VERNDALE AT EAST BAY CONDOMINIUM

PURCHASER INFORMATION BOOKLET

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VERNDALE AT EAST BAY CONDOMINIUM

EXPLANATION FORM PURSUANT TO SECTION 84a OF THE MICHIGAN CONDOMINIUM ACT, AS AMENDED

Section 84a of the Michigan Condominium Act (the "Act") requires a developer to provide copies of the following documents to a prospective purchaser of a condominium unit, other than a business condominium unit:

(a) The recorded Master Deed;

(b) A copy of a Purchase Agreement that conforms with Section 84a of the Act, as amended, and that is in a form in which the purchaser may sign the agreement;

(c) The Condominium Buyers Handbook; and

(d) A Disclosure Statement relating to the project containing the information required by Section 84a of the Act.

These requirements are designed to enable the purchaser to review the important provisions of the condominium documents.

The Developer has put together a Purchaser Information Booklet for Verndale at East Bay Condominium containing the documents required by Section 84a of the Michigan Condominium Act, as amended, except the Condominium Buyers Handbook, which is being provided to you separately, and, in addition, other documents which may be of interest to prospective purchasers.

Purchaser hereby acknowledges receipt from Developer of a copy of the Purchaser Information Booklet, which includes the following documents for Verndale at East Bay Condominium:

(1) This Explanation Form;

(2) The Disclosure Statement;

(3) The recorded Master Deed;

(4) The Condominium Bylaws;

(5) The Condominium Subdivision Plan;

(6) The Articles of Incorporation of Verndale at East Bay Condominium Association;

(7) The Bylaws of Verndale at East Bay Condominium Association; and

(8) The Escrow Agreement and forms of Preliminary Reservation Agreement and Purchase Agreement.

Any Purchase Agreement which has been or may in the future be executed between Purchaser and Developer will become binding on the first to occur of (a) the expiration of nine (9) business days from the date set forth below; or (b) the execution of a Purchase Agreement. The calculation of such nine (9) day business period shall not include the date set forth below unless it is a business

day. The term "business day" as used in this Acknowledgment means a day other than a Saturday, Sunday, or legal holiday.

A copy of any Purchase Agreement executed between a purchaser and Developer will be given to the purchaser at the time of execution separate and apart from the Purchaser Information Booklet.

The signature of Purchaser upon this Acknowledgment is prima facie evidence that the documents contained in the Purchaser Information Booklet and the Condominium Buyers Handbook were received and understood by Purchaser. This Acknowledgment has been executed by Purchaser on _____, 20___.

Purchaser:

_____

_____

Receipt of a copy of this Acknowledgment is hereby also acknowledged.

_____

_____

VERNDALE AT EAST BAY CONDOMINIUM

DISCLOSURE STATEMENT

VERNDALE AT EAST BAY CONDOMINIUM
DISCLOSURE STATEMENT
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DISCLOSURE STATEMENT

FOR

VERNDALE AT EAST BAY CONDOMINIUM

CHARTER TOWNSHIP OF EAST BAY
GRAND TRAVERSE COUNTY, MICHIGAN

Developer:

Auto-Owners Insurance Company, a Michigan corporation

Verndale at East Bay Condominium is an expandable residential site condominium project that is located in the Charter Township of East Bay, Grand Traverse County, Michigan. Construction of the first phase of the project, consisting of 78 units, was commenced on _____, 20___, and is expected to be completed by _____, 20___.

The effective date of this disclosure statement is July ____, 2005.

THIS DISCLOSURE STATEMENT IS NOT A SUBSTITUTE FOR THE MASTER DEED OR OTHER LEGAL DOCUMENTS, AND ALL BUYERS SHOULD READ ALL DOCUMENTS TO FULLY ACQUAINT THEMSELVES WITH THE PROJECT AND THEIR RIGHTS AND RESPONSIBILITIES RELATED THERETO.

WE RECOMMEND THAT YOU CONSULT WITH AN ATTORNEY OR OTHER ADVISER PRIOR TO PURCHASING A CONDOMINIUM UNIT.

I.

INTRODUCTION

Condominium development in Michigan is governed largely by a statute called the Michigan Condominium Act, being Act 59 of the Public Acts of 1978, as amended (the "Act"). This Disclosure Statement, together with copies of the legal documents pertaining to the creation and operation of Verndale at East Bay Condominium (which are referred to as the "condominium documents") are furnished to each purchaser pursuant to the requirements of Michigan law that the Developer of a condominium project disclose to prospective purchasers the characteristics of the condominium units which are offered for sale.

