot line on corner lots.

For the purposes of corner lots, each lot line abutting a street shall be deemed a front lot line. Approval of a variance by the Committee and the City of Troy permitting front, rear or

side yards smaller than the above minimums shall be deemed a valid waiver of this restriction.

Section 5. Floodplains.

The flood plain elevation for the Subdivisions, as delineated on the Plat, is 676.9 (NGV Datum) as established by the Michigan Department of Natural Resources, now known as the Michigan Department of Environmental Quality. Accordingly, no grading, filling, excavating, paving or other occupation of the flood plain area shall take place without the prior approval of the Michigan Department of Environmental Quality and the City of Troy unless waived by of them. Any building used or capable of being used for residential purposes and occupancy within or affected by the flood plain shall:

a. Be approved by the Department of Environmental Quality before any filling or construction occurs;

b. Have lower floor, excluding basements, not lower than the elevation of the contour defining the flood plain limits;

c. Have openings into the basement not lower than the elevation of the contour defining the flood plain limits;

d. Have basement walls and floors, below the elevation of the contour defining the flood plain limits, watertight and designed to withstand hydrostatic pressures from a water level equal to the elevation of the contour defining the flood plain limits following methods and procedures outlined in Chapter 5, type A construction and Chapter 6 for class 1 loads found in "Flood Proofing Regulations" EP 1165 2 314 prepared by

the Office of the Chief of Engineers, U.S. Army, Washington, D.C., June 1972. Figure 5, Page 14.5 of the regulations show typical foundations, drainage and waterproofing details. This document is available, at no cost, from the Department of Environmental Quality, Land and Water Management Division, P.O. Box 30028, Stevens T. Mason Building, Lansing, Michigan 48909, or Department of the Army, Corps of Engineers, Publications Depot, 980 S. Pickett, Alexandria, Virginia 22304;

e. Be equipped with a positive means of preventing sewer backup from sewer lines and drains which serve the building; and

f. Be properly anchored to prevent flotation.

The City of Troy may, from time to time, adopt standards more stringent than the foregoing. No plan approval shall be granted in conflict with the standards adopted by the City of Troy.

The provisions of this Section may not be amended, except for amendments to conform with changes in the rules and regulations of the Michigan Department of Environmental Quality, and shall not expire upon the termination of this Declaration, but shall be observed in perpetuity.

Section 6. Repetition of Elevations.

The Committee shall not approve the use of any elevations which are substantially similar to elevations approved for any Lot within three hundred (300') feet of any lot line and on the same street as the proposed construction. Variety in colors or

building materials shall be used for homes on adjacent Lots so as to avoid an appearance of repetition.

Section 7. Lot Splits.

Lot splits shall be prohibited.

Section 8. Maintenance Of Improvements.

Each Owner shall keep all improvements on his Lot in good condition and in good repair at all times. The exterior of all structures shall be maintained in good repair, structurally sound and in a sanitary condition so as not to threaten the health, safety or welfare of any occupant or to substantially detract from the appearance of the Subdivision as a whole or any area of the Subdivision.

Section 9. Animals.

No farm animals, livestock or wild animals shall be kept, bred or harbored on any Lot, nor shall any animals be kept or bred for commercial purposes. Domestic animals commonly deemed to be household pets may be kept by the Owner and members of his household so long as such pets shall have such care so as not to be objectionable or offensive to others due to noise, odor or unsanitary conditions. Any domestic animal kept by an Owner shall be kept either on a leash or in a run or pen, and shall not be allowed to run loose or unattended. No runs or pens shall be permitted to be erected or maintained unless located within the rear yard adjacent to a wall of the main dwelling or garage and facing the rear or the interior of the Lot, nor shall such runs or pens extend beyond the end of the dwelling or garage into the side yard.

Section 10. Weapons.

No Owner of a Lot shall use or discharge within the Subdivision, nor shall he permit or suffer any occupant of any Lot which he owns, or his or their invitees or guests, to use or discharge within the Subdivision, any BB guns, firearms, rifles, shotguns, handguns, pellet guns, crossbows or archery equipment.

Section 11. Septic Tanks and Wells.

No septic tank systems shall be dug, installed, constructed or maintained on any Lot. No wells shall be drilled, dug, installed, constructed, or maintained on any Lot except with the permission of Declarant.

Section 12. Sight Distance.

No fence, wall, hedge, or shrub planting which obstructs sight lines at elevations above three feet (3') and six feet (6') from the roadway shall be placed or permitted to remain on any corner Lot within the triangular area formed by the lot lines and a line connecting them at points twenty-five feet (25') from the intersection of the lot lines, or in the case of a rounded property corner, from the intersection of the lot lines as though extended. No tree shall be permitted to remain within such distances of such intersections unless the foliage line is maintained at sufficient height to prevent obstruction of the sight lines.

Section 13. Temporary Structures.

Trailers, shacks, barns, storage sheds or any temporary buildings of any description whatsoever are expressly prohibited and no temporary occupancy shall be permitted in unfinished

Section 15. Trailers, Boats, Recreation and Commercial Vehicles.

No house trailers, commercial vehicles, boat trailers, boats, camping, recreational vehicles or camping trailers, horse trailers or other utility trailers or vehicles may be parked on or stored on any Lot, unless stored fully enclosed within an attached garage. Commercial vehicles and trucks shall not be parked in the Subdivision except while making normal deliveries or pickups in the normal course of business. However, a construction trailer may be maintained by each Builder or independent contractor contracting with an Owner during the period when new houses are under construction in the Subdivision by the Builder or independent contractor.

Section 16. Laundry.

No laundry shall be hung for drying outside the dwelling.

Section 17. Grade.

The grade and topography of any Lot in the Subdivision may not be changed after original construction without the written consent of the Committee and the City of Troy.

Section 18. Swimming Pools.

