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AMENDED AND RESTATED
CONDOMINIUM BY-LAWS OF
SANDS OF ELK RAPIDS CONDOMINIUM

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AMENDED AND RESTATED
CONDOMINIUM BY-LAWS OF
SANDS OF ELK RAPIDS CONDOMINIUM

ARTICLE I - ASSOCIATION OF CO-OWNERS

SECTION 1. SANDS OF ELK RAPIDS CONDOMINIUM, a residential condominium project located in the Village of Elk Rapids, Antrim County, Michigan, shall be administered by an Association of co-owners which shall be a non-profit corporation, hereinafter called the "Association", organized under the applicable laws of the State of Michigan, and responsible for the management, maintenance, operation and administration of the common elements, easements and affairs of the Condominium Project in accordance with the Master Deed, these By-Laws, the Articles of Incorporation, Association By-Laws, duly adopted Rules and Regulations of the Association, and the laws of the State of Michigan. All co-owners in the Condominium Project, present and future, and all persons or mortgagees using or entering upon or acquiring any interest in any unit therein or the common elements thereof shall be subject to the provisions and terms set forth in the aforesaid Condominium documents. The acceptance of a deed or conveyance, the taking of a mortgage, the execution of a lease, the act of occupying a unit or presence in the Condominium shall constitute an acceptance of these documents and an agreement to comply herewith.

SECTION 2. Units in this Condominium shall be owned by and titled in natural persons only, and not in corporations, associations, partnerships, joint ventures or other entities; provided, however, that title may be taken in the Sands of Elk Rapids Condominium Association in accordance with the provisions of the Consolidated Master Deed and of these By-Laws as hereinafter set forth. Provided, further, that this provision shall not affect the right of any mortgagee to take title in the name of the mortgagee (regardless of whether the same is a natural person or not) upon foreclosure proceedings or acceptance of a deed in lieu of foreclosure.

- (a) Each co-owner, present and future, shall be a member of the Association during the term of such ownership, and no other person or entity shall be entitled to membership.
- (b) The share of a co-owner in the funds and assets of the Association cannot be assigned, pledged or transferred in any manner except as an appurtenance to his unit in the condominium. Any attempted assignment, pledge, or transfer in violation of this provision shall be wholly void.
- (c) Except as limited in these By-Laws, each co-owner shall be entitled to one (1) vote for each condominium unit owned. Voting shall be by number except in those instances when voting is herein specifically required to be by both number and value; when voting by value, the value of such vote shall equal the total of the percentage allocated to the unit owned by such co-owner as set forth in Article V of the Master Deed.

- (d) No co-owner, other than the Developer, shall be entitled to vote at any meeting of the Association until he has presented evidence of ownership of a unit in the Condominium Project to the Association. If more than one person owns a unit, all of the record owners of the unit shall sign and file with the Secretary of the Association a certificate designating the person entitled to exercise the unit's membership in the association to cast the vote for the unit and to receive all notices and other communications as required by subparagraph (e) below. The vote of each co-owner may only be cast by the individual representative designated by such co-owner in the certificate required in subparagraph (e) below or by a proxy given by such individual representative. The Developer shall be entitled to vote for each unit which it owns and with respect to which it is paying full monthly assessments.
- (e) Each co-owner shall file a written certificate with the Association designating the individual representative who shall vote at meetings of the Association and receive all notices and other communications from the Association on behalf of such co-owner. Such notice shall state the name and address of the individual representative designated, the number or numbers of the Condominium unit or units owned by the co-owner, and the name and address of each person who is the co-owner. Such notice shall be signed and dated by the co-owner. The individual representative designated may be changed by the co-owner at any time by filing a new certificate in the manner herein provided.
- (f) There shall be an annual meeting of the members of the Association commencing with the first annual meeting held as provided in Section 7 of this Article I. Other meetings may be provided for in the By-Laws of the Association. Notice of time, place and subject matter of all meetings as provided in the corporate By-Laws of the Association shall be given to each co-owner by mailing the same to each individual representative designated by the respective co-owners.
- (g) The presence in person or by proxy of thirty-five per cent (35%) in number of the co-owners entitled to vote shall constitute a quorum for holding a meeting of the members of the Association, except for voting on questions specifically required herein to be by number and value, and requiring a greater number to constitute a quorum. The written vote of any co-owner furnished at or prior to any duly called meeting, at which meeting said co-owner is not otherwise present in person or by proxy, shall be counted in determining the presence of a quorum with respect to the question upon which the vote is cast.
- (h) Votes may be cast in person or by proxy or by a writing duly signed by the designated voting representative not present at a given meeting in person or by proxy. Proxies and any written votes must be filed with the Secretary of the Association at or before the appointed time of each meeting of the members of the Association. Cumulative voting shall not be permitted.

- (i) A majority vote consisting of more than fifty per cent (50%) by number of those qualified to vote and present in person or by proxy (or written vote, if applicable) at a given meeting of members of the Association shall be required for the passage of any measure voted upon, except when there is specified in these By-Laws that a greater percentage of co-owners is required, and/or that voting by number and value is required.
- (j) Other provisions as to voting by members, not inconsistent with the provisions herein contained, may be set forth in the Association By-Laws.

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

SECTION 4. The affairs of the Association shall be governed by a Board of Directors, all of whom shall serve without compensation and who must be members of the Association, except for the first Board of Directors designated in the Articles of Incorporation of the Association and any successors thereto elected by the Developer prior to the first annual meeting of members held pursuant to Section 7 of this Article I. The number, terms of office, manner of election, removal and replacement, meetings, quorum and voting requirements, and other duties or provisions of or relating to directors, not inconsistent with the following, shall be provided by the Association By-Laws.

- (a) The Board of Directors shall have all powers and duties necessary for the administration of the affairs of the Association and may do all acts and things not prohibited by the condominium documents or required thereby to be exercised and done by the co-owners. In addition to the foregoing general duties imposed by these By-Laws, or any further duties which may be imposed by resolution of the members of the Association or which may be set forth in the Association By-Laws, the Board of Directors shall be responsible specifically for the following:
 - (1) Management and administration of the affairs and the maintenance of the Condominium Project and the common elements thereof.