"Condominium" is a form of real property ownership. Under Michigan law, a condominium unit (that part of the condominium individually owned and occupied) has the same legal attributes as any other form of real property and may be sold, mortgaged or leased, subject only to such restrictions as are contained in the condominium documents. The condominium units described herein are single family residential units. Each unit has been designed and intended for separate ownership and use, and each unit has individual access to a common element of the condominium project.

Each Co-owner receives a deed to his individual condominium unit. Each Co-owner owns, in addition to his Unit, an undivided interest in the common facilities (called "common elements") which service the Project. Title to the common elements is included as part of, and is inseparable

from, title to the individual Condominium Units. Each Co-owner's proportionate share of the common elements is determined by the percentage of value assigned to his unit in the Master Deed.

All portions of the Project not included within the units constitute the Common Elements. Limited common elements are those common elements which are reserved in the Master Deed for use by less than all Co-owners. General common elements are all common elements other than limited common elements.

Except for the year in which the project is established, real property taxes and assessments will be levied individually against each Unit at Verndale at East Bay Condominium. These individual taxes and assessments cover the unit and its proportionate share of the common elements. No taxes or assessments are levied independently against the Common Elements. In the year in which the project is established, the taxes and assessments for the units covered by the Master Deed are billed to the Association and are paid by the Co-owners of such units in proportion to the percentages of value assigned to the units owned by them.

Of course, no summary such as the one contained in this Disclosure Statement can fully state all of the details of a condominium development. Each purchaser is therefore urged to carefully review all of the condominium documents for Verndale at East Bay Condominium. Any purchaser having questions pertaining to the legal aspects of the project is advised to consult his own lawyer or other professional adviser.

II.

LEGAL DOCUMENTATION

A. *General.* Verndale at East Bay Condominium was established as a condominium project pursuant to a Master Deed recorded in the office of the Grand Traverse County Register of Deeds. A copy of the Master Deed has been provided to you with this Disclosure Statement. The Master Deed includes the Condominium Bylaws as Exhibit A, and the Condominium Subdivision Plan as Exhibit B. All of these documents should be reviewed carefully by prospective purchasers.

B. *Master Deed.* The Master Deed contains definitions of terms used within the condominium project, the percentage of value assigned to each unit in the Condominium Project, a general description of the units and general and limited common elements included in the project and a statement regarding the relative responsibilities for maintaining the common elements. Article VII of the Master Deed covers easements, and Article VIII deals with convertible area. Article X contains a statement of when and how the Master Deed may be amended.

C. *Condominium Bylaws.* The Condominium Bylaws contain provisions relating to the operation, management and fiscal affairs of the Condominium and, in particular, set forth the provisions relating to assessments of Association Co-owners for the purpose of paying the costs of operation of the Condominium Project. Article VII contains certain restrictions upon the ownership, occupancy and use of the Condominium Project. Article VII also contains provisions permitting the adoption of Rules and Regulations governing the common elements. At the present time no rules and regulations have been adopted by the Board of Directors of the Association. Article VIII contains a statement of the limited restrictions upon the leasing of units at Condominium. The restriction meets the requirement of the Act.

D. *Condominium Subdivision Plan.* The Condominium Subdivision Plan (attached as Exhibit B to the Master Deed) is a two-dimensional survey depicting the physical location and boundaries of each of the Units and all of the Common Elements in the Project.

III.

SUMMARY OF PROJECT

Verndale at East Bay Condominium is located in the Charter Township of East Bay, Grand Traverse County, Michigan. Verndale at East Bay Condominium is a residential site condominium which at its inception included Seventy-eight (78) units. Each Unit consists of a building site as delineated on the Condominium Subdivision Plan and upon which is to be constructed a single family residential dwelling and related improvements. Construction of these units was commenced on _____, 20___, and is expected to be completed by _____, 20___. This property is unique in many ways, and the developer has reserved the right to expand the condominium to include all or some portions of an additional 10.52 acres of land immediately adjacent to, and north of, the existing development. This expansion may include duplexes, town homes and multi-family buildings.

IV.

DEVELOPER

Auto-Owners Insurance Company, a Michigan corporation, is the Developer of the Project. Auto-Owners has been involved in the ownership and management of commercial buildings, condominiums and apartment buildings since 1980.

The Developer and its affiliates have experience in the development of residential housing properties, including Verndale Lakes Subdivision in Eaton County, Michigan.

V.