No swimming pool may be built which is higher than one foot (1') above the final Lot grade. No swimming pool may be built unless some portion of the pool is within twenty feet (20') of the residence. All swimming pools must be constructed so that they drain into the storm sewer system only.

buildings. Tents for entertainment or recreational purposes are permitted for periods not to exceed forty-eight (48) hours. The Declarant, any Builders or their subcontractors, and/or independent contractors contracting with an owner, may erect temporary storage buildings for materials and supplies to be used in the construction of houses during the period when new houses are under construction in the Subdivision by the Declarant and/or Builder, and/or independent contractor.

Section 14. Trash and Garbage.

No Owner shall throw or allow to accumulate on his or any other Lot or the Common Areas, trash, refuse or rubbish of any kind. No Owner shall dump or otherwise dispose of chemicals, motor oil, paint, gasoline or petroleum distillates in, over or within the Subdivision or the sanitary or storm sewer drains serving the Subdivision. No Lot shall be used or maintained as a dumping ground for rubbish, trash, garbage or other waste, and the same shall not be kept except in sanitary containers properly concealed from public view. Garbage containers shall not be left at the road side for more than twenty-four (24) hours in any one week. If the City of Troy does not provide municipal garbage collection, the Association may contract with one commercial collection service to provide service to the Subdivision and require each Owner to utilize the service of that contractor at the Owner's expense.

Section 19. Antennas, Cable Television Dish.

No radio, television or other communication antennas of any type or cable television dish shall be installed on or outside of any residence. Antennas may be installed or placed in the interior of any residence.

Section 20. Exterior Lighting.

No exterior lighting shall be installed so as to disturb the occupants of neighboring Lots or impair the vision of traffic on any street.

Section 21. Utility Lines.

All utility lines, including electric, gas, telephone and cable television, must be installed underground.

Section 22. Statuary.

No lawn ornaments, statues or outdoor art shall be placed on any Lot without the prior approval of the Committee, which may be withheld in its sole discretion for purely aesthetic reasons.

Section 23. Sales Agency and/or Business Office.

Notwithstanding anything to the contrary herein, the Declarant and/or any Builders may construct and maintain a sales agency and/or a business office on any Lots which they may own, or may use a model house or trailer for such purposes. The Declarant and/or such Builders may continue to maintain such a facility for use as long as they have an ownership interest in any Lot.

Section 24. Lease Restrictions.

No Owner shall lease and/or sublet less than the whole of any dwelling on said Lot. No lease shall be for a period less than one (1) year.

Section 25. Exterior Surface of Dwellings.

The visible exterior walls of all dwelling structures shall be made of wood, brick, brick veneer, cut stone, or of any combination thereof. Fieldstone, ledge rock, cultured stone or stucco may also be used, so long as any of these materials alone, or in combination, do not exceed fifty percent (50%) of the total of all visible exterior walls. The Committee may grant such exceptions to this restriction as it deems suitable. The use of asphalt, cement block, cinder, slag, aluminum siding, vinyl siding, or plywood (unless finished in an approved imitation stucco or similar appearance), and/or imitation brick is prohibited. Windows and doors made of unpainted aluminum or non-factory painted aluminum are prohibited. Garage doors shall be stained or painted. The color of brick, siding, doors, windows and garage doors shall be approved by the Committee. Windows and doors shall not be included in calculating the total area of visible exterior walls.

Section 26. Fences And Walls.

No fence, wall or solid hedge may be erected, grown or maintained in front of or along the front building line of any Lot; provided, however, that low ornamental fencing along the front lot line in architectural harmony with the design of the house, may be erected. The side lot line of each corner lot

which faces a street shall be deemed to be a second front building lot line and shall be subject to the same restrictions as to the erection, growth or maintenance of fences, walls or hedges as is hereinbefore provided for front building lines. No fence or wall may be erected or maintained on or along the side lines of any Lot and/or on or along the rear line of any Lot, except fences which are required by local ordinance to enclose swimming pools, fences which are an integral part of a deck or patio design and fences used for runs or pens which comply with the requirement of Article V, Section 8 shall be permitted. All fences must be constructed of pressure treated wood, brick, stone, wrought-iron or the materials used for the construction of the exterior of the residence and shall be subject to the prior approval of the Committee. The Committee may grant an exception for the use of chain link fences which are vinyl-coated in an earth tone color, including all posts and hardware as it deems suitable. Deck and patio fences shall not exceed a height of six feet (6'). No more than twenty-five percent (25%) of the area of any Lot may be enclosed by a fence or wall. In determining the area enclosed, any area occupied by a structure is excluded.

Section 27. Signs.

No sign or billboard of any kind shall be placed, erected or maintained on any Lot. The provisions of this paragraph shall not apply to such signs as may be for purposes of resale by any Owner, except that no signs for purposes of resale may be located on the landscaped berm. Any sign for purposes of resale

shall be subject to review and approval by the Architectural Review Committee and the Declarant so long as the Declarant shall hold title to any Lot. The provisions of this paragraph shall not apply to signs installed or erected on any Lot by Declarant or any Builder during such periods as any Lot shall be for sale or used as a model or for display purposes by the Declarant or any Builder; provided, however, that such signs must be made in accordance with uniform specifications established by the Declarant.

Section 28. Driveways.

All driveways, aprons and parking areas must be paved with concrete or brick pavers, subject to the specifications of the City of Troy for the portions within the road right-of-way. Alternative materials may be used in the exclusive discretion of the Committee. The driveways must be completed within six (6) months of occupancy.

Section 29. Destruction of Building by Fire, etc.

Any debris resulting from the destruction in whole or in part of any dwelling or building on any Lot shall be removed with all reasonable dispatch from such Lot in order to prevent an unsightly or unsafe condition.

Section 30. Landscaping.