- (2) To collect assessments from the members of the Association and to use the proceeds thereof for the purposes of the Association.
- (3) To carry insurance and collect and allocate the proceeds thereof.
- (4) To rebuild improvements after casualty.
- (5) To contract for and employ persons, firms, corporations or other agents to assist in the management, operation, maintenance and administration of the Condominium Project.
- (6) To acquire, maintain and improve, and to buy, operate, manage, sell, convey, assign, mortgage or lease any real or personal property (including any unit acquired by the Association in the Condominium, and easements, rights-of-way and licenses) on behalf of the Association in furtherance of any of the purposes of the Association, including (but without limitation) the lease or purchase of any unit or common element in the Condominium for use by a resident manager.
- (7) To borrow money and issue evidences of indebtedness in furtherance of any and all of the purposes of the business of the Association, to secure the same by mortgage, pledge or other lien on property owned by the Association if required, and to assess co-owners for amounts required to repay such borrowings; provided, however, that any such action shall also be approved by affirmative vote of more than sixty-six and two-thirds (66 2/3%) per cent of all of the members of the Association in number.
- (8) To make rules and regulations in accordance with Article VIII, Section 11 of these By-Laws.
- (9) To establish such committees as it deems necessary, convenient or desirable, and to appoint persons thereto for the purpose of implementing the administration of the Condominium and to delegate to such committees any functions or responsibilities which are not by law, or the Condominium documents, required to be performed by the Board.
- (10) To make rules and regulations and/or to enter into agreements with institutional lenders, the purposes of which are to obtain mortgage financing for unit co-owners which is acceptable for purchase by the Federal Home Mortgage Corporation, the Federal National Mortgage Association, the Governmental National Mortgage Association and/or other agency of the federal government or the State of Michigan.

- (11) To enforce the provisions of the Condominium documents.
- (b) The Board of Directors may employ for the Association a professional management agent (which may include the Developer or any person or entity related thereto) at reasonable compensation established by the Board to perform such duties and services as the Board shall authorize, including, but not limited to, the duties listed in Section 4(a) of this Article I, and the Board may delegate to such management agent any other duties or powers which are not by law or by the Condominium documents required to be performed by or have the approval of the Board of Directors or the members of the Association. In no event shall the Board be authorized to enter into any contract with a professional management agent, or any other contract providing for services, in which the maximum term is greater than two (2) years or which is not terminable by the Association upon ninety (90) days written notice thereof to the other party. The terms of any such contract shall include the provisions of Section 55 of the Michigan Condominium Act.
- (c) All of the actions (including, without limitation, the adoption of these By-Laws and any Rules and Regulations for the Corporation) of the First Board of Directors of the Association named in its Articles of Incorporation, or any successors thereto elected by the Developer before the first annual meeting of members, shall be binding upon the Association in the same manner as though such actions had been authorized by a Board of Directors duly elected by the members of the Association at the first or any subsequent annual meeting of members so long as such actions are within the scope of the powers and duties which may be exercised by any Board of Directors as provided in the Condominium documents.

SECTION 5. The Association By-Laws shall provide the designation, number, terms of office, qualifications, manner of election, duties, removal and replacement of the officers of the Association and may contain any other provisions pertinent to officers of the Association in furtherance of the provisions and purposes of the Condominium documents and not inconsistent therewith. Officers may be compensated, but only upon the affirmative vote of more than sixty-six and two-thirds (66 2/3%) per cent of all co-owners in number.

SECTION 6. Every director and every officer of the corporation shall be indemnified by the corporation against all expenses and liabilities, including counsel fees reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party, or in which he may become involved by reason of his being or having been a director or officer of the corporation, whether or not he is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful or wanton misconduct or gross negligence in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the director or officer seeking such reimbursement or indemnification, reimbursement or indemnification shall apply only if the Board of Directors (with the director seeking reimbursement abstaining) approves such settlement and reimbursement as being in the best interest of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other

rights to which such director or officer may be entitled. At least ten (10) days prior to payment of any indemnification which it has approved, the Board of Directors shall notify all co-owners thereof.

SECTION 7. The first annual meeting of the members of the Association may be convened only by the Developer and may be called, in Developer's discretion, at any time after fifty (50%) per cent in value and in number of all units of the Condominium have been sold and the purchasers thereof qualified as members of the Association. In no event, however, shall said first annual meeting be held later than one hundred twenty (120) days after the conveyance of legal or equitable title to non-developer co-owners of seventy-five (75%) per cent in number of all units that may be created or fifty-four (54) months after the first conveyance of legal or equitable title to a non-developer co-owner of a unit in the project, whichever first occurs. Developer may call meetings of members prior to the first annual meeting and any such meeting will not be construed as the first annual meeting. The date, time, and place of such first annual meeting shall be set by the Board of Directors, and at least ten (10) days written notice thereof shall be given to each co-owner. Thereafter, an annual meeting shall be held each year on such date as is specified in the Association By-Laws.

SECTION 8. An Advisory Committee of non-developer co-owners shall be established by the Developer within one hundred twenty (120) days after conveyance of legal or equitable title to non-developer co-owners of one-third (1/3) of the total number of units that may be created, or within one (1) year after the initial conveyance of legal or equitable title to a non-developer co-owner of a unit, whichever occurs first; the non-developer co-owners to be elected by a majority vote of the non-developer co-owners. The Advisory Committee shall meet with the temporary Board of Directors to facilitate communication and aid in the transition of control to the Association. The Advisory Committee shall cease to exist when a majority of the members of the Board of Directors are elected by the non-developer co-owners, as provided in the Association By-Laws.

SECTION 9. Following the first meeting of members, an annual meeting of the members shall be held in each year at the time and place specified in the Association By-Laws. At least ten (10) days prior to the date of the annual meeting, written notice of the time, place, and purpose of such meeting shall be sent by first-class mail, postage prepaid, to each person entitled to vote at the meeting.

SECTION 10. It shall be the duty of the President to call a special meeting of the members as directed by resolution of the Board of Directors, or upon a Petition signed by eight (8) of the co-owners who have been designated as entitled to vote and presented to the Secretary of the Association. Notice of any special meeting shall state the time and place of such meeting and the purposes thereof, and shall be given at least ten (10) days prior to the date of such meeting. No business shall be transacted at a special meeting except as stated in the notice.

ARTICLE II - ASSESSMENTS

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

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

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

- (a) The Board of Directors of the Association shall establish an annual budget in advance for each fiscal year and such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the Condominium Project, including a reasonable allowance for contingencies and reserves. An adequate reserve fund for maintenance, repairs and replacement of those common elements that must be replaced on a periodic basis must be established in the budget and must be funded by regular monthly payments as set forth in Section 4 below rather than by special assessments. At a minimum, the reserve fund shall be equal to ten (10%) per cent of the Association's current annual budget on a noncumulative basis. The minimum standard required by this Section may prove to be inadequate for this project. The Association of co-owners should carefully analyze the Condominium Project to determine if a greater amount should be set aside, or if additional reserve funds should be established for other purposes. Upon adoption of an annual budget by the Board of Directors, copies of said budget shall be delivered to each co-owner and the assessment of said year shall be established based upon said budget, although the delivery of a copy of the budget to each co-owner shall not affect the liability of any co-owner for any existing or future assessments. Should the Board of Directors at any time determine, in the sole discretion of the Board of Directors, that the assessments levied are or may prove to be insufficient (1) to pay the costs of operation and management of the Condominium, (2) to provide replacements of existing common elements, (3) to provide additions to the common elements not exceeding \$5,000.00 annually, or (4) in the event of emergencies, the Board of Directors shall have the authority to increase the general assessment or to levy such additional assessment or assessments as it shall deem to be necessary.
- (b) Special assessments, in addition to those required in (a) above may be made by the Board of Directors from time to time and approved by the co-owners as hereinafter provided to meet other needs or requirements of the Association, including, but not limited to (1) assessments for capital improvements and additions at a cost exceeding \$5,000.00 per year, (2) assessments to purchase a unit upon foreclosure of the lien for assessments described in Section 6 hereof, and (3) assessments for any other appropriate purpose not elsewhere herein

described. Special assessments referred to in this subparagraph (b) (but not including those assessments referred to in subparagraph 3(a) above which shall be levied in the sole discretion of the Board of Directors shall not be levied without the prior approval of more than sixty-six and two-thirds (66 2/3%) per cent of all co-owners in number.