REAL ESTATE BROKER

The real estate broker for Verndale at East Bay Condominium is _____. The address and principal place of business of _____ is _____, Michigan _____. The principal broker who will be responsible for the sale of units at Verndale at East Bay Condominium is _____. _____ has had extensive experience in the sale and marketing of residential condominium units.

VI.

STRUCTURES AND IMPROVEMENTS WHICH NEED NOT BE BUILT

The Michigan Condominium Act, as amended, requires the Developer to clearly inform potential purchasers what its construction obligations are through the use of the labels "Must Be Built" and "Need Not Be Built." The Developer is obligated to construct only those units and improvements labeled "Must Be Built" in the Condominium Subdivision Plan attached to the Master Deed. All of the site improvements shown in the Condominium Subdivision Plan for Verndale at East Bay Condominium are labeled "Must Be Built."

VII.

ESCROW OF FUNDS

In accordance with Michigan law, all funds received from prospective purchasers of Units at Verndale at East Bay Condominium will be deposited in an escrow account with an escrow agent. The escrow agent for Verndale at East Bay Condominium is _____. The address and principal place of business of _____ is _____.

Funds held in the escrow account will be returned to the prospective purchaser within three (3) business days upon such purchaser's withdrawal from a Purchase Agreement within the specified period. After the expiration of the nine (9) business-day withdrawal period described in the Purchase Agreement, all funds received from the purchaser will be retained in escrow to assure completion of only those uncompleted structures and improvements labeled under the terms of the condominium documents "Must Be Built." Pursuant to Michigan law, if the Developer does not furnish the escrow agent with evidence of adequate security (such as an irrevocable letter of credit, lending commitment, indemnification agreement, or other security, which the escrow agent determines to be adequate), funds received from the purchaser will be released to the Developer only if all of the following occur:

(a) (i) Issuance of a certificate of occupancy for the Unit, if required by local ordinance, or conveyance of legal or equitable title to the Unit to the purchaser, or

(ii) a default by purchaser in his obligations under the Purchase Agreement.

(b) Receipt by the escrow agent of a certificate signed by a licensed professional engineer or architect, either confirming that those portions of the phase of Verndale at East Bay Condominium in which the Unit is located and which on the Condominium Subdivision Plan are labeled "Must Be Built" are substantially complete, or determining the amount necessary for substantial completion thereof.

(c) Receipt by the escrow agent of a certificate signed by a licensed professional engineer or architect either confirming that recreational or other facilities which on the Condominium Subdivision Plan are labeled "Must Be Built" are substantially complete, or determining the amount necessary for substantial completion thereof.

A structure, element, facility or other improvement shall be deemed to be substantially complete when it can be reasonably employed for its intended use, and shall not be required to be constructed, installed or furnished precisely in accordance with the specifications for the Project. A certificate of substantial completion shall not be deemed to be a certificate as to the quality of the items to which it relates.

Upon receipt of a certificate signed by a licensed professional engineer or architect determining the amount necessary for substantial completion, the escrow agent may release to the Developer all funds in escrow in excess of the amounts determined by the issuer of such certificate to be necessary for substantial completion. In addition, upon receipt of a certificate signed by a licensed professional engineer or architect confirming substantial completion in accordance with the pertinent plans of an item for which funds have been deposited in escrow, the escrow agent shall release to the Developer the amount of such funds specified by the issuer of the certificate as being attributable to such substantially completed item. However, if the amounts remaining in escrow after such partial release would be insufficient in the opinion of the issuer of such certificate for

substantial completion of any remaining items for which funds have been deposited in escrow, only the amount in escrow in excess of such estimated cost to substantially complete shall be released by the escrow agent to the Developer.

The escrow agent in the performance of its duties shall be deemed an independent party not acting as the agent of the Developer, any purchaser, Co-owner or other interested party. So long as the escrow agent relies upon any certificate, cost estimate or determination made by a licensed professional engineer or architect, the escrow agent shall have no liability whatever to the Developer or to any purchaser, Co-owner or other interested party for any error in such certificate, cost estimate or determination, or for any act or omission by the escrow agent in reliance thereon. The escrow agent shall be relieved of all liability upon release of all amounts deposited in accordance with the Michigan Condominium Act.

A licensed professional architect or engineer undertaking to make a certification to the escrow agent shall be held to the normal standards of care required of a member of that profession in determining substantial completion and the estimated cost of substantial completion, but such architect or engineer shall not be required to have designed the improvement or item or to have inspected or to have otherwise exercised supervisory control thereof during the course of construction or installation of the improvement or item with respect to which the certificate is delivered. The certification by a licensed professional architect or engineer shall not be construed to limit the Developer's liability for any defect in construction.