Any Owner taking occupancy of a newly constructed residence upon any Lot between September 1 and May 1 shall have the landscaping improvements, including, but not limited to, trees, plantings, shrubs and lawns, installed by the next July 31. Any Owner taking occupancy of a newly constructed home between May 1

and August 31 shall have the landscaping improvements as described above by November 30. The Lot and the right-of-way contiguous to each Lot shall be kept free of weeds by the Owner, and all such landscaping and lawns shall be well-maintained at all times.

Section 31. Trees.

No living tree of a height of twenty feet (20') or more or more than eight (8) inches in diameter at three feet (3') above the ground shall be removed without the approval of the Committee, except for trees which are less than ten feet (10') from any part of the building (excluding decks and patios) or which are in the location of proposed driveways. The Owner shall treat or remove any diseased or blighted tree forthwith. Other than as permitted above, no person shall do any act, the result of which could reasonably be expected to cause damage to or destruction to any tree. In addition to these requirements, the Owner shall comply with the Woodlands Ordinance adopted by the City of Troy, as amended from time to time.

Section 32. Sidewalks and Street Trees.

Each Owner shall install a sidewalk in the road right-of-way adjacent to his Lot and shall maintain, repair and replace such sidewalk in accordance with the requirements of the City of Troy and the Association. Each Owner shall keep the sidewalk reasonably free of ice, snow and debris.

Section 33. Liability Insurance.

The Association shall maintain liability insurance in sufficient amounts for the purpose of protecting itself as well

as the Owners, the Declarant and Builders from the burden of any liability resulting from accidents which may cause death or injury to anyone or damage or casualty to personal property while in the Common Areas or on any property under the jurisdiction or control of the Association.

Section 34. Mailboxes.

The Association shall install, maintain, repair, and replace mailboxes and mailbox stands in the areas dedicated for mailboxes in the Subdivision. An Owner may not install or maintain a separate mailbox. The Owner shall be liable for a one time Assessment for the maintenance of the mailbox, which shall be payable to the Association upon closing.

Section 35. Published Rules.

The Declarant reserves the right to publish from time to time reasonable rules and regulations consistent herewith governing the Subdivision. The Declarant may delegate or assign this right to its successors or the Association.

ARTICLE VI

ENFORCEMENT

Section 1. Enforcement of Rights.

The Declarant, the Association or any Owner shall have the right to enforce all restrictions, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Failure of the Declarant, the Association or any Owner to enforce any covenant or restriction

herein contained shall in no event be deemed an estoppel or a waiver of the right to do so thereafter.

Section 2. Right of Entry.

The Declarant or the Association shall have the right to enter upon any Lot for the purposes of mowing, cutting, weeding or removing any unsightly growth which in the opinion of the Declarant or the Association detracts from the overall attractiveness of the health and welfare of the Subdivision. The Declarant or the Association may enter upon the Lots for the purpose of removing any debris or trash from the Lot. The Declarant or the Association shall be under no obligation to take such affirmative action. Any costs incurred in such action by the Declarant or Association shall be chargeable against the Owner and shall constitute a lien against the Lot.

Section 3. Fines.

The Association may establish a schedule of fines which shall apply to the violation of any of the restrictions described in Article V. Such fines shall be imposed thirty (30) days after the Association gives written notice to an Owner of the violation of a restriction, unless during the thirty (30) day period the violation has been corrected. Any fine that is unpaid thirty (30) days after it is imposed shall become a lien on the Lot in the same manner as an Assessment and a notice of lien may be signed by the Association and recorded in the records of the Register of Deeds of Oakland County.

Section 4. Assessments.

The remedies relating to the failure of an Owner to pay an Assessment are set forth in Article II, Section 3.11.

ARTICLE VII

EXPANSION

Section 1. Annexation of Additional Lots and/or Common Area.

The Declarant reserves the right at any time or times in the future to amend this Declaration by adding to it any Subsequent Phase. Such Subsequent Phase may or may not contain Common Areas. Any such amendment(s) to this Declaration shall provide that the Owners of all residential lots in Subsequent Phases shall be required to be Members of the Covington Ridge Homeowners' Association and shall be subject to the covenants, restrictions, easements, charges and liens set forth herein. Such amendment(s) shall also provide that the Common Areas contained within the Subdivision and Subsequent Phases shall be for the use and benefit of all Owners of Lots in the Subdivision and all subdivisions added hereto. Additional Lots and Common Areas may be annexed to the Association by Declarant without the consent or approval of the Association or any of its Members or any Owner. Annexation by action of the Association shall require the consent of two-thirds (2/3) of its Members.

ARTICLE VIII

AMENDMENT

The covenants, restrictions and conditions of this Declaration shall run with and bind the land for a term of twenty (20) years from the date this Declaration is recorded, after which time they shall be automatically extended for an additional period of ten (10) years. The Declaration may be amended during the first twenty (20) year period by an instrument signed by not less than sixty-seven percent (67%) of the Owners and thereafter by an instrument signed by not less than fifty-one percent (51%) of the Owners, except that amendments made by the Declarant for the purpose of adding residential lots and/or Common Areas to the Association and making this Declaration apply to such lots and/or Common Areas, shall not require the vote or signature of any Owners, the Association or any Members thereof. No amendment may be adopted without the consent of the Declarant at any time in which it owns one (1) or more Lots in the Subdivision. Any amendment must be recorded with the Oakland County Register of Deeds before the amendment becomes affective.

ARTICLE IX

GENERAL PROVISIONS

Section 1. Severability.

Invalidation of any one of these easements, covenants, restrictions or conditions by judgment or court order shall not

affect any other provisions, which remaining provisions shall continue in full force and effect.

Section 2. Assignment or Transfer of Rights and Powers.

Except as expressly limited by the Declaration, the Declarant reserves the right to assign to the Association, in whole or in part, from time to time, any or all of the rights, powers, titles, easements and estates hereby reserved or given to the Declarant including the right and power to approve or disapprove any use, act, proposed action, or any other matter or thing. Any such assignment or transfer shall be made by appropriate instrument, in writing, and such assignee shall thereupon have the same rights and powers, and be subject to the same obligations and duties as herein given, reserved to and assumed by the Declarant in connection with the rights, powers and easements so assigned, and such instrument when executed by such assignee shall without further act, release the Declarant from all obligations, duties and liabilities in connection therewith.