SECTION 4. Subject to the provisions of Section 8 of this Article II all assessments levied against the co-owners to cover expenses of administration shall be apportioned equally among and paid by the co-owners by number without increase or decrease for the existence of any rights to the use of limited common elements appurtenant to a unit. Annual assessments as determined in accordance with Article II, Section 3(a) above shall be payable by co-owners in twelve (12) equal monthly installments, commencing with acceptance of a Deed to a unit or with acquisition of fee simple title to a unit by any other means. The payment of an assessment shall be in default if such assessment, or any part thereof, is not paid to the Association in full on or before the due date for such payment. Assessments in default shall bear interest at the rate of seven (7%) per cent per annum until paid in full. Each co-owner (whether one or more persons) shall be, and remain, personally liable for the payment of all assessments pertinent to his unit which may be levied while such co-owner is the owner thereof.

SECTION 5. No co-owner may exempt himself from liability for his contribution toward the expenses of administration by waiver of the use or enjoyment of the common elements or by the abandonment of his unit.

SECTION 6. The Association may enforce collection of delinquent assessments by a suit at law for a money judgment or by foreclosure of the statutory lien that secures payment of assessments. Each co-owner, and every other person who from time to time has any interest in the project, shall be deemed to have granted to the Association the unqualified right to elect to foreclose such lien either by judicial action or by advertisement. The provisions of Michigan law pertaining to foreclosure of mortgage by judicial action and by advertisement, as the same may be amended from time to time, are incorporated herein by reference for the purposes of establishing the alternative procedures to be followed in lien foreclosure actions and the rights and obligations of the parties to such action. Further, each co-owner and every other person who from time to time has any interest in the project, shall be deemed to have authorized and empowered the Association to sell or to cause to be sold the unit with respect to which the assessment(s) is or are delinquent and to receive, hold and distribute the proceeds of such sale in accordance with the priorities established by applicable law. Each co-owner of a unit in the project acknowledges that at the time of acquiring title to such unit, he was notified of the provisions of this section and that he voluntarily, intelligently and knowingly waived notice of any proceedings brought by the Association to foreclose by advertisement the lien for non-payment of assessments and a hearing on the same prior to the sale of the subject unit. Notwithstanding the foregoing, neither a judicial foreclosure action nor a suit at law for a money judgment shall be commenced, nor shall any notice of foreclosure by advertisement be published, until the expiration of ten (10) days after mailing, by first-class mail, postage prepaid, addressed to the delinquent co-owner(s) at his or their last known address of a written notice that one or more installments of the annual assessment levied against the pertinent unit is or are delinquent and that the Association may invoke any of its remedies hereunder if the default is not cured within ten (10) days after the date of mailing. Such written notice shall be accompanied by a written affidavit of an authorized representative of the Association that sets forth (1) the affiant's capacity

to make the affidavit, (2) the statutory and other authority for the lien, (3) the amount outstanding (exclusive of interest, costs, attorneys' fees and future assessments), (4) the legal description of the subject unit(s), and (5) the name(s) of the co-owner(s) of record. Such affidavit shall be recorded in the Office of the Register of Deeds in the County in which the Condominium is located prior to the commencement of any foreclosure proceeding, but it need not have been recorded as of the date of mailing as aforesaid. If the delinquency is not cured within the ten (10) day period, the Association may take such remedial action as may be available to it hereunder or under Michigan law. The expenses incurred in collecting unpaid assessments, including interest, costs, actual attorneys' fees (not limited to statutory fees) and advances for taxes or other liens paid by the Association to protect its lien, shall be chargeable to the co-owner in default and secured by the lien on his unit. In the event of default by a co-owner in the payment of any installment of the annual assessment levied against his unit, the Association shall have the right to declare all unpaid installments of the annual assessment for the pertinent fiscal year immediately due and payable. The Association also may discontinue the furnishing of any utilities or other services to a co-owner in default upon seven (7) days written notice to such co-owner of its intention to do so. A co-owner in default shall not be entitled to utilize any of the general common elements of the Project and shall not be entitled to vote at any meeting of the Association so long as such default continues. In a judicial foreclosure action, a receiver may be appointed to collect a reasonable rental for the unit from the co-owner thereof or any persons claiming under him.

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

SECTION 8. During the period up to the time of the first annual meeting of members held in accordance with the provisions of Article I, Section 7 thereof, the Developer of the Condominium, even though a member of the Association, shall not be responsible for payment of the monthly Association assessment. Developer, however, shall, during the period up to the time of the first annual meeting, pay a proportionate share of the Associations current maintenance expenses actually incurred from time to time based upon the ratio of completed units owned by Developer at the time the expense is incurred to the total number of completed units in the Condominium. In no event shall Developer be responsible for payment of any assessments for deferred maintenance reserves for replacement, for capital improvements or other special assessments, except with respect to occupied units owned by it. As used herein, "common expenses" shall mean those expenses of the Association which do not relate directly to a particular unit. For example, common expenses shall include such costs as maintenance of the Project entrance, but shall not include such costs as repairs, maintenance or casualty insurance covering completed units. "Completed unit" shall mean a unit with respect to which a certificate of occupancy has been issued by the local public authority. Expenses which relate to "completed units" shall be proportionately shared amongst the owners of the completed units.

SECTION 9. All property taxes and special assessments levied by any public taxing authority shall be assessed in accordance with Section 131 of the Act.

SECTION 10. A construction lien otherwise arising under Act No. 497 of the Michigan Public Acts of 1980, as amended, shall be subject to the Act.

SECTION 11. Pursuant to the provisions of the Act, the Purchaser of any Condominium unit may request a statement of the Association as to the outstanding amount of any unpaid Association assessments thereon, whether regular or special. Upon written request to the Association, accompanied by a copy of the executed purchase agreement pursuant to which the Purchaser holds right to acquire a unit, the Association shall provide a written statement of such unpaid assessments as may exist, or a statement that none exist, thereon. Upon the payment of that sum within the period stated, the Association's lien for assessments as to such unit shall be deemed satisfied; provided, however, that the failure of a Purchaser to request such statement at least five (5) days prior to the closing of the purchase of such unit shall render any unpaid assessment and the lien securing same fully enforceable against such Purchaser and the unit itself to the extent provided by the Act. Under the Act, unpaid assessments constitute a lien upon the unit and the proceeds of sale thereof prior to all claims except tax liens on the Condominium unit in favor of any state or federal taxing authority and sums unpaid on a prior first mortgage of record.