Section 3. Appointment Of Declarant As Attorney In Fact.

All Owners, their successors and assigns hereby irrevocably appoint the Declarant as their agent and attorney-in-fact for the purpose of executing any document necessary to allow Declarant to do any thing which Declarant is entitled to do under the terms of this Declaration.

Section 4. Additional Signatories.

The Parties who, in addition to the Declarant, sign this Declaration, hereby accept, adopt, confirm, ratify and subject

EXHIBIT A

LEGAL DESCRIPTION

PROPOSED
Covington Ridge Subdivision No. 2

Part of the Northeast 1/4 of Section 15, Town 2 North, Range 11 East, City of Troy, Oakland County, Michigan, being described as follows:

Commencing at the North 1/4 corner of said Section 15; thence due East 330.48 feet to the Northwest corner of COVINGTON RIDGE SUBDIVISION, along the North line of said Section 15 and the centerline of Long Lake Road; thence South 00 degrees 01 minutes 41 seconds East 460.80 feet along the west line of said COVINGTON RIDGE SUBDIVISION to the point of beginning; thence South 00 degrees 01 minutes 41 seconds East 859.97 feet to the southwest corner of said COVINGTON RIDGE SUBDIVISION; thence North 89 degrees 49 minutes 26 seconds West 262.36 feet to the southeast corner of BELZAIR SUBDIVISION NO. 3, according to the plat thereof recorded in Liber 141 of Plats, Page 32, Oakland County Records; thence along the east line of said BELZAIR SUBDIVISION NO. 3 North 00 degrees 11 minutes 00 seconds West, 859.17 feet; thence due East 264.68 feet to the Point of Beginning.

Pt-of 20-15-201-002

Pt-of 20-15-201-003

PROPOSED
Covington Ridge Subdivision No. 3

Part of the Northeast 1/4 of Section 15, Town 2 North, Range 11 East, City of Troy, Oakland County, Michigan, being described as follows:

Commencing at the North 1/4 corner of said Section 15; thence due East 659.80 feet along the North line of said Section 15 and the centerline of Long Lake Road to the northeast corner of COVINGTON RIDGE SUBDIVISION and the Point of Beginning; thence South 00 degrees 23 minutes 00 seconds West 1320.00 feet along the east line of COVINGTON RIDGE SUBDIVISION to the southeast corner of COVINGTON RIDGE SUBDIVISION; thence due East 168.07 feet; thence North 00 degrees 18 minutes 54 seconds East 1320.00 feet; thence due West 166.50 feet along the centerline of Long Lake Road to the Point of Beginning.

20-15-201-006

COVINGTON RIDGE SUBDIVISION HOMEOWNERS ASSOCIATION

BYLAWS

ARTICLE I

ADOPTION PURSUANT TO DECLARATION
OF EASEMENTS, COVENANTS AND RESTRICTIONS

These Bylaws of the Covington Ridge Subdivision Homeowners Association, a Michigan nonprofit corporation (the "Association"), are adopted pursuant to the Declaration of Easements, Covenants and Restrictions for Covington Ridge Subdivision Homeowners Association, recorded at Liber 15031, Pages 741 through 759, Oakland County Records, as may be amended from time to time (the "Declaration"), and which is incorporated herein by reference. Capitalized terms defined in the Declaration shall have the same definition in these Bylaws. These Bylaws are also adopted pursuant to the Michigan Nonprofit Corporation Act, Act 162 of the Public Acts of 1982, as amended (the "Act"), and shall be subject to its provisions.

ARTICLE II

MEMBERSHIP

Membership shall be determined in accordance with the terms of the Declaration.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 1. PLACE OF MEETING. All meetings of the Members of the Association shall be held at the registered office or at such other place within the State of Michigan as determined by the President.

SECTION 2. ANNUAL MEETINGS OF MEMBERS. The first annual meeting of the Members shall be held on a day chosen by the Declarant which is not later than six (6) months after ninety-five percent (95%) of the Lots are owned by Owners who are not the Declarant or a Builder. Thereafter, annual meetings of the Members shall be held on the second Tuesday in November each year at 8:00 o'clock in the evening, local time, or at such other date

and time as shall be determined from time to time by the Board of Directors, unless such action is taken by written consent as provided in Article IV, Section 13 of these Bylaws. Meetings shall be conducted in accordance with Sturgis Code of Parliamentary Procedure, Robert's Rules of Order or some other recognized manual of parliamentary procedure, when not otherwise in conflict with the Articles of Incorporation, the Declaration, these Bylaws, or any statutes. The officers shall present the financial report for the fiscal year immediately preceding and, if such report is not complete in time for that meeting, the President is authorized to extend up to thirty (30) days from the meeting date upon ten (10) days written notice. At the meeting, the Members shall elect a Board of Directors and shall transact such other business as may properly be brought before the meeting. If the annual meeting is not held on the date designated, or within the thirty (30) days following presidential adjournment, the Board shall cause the meeting to be held as soon thereafter as reasonably possible.

SECTION 3. NOTICE OF MEETING OF MEMBERS. Unless otherwise provided for in the Declaration, written notice of the time, place and purposes of a meeting of the Members shall be given not less than ten (10) days, nor more than sixty (60) days, before the date of the meeting, either personally or by mail, to each Member of record entitled to vote at the meeting. When a meeting is adjourned to another time or place, it is not necessary to give notice of the adjourned meeting if the time and place to which the meeting is adjourned are announced at the meeting at which the adjournment is taken and at the adjourned meeting only such business is transacted as might have been transacted at the original meeting. However, if, after the adjournment, the Board of Directors fixes a new record date for the adjourned meeting, a notice of adjourned meeting shall be given to each Member of record on the new record date who shall otherwise be entitled to vote at the meeting.

SECTION 4. LIST OF MEMBERS ENTITLED TO VOTE. The officer or agent having charge of the membership records of the Association shall make and certify a complete list of the Members entitled to vote at the Members' meeting or any adjournment thereof. The list shall:

- (a) be arranged alphabetically with the address of, and the number of votes held by each Member;
- (b) be produced at the time and place of the meeting;
- (c) be subject to inspection by any Member during the whole time of the meeting; and

- (d) be *prima facie* evidence as to who are the Members entitled to examine the list or to vote at the meeting.

SECTION 5. SPECIAL MEETING OF MEMBERS. A special meeting of the Members may be called at any time by the President of the Association or by a majority of the members of the Board of Directors then in office or by the Members having, in the aggregate, not less than ten (10%) percent of all of the votes entitled to be cast at such special meeting. The method by which such meeting may be called is as follows: Upon receipt of a specification in writing setting forth the date and objects of such proposed special meeting, signed by the President or by a majority of the members of the Board of Directors then in office or by the Members as above provided, the Secretary of the Association shall prepare, sign and mail the notice requisite to such meeting.

SECTION 6. QUORUM OF MEMBERS. Members entitled to cast a majority of the votes at a meeting constitute a quorum at the meeting. If the required quorum is not present, the meeting may be called, subject to the same notice requirement, and the required quorum at the subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting, no subsequent meeting with reduced quorum requirements shall be held more than sixty (60) days after the meeting in which there was no quorum. The Members present, in person or by proxy, at such meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum. Whether or not a quorum is present, the meeting may be adjourned by a majority vote.

SECTION 7. VOTING. Each Owner shall be entitled to one (1) vote for each Lot (as defined in the Declaration) owned. If membership is held by two (2) or more persons as joint tenants or tenants-in-common, the vote for that Lot shall be exercised by the person designated in writing by the joint tenants or tenants-in-common. In no event shall more than one (1) vote be cast with respect to any one (1) Lot. The name of the designated representative shall be provided to the Association in writing at least ten (10) days prior to any meeting at which said Designee intends to vote. If no person has been designated in writing, the vote shall be cast as follows:

- (a) If only one (1) joint tenant or tenant in common votes, that act binds all.
- (b) If more than one (1) joint tenant or tenant in common votes, the vote shall be cast as the majority determines.

- (c) If the joint tenants or tenants in common are equally divided as to how the vote shall be cast, a court having jurisdiction in an action brought by any of the joint tenants or tenants in common or by any beneficiary may appoint an additional person to act with the joint tenants or tenants in common in such matter, and the vote shall be cast by the majority of such joint tenants or tenants in common and such additional person.

For all actions by the Membership, unless otherwise required by the Declaration, these Bylaws or any statute, a simple majority vote for which Members are present and voting at a properly called and duly constituted meeting shall be sufficient. A vote may be cast in writing or orally.

SECTION 8. RECORD DATE FOR DETERMINATION OF MEMBERS. For the purpose of determining Members entitled to notice of, and to vote at, a meeting of the Members, or an adjournment thereof, or to express consent or dissent to a proposal without a meeting, or for the purpose of any other action, the Board may fix, in advance, a date as the record date for any such determination of Members. The date shall not be more than sixty (60) days, nor less than ten (10) days, before the date of the meeting, nor more than sixty (60) days before any other action.

If a record date is not fixed:

- (a) the record date for determination of Members entitled to notice of, or to vote at, a meeting of Members shall be the close of business on the day next preceding the day on which notice is given or, if no notice is given, the day next preceding the day on which the meeting is held; and
- (b) the record date for determining Members for any purpose other than that specified in subparagraph (a) shall be the close of business on the day on which the resolution of the Board relating thereto is adopted.

When a determination of Members of record entitled to notice of, or to vote at, a meeting of the Members has been made as provided in this Section, the determination applies to any adjournment of the meeting, unless the Board fixes a new record date under this Section for the adjourned meeting.

SECTION 9. PROXIES. A Member entitled to vote at a meeting of the Members, or to express consent or dissent without a meeting, may authorize one or more other persons to act for him by proxy. A proxy shall be signed by the Member or his authorized agent or representative. A proxy is not valid after the expiration of three (3) years from its date unless otherwise

provided in the proxy. A proxy is revocable at the pleasure of the Member executing it. The authority of the holder of a proxy to act is not revoked by the incompetence or death of the Member who executed the proxy unless, before the authority is exercised, written notice of an adjudication of the incompetence or death is received by the corporate officer responsible for maintaining the list of Members.

SECTION 10. INSPECTORS OF ELECTION. The Board of Directors, in advance of a Members' meeting, may appoint one (1) or more inspectors of election to act at the meeting or any adjournment thereof. If inspectors are not so appointed, the person presiding at a Members' meeting may, and upon request of a Member entitled to vote thereat shall, appoint one (1) or more inspectors. In case a person appointed fails to appear or act, the vacancy may be filled by appointment made by the Board of Directors in advance of a meeting or at the meeting by the person presiding thereat. The inspectors shall determine the number of Members entitled to vote, the Members represented at the meeting, the existence of a quorum, the validity and effect of proxies and shall receive votes, ballots or consents, hear and determine challenges and questions arising in connection with the right to vote, count and tabulate votes, ballots or consents, determine the result and do such acts as are proper to conduct the election or vote with fairness to all Members. On request of the person presiding at the meeting or a Member entitled to vote, the inspectors shall make and execute a written report to the person presiding at the meeting of any of the facts found by them and matters determined by them. The report is *prima facie* evidence of the facts stated and of the vote as certified by the inspectors.

SECTION 11. CONSENT OF MEMBERS IN LIEU OF MEETING. Any action required or permitted by the Act to be taken at an annual or special meeting of the Members may be taken without a meeting, without prior notice and without a vote, if all the Members entitled to vote thereon consent in writing.