SECTION 12. Upon the sale or conveyance of a Condominium unit, all unpaid assessments against the Condominium unit shall be paid out of the sale price or by the Purchaser in preference over any other assessments or charges of whatever nature except: (1) amounts due the Federal Government, State of Michigan, or any subdivision thereof for taxes or special assessments due and unpaid on the unit, and (2) payments due under first mortgages having priority thereto.

ARTICLE III - TAXES

SECTION 1. Subsequent to the year in which the Condominium is established, all special assessments and property taxes shall be assessed against the individual units and not upon the total property of the Condominium or any part thereof. Taxes and special assessments which have become a lien against the property of the Condominium in the year of establishment (as provided in Section 131 of the Act) shall be expenses of administration and shall be paid by the Association.

ARTICLE IV - ARBITRATION

SECTION 1. Disputes, claims, or grievances arising out of or relating to the interpretation or application of the Condominium documents, or any disputes, claims, or grievances among or between co-owners and the Association, may, upon the election and written consent of the parties to any such disputes, claims, or grievances, and written notice to the Association, be submitted to arbitration and the parties thereto shall accept the Arbitrators decision as final and binding. At the exclusive option of the Association,

a contract to settle by arbitration shall be executed by the Developer with respect to any claim that might be the subject of a civil action against the Developer, which claim arises out of or relates to the Common Elements of a Condominium Project if the amount of the claim is \$10,000.00 or less. At the exclusive option of a co-owner, any claim which might be the subject of a civil action against the Developer which involves an amount less than \$2,500.00 and arises out of or relates to a co-owner's unit or the Project, may be settled by binding arbitration. The Commercial Arbitration Rules of the American Arbitration Association, as amended, and in effect from time to time hereafter shall be applicable to any such arbitration.

SECTION 2. No co-owner or the Association shall be precluded from petitioning the courts to resolve any such dispute, claims or grievances.

SECTION 3. Election by co-owners or the Association to submit any such dispute, claims or grievance to arbitration shall preclude such parties from litigating such disputes, claims or grievances in the courts.

ARTICLE V - INSURANCE

SECTION 1. The Association shall carry fire and extended coverage, vandalism and malicious mischief, liability, and workmen's compensation insurance, if applicable, pertinent to the ownership, use and maintenance of the Common Elements of the Condominium Project, and such insurance, other than title insurance, shall be carried and administered in accordance with the following provisions:

- (a) All such insurance shall be purchased by the Association for the benefit of the Association and the co-owners and their mortgagees, as their interests may appear, and provision shall be made for the issuance of certificates of mortgagee endorsements to the mortgagees of co-owners. Each co-owner may obtain insurance coverage at their own expense upon their cluster unit. It shall be each co-owner's responsibility to determine by personal investigation, or from their own insurance advisors, the nature and extent of insurance coverage adequate to their needs and thereafter to obtain insurance coverage for their personal property and any additional fixtures, equipment and trim (as referred in subsection [d] below) located within their cluster unit or elsewhere on the Condominium and to obtain insurance coverage for their personal liability for occurrences within their cluster unit or upon Limited Common Elements appurtenant to their cluster unit, and the Association and all co-owners shall have absolutely no responsibility for obtaining any of such coverages. The Association, as to all policies which it obtains, and all co-owners, as to all policies which they obtain, shall use their best efforts to see that all property and liability insurance carried by the Association or any co-owner shall contain appropriate provisions whereby the insurer waives any right of subrogation as to any claims against any co-owner or the Association.

- (b) All Common Elements of the Condominium Project shall be insured against fire and other perils covered by a standard extended coverage endorsement, in an amount equal to the maximum insurance replacement value, excluding foundation and excavation costs, as determined annually by the Board of Directors of the Association. Such coverage shall also include interior walls within the cluster unit and the pipes, wires, conduits and ducts contained therein and shall further include all fixtures, equipment and trim within a cluster unit which were furnished with the unit as standard items in accord with the plans thereof (or such replacements thereof as do not exceed the cost of such standard items). It shall be co-owners responsibility to determine the necessity for and to obtain insurance coverage for all fixtures, equipment, trim and other items or attachments within the cluster unit or any Limited Common Element appurtenant thereto which were installed in addition to said standard items (or as replacements for such standard items to the extent that replacement costs exceeded the original cost of such standard items) whether installed originally by the Developer or subsequently by the co-owner, and the Association shall have no responsibility whatsoever for obtaining such coverage unless agreed specifically and separately between the Association and the co-owner in writing.
- (c) All premiums upon insurance purchased by the Association pursuant to these By-Laws shall be expenses of administration.
- (d) Proceeds of all insurance policies owned by the Association shall be received by the Association, held in a separate account and distributed to the Association and the co-owners and their mortgagees as their interests appear; provided, however, whenever repair or reconstruction of the Condominium shall be required as provided in Article VI of these By-Laws, the proceeds of any insurance received by the Association as a result of any loss requiring repair or reconstruction shall be applied for such repair or reconstruction and in no event shall hazard insurance proceeds be used for any purpose other than for repair, replacement or reconstruction of the Project unless all of the institutional holders of first mortgages on units in the Project have given their prior written approval.

SECTION 2. Each co-owner, by ownership of a unit in the Condominium Project, shall be deemed to appoint the Association as their true and lawful attorney-in-fact to act in connection with all matters concerning the maintenance of fire and extended coverage, vandalism and malicious mischief, liability and workmen's compensation insurance, if applicable, pertinent to the Condominium Project, their unit and the Common Elements appurtenant thereto, with such insurer as may, from time to time, provide such insurance for the Condominium Project. Without limitation on the generality of the foregoing, the Association, as said attorney-in-fact, shall have full power and authority to purchase and maintain such insurance, to collect and remit premiums therefor, to collect proceeds and to distribute the same to the Association, the co-owners and respective mortgagees, as their interests may appear (subject always to the provisions of the Condominium documents), to execute

releases of liability and to execute all documents and do all things on behalf of such co-owner and the Condominium as shall be necessary or convenient to the accomplishment of the foregoing.

ARTICLE VI - RECONSTRUCTION, REPAIR OR REPLACEMENT

SECTION 1. If any part of the Condominium property shall be damaged, the determination of whether or not it shall be reconstructed or repaired shall be made in the following manner:

- (a) If the damaged property is a Common Element or a unit, the property shall be rebuilt or repaired if any unit in the Condominium is tenantable, unless it is determined by a unanimous vote of all of the co-owners in the Condominium that the Condominium shall be terminated, and each institutional holder of a first mortgage lien on any unit in the Condominium has given its prior written approval of such termination.
- (b) If the Condominium is so damaged that no unit is tenantable, and if each institutional holder of a first mortgage on any unit in the Condominium has given its prior written approval of the termination of the Condominium, the damaged property shall not be rebuilt and the Condominium shall be terminated, unless seventy-five (75%) per cent or more of the co-owners in value and in number agree to reconstruction by vote or in writing within ninety (90) days after the destruction.

SECTION 2. Any such reconstruction or repair shall be substantially in accordance with the Master Deed and the plans and specifications for the Project and to a condition comparable as possible to the condition existing prior to damage unless the co-owners shall unanimously decide otherwise.

SECTION 3. If the damage is only to a part of a unit which is the responsibility of a co-owner to maintain and repair, it shall be the responsibility of the co-owner to repair such damage in accordance with Section 4 hereof. In all other cases, the responsibility for reconstruction and repair shall be that of the Association.

SECTION 4. Each co-owner shall be responsible for the reconstruction, repair and maintenance of the interior of his unit, including, but not limited to, floor coverings, wall coverings, window shades, draperies, interior walls (but not any Common Elements therein), interior trim, furniture, light fixtures and all appliances, whether free-standing or built-in. In the event damage to interior walls within a co-owner's unit or to pipes, wires, conduits, ducts or other Common Elements therein is covered by insurance held by the Association, then the reconstruction or repair shall be the responsibility of the Association in accordance with Section 5. If any other interior portion of a unit is covered by insurance held by the Association for the benefit of the co-owner, the co-owner shall be entitled to receive the proceeds of insurance relative thereto and if there is a mortgage endorsement, the proceeds shall be payable to the co-owner and the mortgagee jointly. In the event of substantial damage to or destruction of any unit or any part of the Common Elements, the Association shall promptly so notify each institutional holder of a first mortgage lien on any of the units in the Condominium.

SECTION 5. The Association shall be responsible for the reconstruction, repair and maintenance of the Common Elements and any incidental damage to a unit caused by such Common Elements, or the reconstruction, repair or maintenance thereof. Immediately after a casualty causing damage to property for which the Association had the responsibility of maintenance, repair and reconstruction, the Association shall obtain reliable and detailed estimates of the cost to replace the damaged property in a condition as good as that existing before the damage. If the proceeds of insurance are not sufficient to defray the estimated costs of reconstruction or repair required to be performed by the Association, or if at any time during such reconstruction or repair, or upon completion of such reconstruction or repair, the funds for the payment of the costs thereof are insufficient, assessments shall be made against all co-owners for the cost of reconstruction or repair of the damaged property in sufficient amounts to provide funds to pay the estimated or actual cost of repair.

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

- (a) In the event of any taking of an entire unit by eminent domain, the award of such taking shall be paid to the owner of such unit and the mortgagee thereof, as their interests may appear. After acceptance of such award by the owner and his mortgagee, they shall be divested of all interest in the Condominium Project. In the event that any condemnation award shall become payable to any co-owner whose unit is not wholly taken by eminent domain, then such award shall be paid by the condemning authority to the co-owner and his mortgagee, as their interests may appear.
- (b) If there is any taking of any portion of the Condominium other than any unit, the condemnation proceeds relative to such taking shall be paid to the co-owners and their mortgagees in proportion of their respective interest in the Common Elements, and the affirmative vote of more than fifty (50%) per cent of the co-owners in number and in value shall determine whether to rebuild, repair or replace the portion so taken or to take such other action as they deem appropriate.
- (c) In the event the Condominium Project continues after taking by eminent domain, then the remaining portion of the Condominium Project shall be resurveyed and the Master Deed amended accordingly, and, if any unit shall have been taken, then Article V of the Master Deed shall also be amended to reflect such taking and to proportionately readjust the percentages of value of the remaining co-owners based upon the continuing value of the Condominium of one hundred (100%) per cent. Such amendment may be effected by an officer of the Association duly authorized by the Board of Directors without the necessity of execution or specific approval thereof by any co-owner, but only with the prior written approval of all holders of first mortgage liens on individual units in the Project.
- (d) In the event any unit in the Condominium, or any portion thereof, or the Common Elements or any portion thereof, is made the subject matter of any condemnation or eminent

domain proceeding, or is otherwise sought to be acquired by a condemning authority, the Association promptly shall so notify each institutional holder of a first mortgage lien on any of the units in the Condominium.

SECTION 7. In the event any mortgage in the Condominium is held by the Federal Home Loan Mortgage Corporation ("FHLMC"), then the Association shall give FHLMC written notice at such address as it may from time to time direct, of any loss to or taking of the Common Elements of the Condominium if the loss or taking exceeds \$10,000.00 in amount, or damage to a Condominium unit covered by a mortgage purchased in whole or in part by FHLMC exceeds \$1,000.00.

SECTION 8. Nothing contained in the Condominium documents shall be construed to give a Condominium unit owner, or any other party, priority over any rights of first mortgages of Condominium units pursuant to their mortgages in the case of a distribution to Condominium unit owners of insurance proceeds or condemnation awards for losses to or a taking of Condominium units and/or Common Elements.

ARTICLE VII - CONSTRUCTION LIENS

SECTION 1. Except as herein provided, a construction lien for work performed on a Condominium unit or upon a Limited Common Element may attach only to the unit upon or for the benefit of which the work was performed.

SECTION 2. A construction lien for work authorized by the Developer and performed upon the Common Elements may attach only to the units owned by the Developer at the time of recording of claim of lien.

SECTION 3. A construction lien for work authorized by the Association may attach to each unit only to the proportional extent that the member owning the unit is required to contribute to the expenses of administration as provided by the Condominium documents.

SECTION 4. A construction lien may not arise or attach to a unit for work performed on the common elements not contracted for by the Developer or the Association.

ARTICLE VIII - RESTRICTIONS

SECTION 1. No unit in the Condominium shall be used for other than single-family residential purposes (except that persons not of the same immediate family residing together may occupy a unit with written consent of the Board of Directors, which consent shall not be unreasonably withheld), and the Common Elements shall be used only for purposes consistent with the use of single-family residences. A family shall mean one person or a group of two or more persons related by bonds of consanguinity, marriage or legal adoption.

SECTION 2. A co-owner may lease his unit for the same purposes set forth in Section 1 of this Article VIII, provided that written disclosure of such lease transaction is submitted to the Board of Directors of the Association in the same manner as specified in Article IX. With the exception of a lender in

possession of a unit following a default of a first mortgage, foreclosure, deed, or other arrangement in lieu of foreclosure, no co-owner shall lease less than an entire unit in the Condominium and no tenant shall be permitted to occupy the same, except under a written lease, the initial term of which is at least one (1) year. The terms of all leases, occupancy agreements and occupancy arrangements shall incorporate, or be deemed to incorporate, all of the provisions of the Condominium documents. The Developer may lease any number of units in the Condominium in its discretion. No unit shall be leased to other than a natural person or persons and shall not be leased to any corporations, associations, partnerships, joint ventures or other entities. No lessee shall sublease the unit under any circumstances.