ARTICLE IV

DIRECTORS

SECTION 1. NUMBER AND QUALIFICATION OF DIRECTORS. The Board of Directors shall be comprised of three (3) members, all of whom must be Members or officers, partners, trustees, employees or agents of Members of the Association, except for the first Directors appointed by the Incorporator in accordance with Section 2 of this Article. Directors shall serve without compensation, unless compensation of the Directors is established by the Members.

SECTION 2. ELECTION OF DIRECTORS.

(a) The Directors comprising the first Board of Directors, and their successors shall be appointed by the Declarant. The Board of Directors shall manage the affairs of the Association until the first annual meeting of Members.

(b) At the first annual meeting of Members, two (2) Directors shall be elected for a term of two (2) years, and one (1) Director shall be elected for a term of one (1) year. At such meeting, all nominees shall stand for election as one slate and the two (2) persons receiving the highest number of votes shall be elected for a term of two (2) years, and the person receiving the next highest number of votes shall be elected for a term of one (1) year. At each annual meeting held thereafter, either one (1) or two (2) Directors shall be elected, depending upon the number of Directors whose terms expire. After the first annual meeting, the term of office (except for one (1) of the Directors elected at the first annual meeting) of each Director shall be two (2) years. The Directors shall hold office until their successors have been elected and hold their first meeting.

SECTION 3. VACANCIES. A vacancy occurring in the Board may be filled by the affirmative vote of a majority of the remaining Directors, though less than a quorum of the Board, for a term of office continuing only until the next election of the Directors by the Members. If, because of death, resignation or other cause, the Association has not Directors in office, an officer, Member, executor, administrator, trustee or guardian of a Member, or other fiduciary entrusted with like responsibility for the person or estate of a Member, may call a special meeting of Members, in accordance with the Articles of Incorporation or these Bylaws for the purpose of electing substitute Directors of the Association.

SECTION 4. REMOVAL. Any Director or the entire Board of Directors may be removed at any time, with or without cause, by a vote of the holders of a majority of the Members entitled to vote at an election of Directors.

SECTION 5. RESIGNATION. A Director may resign by written notice to the Association. The resignation is effective upon its receipt by the Association or at a subsequent time as set forth in the notice of resignation.

SECTION 6. POWERS. The business and affairs of the Association shall be managed by its Board of Directors except as otherwise provided in the Act, Declaration and in the Articles of Incorporation or by these Bylaws.

SECTION 7. LOCATION OF MEETINGS. Regular or special meetings of the Board of Directors may only be held within the State of Michigan.

SECTION 8. ORGANIZATIONAL MEETING OF BOARD. The first meeting of each newly elected Board of Directors shall be held at the place of holding the annual meeting of the Members and, immediately following the same, for the purpose of electing officers and transacting any other business properly brought before it, provided that the organization meeting in any year may be held at a different time and place than that herein provided by consent of a majority of the Directors of such new Board. No notice of such meeting shall be necessary to the newly elected Directors in order to legally constitute the meeting, provided a quorum shall be present, unless said meeting is not held at the place of holding and immediately following the annual meeting of the Members.

SECTION 9. REGULAR MEETING OF BOARD. Regular meetings of the Board of Directors may be held without notice at such time and at such place within the State of Michigan as shall from time to time be determined by the Board and may be held concurrently with an organizational meeting of the Board or otherwise.

SECTION 10. SPECIAL MEETING OF BOARD. Special meetings of the Board of Directors may be called by the President, or by a majority of the persons then comprising the Board of Directors, at any time by means of notice of the time and place thereof to each Director given not less than three (3) days before the time such special meeting is to be held. Attendance of a Director at a meeting constitutes a waiver of notice of the meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, a regular or special meeting need be specified in the notice or waiver of notice of the meeting.

SECTION 11. COMMITTEES OF DIRECTORS. The Board of Directors may designate one (1) or more committees, each committee to consist of one (1) or more Directors of the Association. The Board may designate one (1) or more Directors as alternate members of any committee who may replace an absent or disqualified member at any meeting of the committee. In the absence or upon disqualification of a member of a committee, the members of the committee present at any meeting and not disqualified from voting, whether or not they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member. Any such committee, to the extent provided in the resolution of the Board of Directors creating such committee, may exercise all the powers

and authority of the Board of Directors in the management of the business and affairs of the Association, but no such committee shall have the power or authority to amend the Articles of Incorporation, adopt an agreement of merger or consolidation, recommend to the Members a sale, lease, or exchange of all or substantially all of the Association's property and assets, a dissolution of the Association or a revocation of a dissolution, amend the Bylaws of the Association, fill vacancies on the Board of Directors, fix compensation of Directors for serving on the Board or on a committee or cancel or terminate membership. Any such committee, and each member thereof, shall serve at the pleasure of the Board of Directors.

SECTION 12. QUORUM AND REQUIRED VOTE OF BOARD AND COMMITTEES. At all meetings of the Board of Directors, or of a committee, a majority of the members of the Board then in office, or of the members of a committee, shall constitute a quorum for the transaction of business. The vote of the majority of the members present at a meeting at which a quorum is present constitutes the action of the Board, or of the committee, unless the vote of a larger number is required by the Act. To the extent that a provision of these Bylaws does not require action by the Members for amendment, these Bylaws may be amended by the Board upon the vote of not less than a majority of the members of the Board then in office. If a quorum shall not be present at any meeting of the Board of Directors, the Directors present thereat may adjourn the meeting from time to time, without notice, other than announcement at the meeting, until a quorum shall be present.

SECTION 13. ACTION BY WRITTEN CONSENT. Action required or permitted to be taken pursuant to authorization voted at a meeting of the Board of Directors, or a committee, may be taken without a meeting if, before or after the action, all members of the Board, or of the committee, consent in writing. The written consents shall be filed with the minutes of the proceedings of the Board or of the committee. The consent has the same effect as a vote of the Board or committee for all purposes.

SECTION 14. COMPENSATION OF DIRECTORS. The Members may establish reasonable compensation of Directors.

SECTION 15. PARTICIPATION IN MEETING BY TELEPHONE. By oral or written permission of a majority of the Board of Directors, a member of the Board of Directors or of a committee may participate in a meeting by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this Section constitutes presence in person at the meeting.

SECTION 16. FIDELITY BONDS. The Board of Directors may require that all officers and employees of the Association or management companies handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be borne by the Association.

SECTION 17. ASSESSMENTS. The Board of Directors may establish and impose assessments, regular or special, at any regular or special meeting of the Board after giving written notice of such meeting and the purpose of the meeting to each Director at least ten (10) days prior to such meeting.

ARTICLE V

NOTICES

SECTION 1. NOTICE. Whenever any notice or communication is required to be given to any Director or Member under any provision of the Act, or of the Articles of Incorporation or of these Bylaws, it may be given in writing, by mail, addressed to such Director or Member at the address designated by him for that purpose or, if none is designated, at his last known address. The notice or communication is given when deposited, with postage thereon prepaid, in a post office or official depository under the exclusive care and custody of the United States Postal Service. The mailing shall be registered, certified or other first class mail except where otherwise provided in the Act. Notice may also be given orally, in person or by telephone, facsimile, telex, radiogram or cablegram, and such notice shall be deemed to be given when the recipient receives the notice personally, by telephone or when the notice, addressed as provided above, has been delivered to the company or to the equipment transmitting such notice.

SECTION 2. WAIVER OF NOTICE. When, under the Act, under the Articles of Incorporation or under these Bylaws, or by the terms of an agreement or instrument, the Association, the Board of Directors or any committee may take action after notice to any person or after lapse of a prescribed period of time, the action may be taken without notice and without lapse of the period of time, if, at any time before or after the action is completed, the person entitled to notice or to participate in the action to be taken or, in case of a Member, by his attorney-in-fact, submits a signed waiver of such requirements. Neither the business to be transacted at, nor the purpose of, a regular or special meeting of the Board of Directors need be specified in the waiver of notice of the meeting. Attendance of a person at a meeting constitutes a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objection (which objection shall be made at the beginning of the meeting) to the transaction

of any business because of the meeting is not properly called, noticed or convened.

ARTICLE VI

OFFICERS

SECTION 1. SELECTION. The Board of Directors, at its organizational meeting after the organizational meeting of incorporators and after each annual meeting of Members, shall elect or appoint a President, a Secretary and a Treasurer. The Board of Directors may also elect or appoint a Chairman of the Board, one (1) or more Vice Presidents and such other officers, employees and agents as it shall deem necessary who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board. Two (2) or more offices may be held by the same person, but an officer shall not execute, acknowledge or verify an instrument in more than one (1) capacity.

SECTION 2. COMPENSATION. The salaries of the officers, employees and agents of the Association shall be fixed by the Board of Directors; provided, however, that the Board may delegate to the officers the fixing of compensation of assistant officers, employees and agents.

SECTION 3. TERM, REMOVAL AND VACANCIES. Each officer of the Association shall hold office for the term for which he is elected or appointed and until his successor is elected or appointed and qualified, or until his resignation or removal. Any officer elected or appointed by the Board of Directors may be removed by the Board, with or without cause, at any time. Any officer may resign by written notice to the Board of Directors. The resignation is effective upon its receipt by the Board of Directors or any a subsequent time specified in the notice of resignation. Any vacancy occurring in any office of the Association shall be filled by the Board of Directors.

SECTION 4. CHAIRMAN OF THE BOARD OF DIRECTORS. If the Board of Directors elects or appoints a Chairman of the Board, he shall be elected or appointed by, and be a member of, the Board of Directors. The Chairman shall preside at all meetings of the Members, of the Board of Directors and of any committee, and shall perform such other duties and functions as shall be assigned to him from time to time by the Board of Directors. The Chairman shall be, *ex officio*, a member of all standing committees. Except where, by law, the signature of the President of the Association is required, the Chairman of the Board of Directors shall possess the same power and authority to sign all certificates, contracts, instruments, papers and documents of every conceivable kind and

character whatsoever in the name of, and on behalf of, the Association which may be authorized by the Board of Directors. During the absence or disability of the President, or while the office is vacant, the Chairman of the Board of Directors shall exercise all of the powers and discharge all of the duties of the President.

SECTION 5. PRESIDENT. The President shall be elected or appointed by the Board of Directors. During the absence or disability of the Chairman of the Board, or while the office is vacant, the President shall preside over all meetings of the Board of Directors, of the Members and of any executive committee, shall perform all of the duties and functions and, when so acting, shall have all powers and authority of the Chairman of the Board. The President shall be, *ex officio*, a member of all standing committees. The President shall, in general, perform all duties incident to the office of the President and such other duties as may be prescribed by the Board of Directors.

SECTION 6. VICE PRESIDENTS. The Board of Directors may elect or appoint one (1) or more Vice Presidents. The Board of Directors may designate one (1) or more Vice Presidents as executive or senior Vice Presidents. Unless the Board of Directors shall otherwise provide by resolution duly adopted by it, Vice Presidents designated executive or senior Vice Presidents who are members of the Board of Directors in the order specified by the Board of Directors (or if no Vice President who is a member of the Board of Directors shall have been designated as executive or senior Vice President, then such Vice Presidents as are members of the Board of Directors in the order specified by the Board of Directors) shall perform the duties and exercise the powers of the President. The Vice Presidents shall perform such other duties as may be delegated to them by the Board of Directors, any executive committee or the President.

SECTION 7. SECRETARY. The Secretary shall attend all meetings of the Members, of the Board of Directors and of any executive committee and shall preserve in the books of the Association true minutes of the proceedings of all such meetings. The Secretary shall give all notice required by the Act, these Bylaws or resolution, and shall perform such other duties as may be delegated by the Board of Directors, any executive committee or the President.