SECTION 3. No co-owner shall make alterations or changes in the exterior appearance or make structural modifications to their unit (including interior walls through or in which there exist easements for support or utilities) or make changes in any of the Common Elements, Limited or General, without the express written approval of the Board of Directors, including, but not by way of limitation, exterior painting or the erection of antennas, lights, aerials, awnings, doors, shutters, or other exterior attachments or modifications. No co-owner shall damage, modify or make attachment to the Common Element walls between units, which alterations in any way impair the sound conditioning properties thereof, without the unanimous written approval of the Board of Directors. The Board of Directors may approve only such modifications as do not impair the soundness, safety, utility or appearance of the condominium. However, the Board of Directors, in its sole discretion, may disapprove any such request. Even after approval, a co-owner shall be responsible for all damages to any other units and their contents or to the Common Elements resulting from any such alteration.

SECTION 4. No immoral, improper, unlawful or offensive activity shall be carried on in any unit or upon the Common Elements, Limited or General, nor shall anything be done which may be or become an annoyance or a nuisance to the co-owners of the Condominium, nor shall any unreasonably noisy activity be carried on in any unit or on the Common Elements. No co-owner shall do or permit anything to be done or keep or permit to be kept in his unit or on the Common Elements, Limited or General, anything that will increase the rate of insurance on the Condominium without the written approval of the Association, and each co-owner shall pay to the Association the increased cost of insurance premiums resulting from any such activity or the maintenance of any such condition.

SECTION 5. With the exception of one (1) household pet which shall be subject to the aforesated rules, no animal, including household pets, shall be kept without the prior written consent of the Board of Directors, which consent, if given, shall be revocable at any time by the Board for failure by pets or their owners to observe provisions of the By-Laws or Rules and Regulations of the Association pertaining to pets. Consent to having a pet dog or cat shall not be unreasonably withheld. Any pets permitted to be kept in the Condominium shall have such care and restraint as not to be obnoxious on account of noise, odor or unsanitary conditions. No savage or dangerous animal shall be kept. No animal may be permitted to run loose upon the Common Elements, and any animal shall at all times be attended by some responsible person while on the Common Elements. Any deposits of fecal material must be disposed of by the owner of the pet. Any person who causes or permits an animal to be brought or kept on the Condominium property shall indemnify and hold harmless the Association for any loss, damage or liability which the Association may sustain as a result of the presence of such animal on the Condominium property.

SECTION 6. The Common Elements, Limited or General, shall not be used for storage of supplies, materials, personal property or trash or refuse of any kind, except as provided in duly adopted Rules and Regulations of the Association. Trash receptacles shall be maintained in areas designated therefor at all times. The Common Elements shall not be used in any way for the drying, shaking, or airing of clothing or other fabrics. Automobiles may only be washed in areas approved by the Association. In general, no activity shall be carried on nor condition maintained by a co-owner either in a unit or upon the Common Elements, which spoils the appearance of the Condominium.

SECTION 7. Sidewalks, yards, landscaped areas, driveways, roads, and parking areas shall not be obstructed in any way; nor shall they be used for purposes other than for which they are reasonably and obviously intended. No bicycles, vehicles, chairs or benches may be left unattended on or about the Common Elements.

SECTION 8. No house trailers, commercial vehicles, boat trailers, boats, camping vehicles, camping trailers, snowmobiles, snowmobile trailers or vehicles other than passenger vehicles may be parked or stored upon the premises of the Condominium unless approved by the Board of Directors, or unless parked in an area specifically designated therefor by the Association. Commercial vehicles and trucks shall not be parked in or about the Condominium (except as above provided) unless while making deliveries or pickups in the normal course of business. Each co-owner shall park his car in the garage designated and assigned his individual unit, and shall park any additional cars only in the areas specifically designated as a Limited Common Element for parking purposes. Automobiles belonging to guests or visitors shall be parked in the unassigned General Common Element space provided therefor. Co-owners shall, if the Association shall require, register with the Association all cars maintained on the Condominium premises.

SECTION 9. No co-owner shall use, or permit the use by any occupant agent, employee, invitee, guest or member of his family of any firearms, air rifles, pellet guns, B-B guns, bows and arrows or other similar dangerous weapons, projectiles or devices anywhere on or about the Condominium premises.

SECTION 10. No signs or other advertising devices shall be displayed which are visible from the exterior of a unit or on the Common Elements, including "For Sale" signs, without written permission from the Association.

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

SECTION 12. The Association or its duly authorized agents shall have access to each unit and Limited Common Elements appurtenant thereto from time to time, during reasonable working hours, upon notice to the co-owner thereof, as may be necessary for the maintenance, repair or replacement of any of the Common Elements. The Association or its agents shall also have access to each unit and any Limited Common Elements appurtenant thereto at all times without notice as may be necessary to make emergency repairs to prevent damage to the Common Elements or to another unit. It shall be the responsibility of each co-owner to provide the Association means of access to his unit and any Limited Common Elements appurtenant thereto during all periods of absence, and in the event of the failure of such co-owner to provide means of access, the Association may gain access in such manner as may be reasonable under the circumstances and shall not be liable to such co-owner for any necessary damage to his unit and any Limited Common Elements appurtenant thereto caused thereby or for repair or replacement of any doors or windows damaged in gaining such access.

SECTION 13. No co-owner shall perform any landscaping or plant any trees, shrubs, or flowers, or place any ornamental materials upon the Common Elements unless approved by the Association in writing.

SECTION 14. No unsightly condition shall be maintained upon any patio or deck and only furniture and equipment consistent with ordinary patio or deck use shall be permitted to remain there during seasons when patios and decks are reasonably in use, and no furniture of any kind shall be stored on patios or decks during seasons when such areas are not reasonably in use.

SECTION 15. Each co-owner shall maintain the unit owned and any Limited Common Elements appurtenant thereto for which the co-owner has maintenance responsibility in a safe, clean and sanitary condition. Each co-owner shall also use due care to avoid damaging any of the Common Elements, including, but not limited to, the telephone, water, gas, plumbing, electrical or other utility conduits and systems and any other elements in any unit which are appurtenant to or which may affect any other unit. Each co-owner shall be responsible for damages or costs to the Association resulting from negligent damage to or misuse of any of the Common Elements by the co-owner, the co-owner's family, guests, agents or invitees, unless such damages or costs are covered by insurance carried by the Association; in which case there shall be no responsibility (unless reimbursement to the Association is excluded by virtue of a deductible provision; in which case the responsible co-owner shall bear the expense to the extent of the deductible amount). Any costs or damages to the Association may be assessed to and collected from the responsible co-owner in the manner provided in Article II hereof.