SECTION 8. TREASURER. The Treasurer shall have custody of all corporate funds and securities and shall keep, in books belonging to the Association, full and accurate accounts of all receipts and disbursements. The Treasurer shall deposit all monies, securities and other valuable effects, in the name of the Association, in such depositories as may be designated for that purpose by the Board of Directors, and shall disburse the funds of

the Association as may be ordered by the Board of Directors, taking proper vouchers for such disbursements, and shall render to the President and the Board of Directors, whenever requested, an account of all his transactions as Treasurer and of the financial condition of the Association. If required by the Board of Directors, the Treasurer shall keep in force a bond in form, amount and with a surety or sureties satisfactory to the Board of Directors, conditioned for faithful performance of the duties of his office and for restoration of the Association in case of death, resignation, retirement or removal from office, of all books, papers, vouchers, money and property of whatever kind in his or her possession or under his or her control belonging to the Association. The Treasurer shall perform such other duties as may be delegated to him by the Board of Directors, any executive committee or the President.

SECTION 9. ASSISTANT SECRETARIES AND ASSISTANT TREASURERS. The Board of Directors may elect or appoint one (1) or more Assistant Secretaries and one (1) or more Assistant Treasurers. The Assistant Secretary or Assistant Secretaries, in the absence or disability of the Secretary, shall perform the duties and exercise the powers of the Secretary. The Assistant Treasurer or Assistant Treasurers, in the absence or disability of the Treasurer, shall perform the duties and exercise the powers of the Treasurer. Any Assistant Treasurer, if required by the Board of Directors, shall keep in force a bond as provided in Article VII, Section 8. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or by the Treasurer, respectively, or by the Board of Directors, any executive committee or the President.

SECTION 10. DELEGATION OF AUTHORITY AND DUTIES BY BOARD OF DIRECTORS. All officers, employees and agents shall, in addition to the authority conferred or duties imposed on them by these Bylaws, have such authority and perform such duties in management of the property and affairs of the Association as may be delegated to them by the Board of Directors.

ARTICLE VII

INDEMNIFICATION

SECTION 1. THIRD PARTY ACTIONS. The Association shall indemnify any person who was, is, or may become a party to any completed, pending or potential action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that he is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the

Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including actual attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association or its Members, and with respect to any criminal action or proceeding, had reasonable cause to believe his conduct was not unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction or upon a plea of *nolo contendere*, or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner which he reasonably believed to be in, or not opposed to, the best interests of the Association or its Members, and, with respect to any criminal action or proceeding, shall not create a presumption that such person had reasonable cause to believe his conduct was unlawful.

SECTION 2. ACTIONS IN THE RIGHT OF THE ASSOCIATION. The Association shall indemnify any person who was, is, or threatened to be made a party of, any completed, pending or potential action or suit by, or in the right of, the Association to procure a judgment in its favor by reason of the fact that he is or was a Director, officer, employee or agent of the Association or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and the best interests of the Association or its Members, except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for:

- (a) Any breach of the director's duty of loyalty to the corporation or its members.
- (b) Any acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law.
- (c) Any violation of Section 551(1) of the Act.
- (d) Any transaction from which the director derived an improper personal benefit.
- (e) Any act or omission occurring before the date this document is filed.
- (f) Any act or omission that is grossly negligent.

SECTION 3. AUTHORIZATION OF INDEMNIFICATION. Any indemnification under Article VII, Sections 1 and 2 (unless ordered by a court) shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the director, officer, employee, or agent is proper in the circumstances because the person has met the applicable standard of conduct set forth in Article VII, Sections 1 and 2. Such determination shall be made in either of the following ways:

- (a) By the Board by a majority vote of a quorum consisting of Directors who were not parties to such action, suit, or proceeding.
- (b) If such quorum is not obtainable, or, even if obtainable, a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion.
- (c) By the majority vote of the Members.

SECTION 4. INSURANCE. The Association may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a Director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity or arising out of his status as such, whether or not the Association would have power to indemnify him against such liability under Sections 1 and 2 of this Article VII.

ARTICLE VIII

SEAL

The Association shall not have a corporate seal.

ARTICLE IX

FINANCE

SECTION 1. GENERALLY. The finances of the Association shall be handled in accordance with the Declaration.

SECTION 2. FISCAL YEAR. The fiscal year of the Association shall be an annual period commencing on such date as may be initially determined by the Directors. The commencement

date of the fiscal year shall be subject to change by the Directors for accounting reasons or other good cause.

SECTION 3. BANK ACCOUNTS. The funds of the Association shall be deposited in such bank as may be designated by the Directors and shall be withdrawn only upon the check or order of such officers, employees or agents as are designated by resolution of the Board of Directors from time to time. The funds may be invested from time to time in accounts or deposit certificates of such bank or savings association as are insured by the Federal Deposit Insurance Corporation and may also be invested in interest-bearing obligations of the United State Government.

SECTION 4. TAX ELECTIONS. The Association may elect to be taxed pursuant to Section 528 of the Internal Revenue Code of 1986, as amended from time to time, if the Board of Directors determines that it is in the Association's best interest to elect to be taxed pursuant to such section.

ARTICLE X

AMENDMENTS

These Bylaws may be altered, amended or repealed or new bylaws may be adopted:

- (a) at any regular or special meeting of the Members at which a quorum is present or represented, by the affirmative vote of a majority of the Members entitled to vote; or
- (b) by the affirmative vote of a majority of the Board of Directors at any regular or special meeting of the Board of Directors at which a quorum is present.

Such action may be taken by written consent or at any meeting of Members or the Board of Directors; provided, that, if notice of any such meeting is required by these Bylaws, the notice of the meeting shall contain notice of the proposed amendment, repeal or new bylaws. Any bylaws hereafter made by the Members shall not be altered or repealed by the Board.

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