SECTION 16. None of the restrictions contained in this Article VIII shall apply to the Association in furtherance of its powers and purposes set forth herein and in its Articles of Incorporation and By-Laws, as the same may be amended from time to time.

ARTICLE IX - APPROVAL OF TRANSFER OR LEASE

SECTION 1. No co-owner owning any unit may transfer or dispose of a unit or any interest therein in any manner, except by mortgage as provided in Article X hereof, nor may any such transfer or disposal occur by operation of law, except to another member, without the prior approval of the Board of Directors. Any transfer or disposal or attempted transfer or disposal in violation of this Article IX shall be wholly void.

SECTION 2. A co-owner who desires to lease his Condominium unit shall provide notice of such desire to the Board of Directors at least ten (10) days before presenting a lease form to a potential tenant. At the same time, the co-owner shall provide to the Board a copy of the exact lease form proposed so that the Board may review it for compliance with the Condominium documents. Tenants and non-co-owner occupants shall comply with all of the conditions of the Condominium documents and all of the provisions of the Act, and all leases shall so state. The Board shall advise the member of any deficiencies as directed by the Board before presenting a copy of the lease form to a potential tenant.

SECTION 3. In addition, a co-owner who intends to sell or lease his unit, or any interest therein, shall give written notice of such intention to the Board of Directors, together with the name and address of the intended purchaser or tenant, the terms and conditions of the proposed transaction (including an executed copy of the exact form of lease or sale contract conditioned on Association approval of the transaction) and such other information concerning the intended sale or lease as the Board may reasonably require. The giving of such notice of intent shall constitute a warranty and representation by the member to the Association as hereinafter provided that such member believes the proposal to be bona fide in all respects. No proposed transaction shall be considered by the Board under this Article IX, and no notice of a proposed transaction shall be deemed given, which is not evidenced by an exact copy of the agreement of sale or lease, subject to the approval and right of first refusal contained herein. Such agreement must be executed by the selling or leasing member and the proposed purchaser or tenant and must contain all pertinent terms of the sale or lease proposed to be made. If the notice and information herein required is not presented to the Board, then at any time after learning of a transaction or event transferring ownership or possession of a unit, the Board may, without notice, disapprove the transaction or new ownership.

SECTION 4. Within ten (10) days after receipt of a notice of intent described in subsections (2) and (3) of this Article IX, together with all information requested by it, the Board of Directors must either approve or disapprove the proposed transaction. If approved, the approval shall be stated in a certificate executed by the President and Secretary in recordable form, and shall be delivered to the purchaser or tenant. If disapproved, the Association shall offer to purchase or lease, or provide another purchaser or tenant acceptable to it, on terms not less favorable to the seller or landlord than those originally proposed, and the seller or landlord shall be bound to consummate the transaction with such approved purchaser or permit the approved tenant to enter into possession within thirty (30) days thereafter. The right of the Association to purchase or to provide another purchaser acceptable to it, which must be exercised within thirty (30) days of actual notice of intent and receipt of the requested information, shall be based on the fair market value of the unit so acquired as determined by an independent appraisal thereof. If the Association shall fail to purchase or lease, or to provide a purchaser or tenant in the event of disapproval, then, notwithstanding said disapproval, the transaction shall be deemed to have been approved and a certificate of approval to have been furnished as provided for herein.

In the event of a transfer, or attempted transfer, by inheritance, devise, bequest, judicial order, or by operation of law, the Board shall have thirty (30) days after its receipt of notice thereof, together with all information requested by it, to purchase the unit for its fair market value in accordance with the terms of this Section 4.

SECTION 5. The Developer shall not be subject to this Article for the initial sale or for the lease of any Condominium unit, nor shall this Article apply to a public or private sale held pursuant to foreclosure of a mortgage, transfer of title to a mortgagee by deed in lieu of foreclosure or similar remedy contained in a mortgage, to the first subsequent transfer of title by any mortgagee or other person acquiring ownership by any of these means, or to any lease by a mortgagee. Transfer by bona fide gift, devise, or inheritance shall not be subject to this Article, provided that a member who has obtained his title thereby gives the Board notice of the acquisition, together with such personal information as the Board may reasonably require and a certified copy of the instrument evidencing his title. The Board of Directors shall thereupon have the right to purchase as set forth in Section 4 hereof.

SECTION 6. No member shall lease less than an entire unit in the Condominium, and no tenant of a residential unit shall be permitted to occupy a residential unit, except under written lease, the initial term of which is at least one (1) year, unless specifically approved in writing by the Board of Directors. The Board may, except to the extent prohibited by law, require a security deposit from any proposed tenant of a residential unit as a condition to the approval of any lease.

SECTION 7. All non-co-owner occupants shall comply with all of the terms and conditions of the Condominium documents and the provisions of the Act.

SECTION 8. If the Association determines that a non-co-owner occupant has failed to comply with the conditions of the Condominium documents, or the provisions of the Act, the Association shall take the following action:

- (a) The Association shall advise the appropriate member by certified mail of the alleged violation by a person occupying a unit.
- (b) The member shall have fifteen (15) days after receipt of the notice to investigate and correct the alleged breach or advise the Association that a violation has not occurred.
- (c) If after fifteen (15) days the Association believes that the alleged breach has not been cured or may be repeated, it may institute on its behalf, or derivatively by the members on behalf of the Association if it is under the control of the Developer, an action for eviction against the non-co-owner occupant and, simultaneously, for money damages against the member and non-co-owner occupant for breach of the conditions of the Condominium documents or of the Act. The relief set forth in this section may be by any appropriate proceeding. The Association may hold the non-co-owner occupant and the co-owner liable for damages caused to the Condominium.

ARTICLE X - MORTGAGES

SECTION 1. Any co-owner who mortgages his unit shall notify the Association of the name and address of the mortgagee, and the Association shall maintain such information in a book entitled "Mortgages of Units". The Association may, at the written request of a mortgagee of any such unit, report any unpaid assessments due from the co-owner of such unit. The

Association shall give to the holder of any first mortgage covering any unit in the Project written notification of any default in the performance of the obligations of the co-owner of such unit that is not cured within sixty (60) days.

SECTION 2. The Association shall notify each mortgagee appearing in said book of the name of each company insuring the Condominium against fire, perils covered by extended coverage, and vandalism and malicious mischief, and the amounts of such coverage.

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

SECTION 4. Any first mortgagee who obtains title to a unit pursuant to the remedies provided in a mortgage, or a deed in lieu thereof, shall not be liable for such units unpaid assessments which accrue prior to acquisition of title by the first mortgagee. Provided, however, that such unpaid assessments shall be deemed to be common expenses collectible from all members. When a member is in arrears to the Association for assessments, the Association may give written notice of arrearage to any person occupying his unit under a lease or rental agreement, and such person after receiving notice shall deduct from rental payments due the member the arrearage and future assessments as they fall due and pay them to the Association. The deductions shall not be a breach of the rental or lease agreement of the occupant. The Association may purchase the unit at any foreclosure sale.

ARTICLE XI - AMENDMENTS

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

SECTION 2. Upon any such amendment being proposed, a meeting for consideration of the same shall be duly called in accordance with the provisions of the Association By-Laws.

SECTION 3. Except as expressly limited in Section 5 of this Article XI, these By-Laws may be amended by the Association at any regular annual meeting, or a special meeting called for such purpose, by an affirmative vote of not less than sixty-six and two-thirds (66 2/3%) per cent of all co-owners in number.

SECTION 4. Prior to the first annual meeting of members, these By-Laws may be amended by the first Board of Directors upon proposal of amendments by Developer without approval to make such amendments from any person other than the Michigan Department of Commerce, which amendments shall not increase or decrease the benefits or obligations, or materially affect the rights of any member of the Association.

SECTION 5. These By-Laws may be amended by the Association or by the Developer in the manner provided in the Master Deed. Any amendment to these By-Laws (but not the Association By-Laws) shall become effective upon recordation in the office of the Register of Deeds in the County in which the

Condominium is located. A copy of each amendment to these By-Laws shall be made available to every member of the Association after adoption; provided, however, that any amendment that is adopted in accordance with this Article shall be binding upon all persons who have an interest in the Condominium, irrespective of whether such persons actually receive a copy of the amendment. These By-Laws may not be amended in any manner to eliminate or conflict with any mandatory provision of the Act or any applicable law or any provision of the Master Deed, nor may they be amended to materially reduce or eliminate the rights of any first mortgagees without the consent of the mortgagees affected.

SECTION 6. The Board of Directors may enact amendments to these Condominium By-Laws without the approval of any member or mortgagee, provided that such amendments shall not materially alter or change the rights of a member or mortgagee, except as restricted in the Master Deed.

SECTION 7. Provisions in these By-Laws relating to the ability or terms under which a member may lease his unit may not be modified and amended without the consent of each affected member and mortgagee.

ARTICLE XII - COMPLIANCE

The Association of co-owners and all present or future co-owners, tenants, future tenants, or any other person acquiring an interest in or using the facilities of the Project in any manner are subject to and shall comply with the Act, as amended, and the mere acquisition, occupancy or leasing of any unit or any interest therein, or the utilization of or entry upon the Condominium premises, shall signify that the Condominium documents are accepted and ratified. In the event the Condominium documents conflict with the provisions of the Statute, the Statute shall govern.

ARTICLE XIII - DEFINITIONS

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

ARTICLE XIV - REMEDIES FOR DEFAULT

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

- (a) Failure to comply with any of the terms or provisions of the Condominium documents or the Act shall be grounds for relief, which may include, without intending to limit the same, an action to recover sums due for damages, injunctive relief, foreclosure of lien (if default in payment of assessments) or any combination thereof, and such relief may be sought by the Association, or, if appropriate, by an aggrieved co-owner or co-owners.
- (b) In any proceeding arising because of an alleged default by any co-owner, the Association, if successful, shall be entitled to recover the costs of the proceeding and such reasonable attorneys' fees (not limited to statutory fees) as

may be determined by the Court, but in no event shall any co-owner be entitled to recover such actual attorneys' fees.

- (c) The violation of any of the provisions of the Condominium documents shall also give the Association or its duly authorized agents the right, in addition to the rights set forth above, to enter upon the Common Elements, Limited or General, or into any unit, where reasonably necessary, and summarily remove and abate, at the expense of the co-owner in violation, any structure, thing or condition existing or maintained contrary to the provisions of the Condominium documents.
- (d) The violation of any of the provisions of the Condominium documents by any co-owner shall be grounds for assessment by the Association, acting through its duly constituted Board of Directors, of monetary fines for such violations. No fine may be assessed unless rules and regulations establishing such fines have first been duly adopted by the Board of Directors of the Association and notice thereof given to all co-owners in the same manner as prescribed in Article 8.1 of the Association By-Laws. Thereafter, fines may be assessed only upon notice to the offending co-owners as prescribed in this Section and Article IX, Section 8 of the Condominium By-Laws, and an opportunity for such co-owner to appear before the Board no less than seven (7) days from the date of the notice and offer evidence in defense of the alleged violation. All fines duly assessed may be collected in the same manner as provided in Article II, Section 6 of these By-Laws. No fine shall be levied for the first violation. No fine shall exceed \$25.00 for the second violation, \$50.00 for the third violation, or \$100.00 for any subsequent violation.

SECTION 2. The failure of the Association or of any co-owner to enforce any right, provision, covenant or condition which may be granted by the Condominium documents shall not constitute a waiver of the right, provisions, covenant or condition in the future.

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

ARTICLE XV - SEVERABILITY

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

ARTICLE XVI - CONFLICT

In the event of conflict between the provisions of the Act (or other laws of the State of Michigan) and any Condominium document, the Act (or other laws of the State of Michigan) shall govern. In the event of any conflict between the provisions of any one or more Condominium documents, the following order of priority shall prevail and the provisions of the Condominium document having the highest priority shall govern:

1. The Master Deed, including the Condominium Subdivision Plan.
2. The Condominium By-Laws.
3. The Articles of Incorporation of the Association.
4. The By-Laws of the Association.
5. The Rules and Regulations of the Association.

AFFIDAVIT OF SECRETARY OF
SANDS OF ELK RAPIDS CONDOMINIUM ASSOCIATION

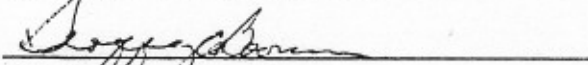
STATE OF MICHIGAN)
 COUNTY OF ANTRIM) SS.

FREDERIC W. RICHTER, being duly sworn, deposes and says that he is the Secretary of the above mentioned Association, and that the attached Amended and Restated Condominium By-Laws of Sands of Elk Rapids Condominium were unanimously adopted on September 2, 1991, at an annual meeting of co-owners and members of said Condominium who constituted a quorum for such purpose under the Master Deed and Condominium By-Laws recorded in Liber 320, Pages 1043 through 1104, and the Consolidated Master Deed and Condominium By-Laws recorded in Liber 359, Pages 0431 through 0485, Antrim County Records.

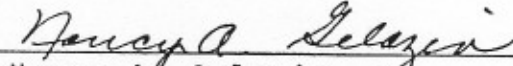

 FREDERICK W. RICHTER, Secretary

WITNESSED:


 Gordon L. Converse


 Geoffrey C. Bowman

Subscribed and sworn to before me this 22nd day of
July, 1992.


 Nancy A. Gelazin
 Notary Public, Antrim County, MI
 My Comm. Exp.: 5/2/94

DRAFTED BY AND RETURN TO:

QUENTIN J. LUKOMSKI
 P.O. Box 277
 Parma, MI 49269
 (517) 569-3411