Also pursuant to Michigan law, if the Developer has not substantially completed the improvements for which escrowed funds have been retained or security has been provided within nine (9) months after closing the sale of the first Unit in a phase of Verndale at East Bay Condominium, the escrow agent, upon the request of Verndale at East Bay Condominium Association or any interested owner of a Unit at Verndale at East Bay Condominium, shall notify the Developer of the amount of funds or security that remain in the escrow account, and of the date upon which those funds can be released. If after three (3) months have passed the Developer has not completed the specified improvements, or otherwise acted to gain release of the escrowed funds, the escrow agent may release the funds for the purpose of completing the incomplete improvements for which the funds were originally retained, or for a purpose specified in a written agreement between the Verndale at East Bay Condominium Association and the Developer.

Any interest earned on funds held in the escrow account will be released to the party who is entitled to receive the funds upon which the interest has accrued, except that interest on funds released from the escrow account due to a prospective purchaser's withdrawal from a Purchase Agreement shall be paid to the Developer.

Additional details of the escrow arrangements made in connection with Verndale at East Bay Condominium are contained in the Escrow Agreement which is attached to your Purchase Agreement.

VIII.

FINANCIAL ARRANGEMENTS FOR COMPLETION OF CONSTRUCTION

The Developer is currently an insurance company which is financing construction of the improvements itself. The financial report of the Developer is available at www.auto-owners.com. It is anticipated that the Developer will sell the Project to a third party who shall become the Successor Developer.

IX.

RECREATIONAL FACILITIES

No recreational facilities will be included in Verndale at East Bay Condominium. A portion of the Condominium will include Open Space, which may be used (subject to protective wetland restrictions) by the owners of Condominiums within the Project.

X.

ORGANIZATION AND CONTROL OF THE CONDOMINIUM

A. *The Condominium Buyers Handbook.* General information about the government and organization of condominiums in Michigan may be found in the Condominium Buyers Handbook, published by the Michigan Department of Commerce, and provided to you previously by the Developer through the real estate broker, its agent.

B. *Verndale at East Bay Condominium Association.* The Verndale at East Bay Condominium Association has been incorporated under the laws of the State of Michigan as a not-for-profit corporation. It will be responsible for the management, maintenance and administration of the Condominium. A person will automatically become a member of Verndale at East Bay Condominium Association upon closing on the purchase of a Unit.

The Articles of Incorporation and Bylaws of the Association which have been provided to you with this Disclosure Statement govern the procedural operations of the Association. The Association is governed by a Board of Directors whose initial members have been appointed by the Developer. The initial directors are empowered to serve pursuant to the provisions of the Condominium Bylaws until the first annual meeting of members of the Association, which must be held on or before the expiration of 120 days after legal or equitable title to Twenty-five (25%) percent of the Condominium Units has been conveyed to non-Developer Co-owners or 54 months after the first conveyance of legal or equitable title to a Condominium Unit to a non-Developer Co-owner, whichever occurs first. Article III of the Condominium Bylaws sets forth the complete requirements for election of Directors.

At the first meeting of Co-owners of the Association, the Association will elect Directors, and the Directors in turn will elect officers for the Association. Cumulative voting by Co-owners is permitted. The Developer will be entitled to cast votes at any meeting with respect to all Units then remaining titled in its name. Hence, the Developer may have the right to determine the composition of a majority of the Board at the time of the first meeting.

C. *Annual Meetings.* Following the first annual meeting, annual meetings of the co-owners of Verndale at East Bay Condominium will be held each year in accordance with the Condominium Bylaws for the purpose of conducting the business of the Association and electing directors for the succeeding year. Prior to each annual meeting, Co-owners will receive notice stating the time and location of the meeting and the matters to be considered at the meeting as prescribed by the Condominium Bylaws.

D. *Advisory Committee.* The Board of Directors of the Association must establish an Advisory Committee of non-Developer Co-owners upon the passage of (a) 120 days after legal or equitable title to one-third (1/3) of the Condominium units has been conveyed to non-Developer Co-owners; or (b) one year after the first conveyance of legal or equitable title to a Condominium unit to a non-Developer Co-owner, whichever first occurs. The Advisory Committee will meet with

the Board of Directors to facilitate communication with the non-Developer Co-owners and to aid in transferring control from the Developer to non-Developer Co-owners. The Advisory Committee will be composed of not less than one (1) nor more than three (3) non-Developer members, who will be appointed by the Board of Directors in any manner it selects, and who shall serve at the pleasure of the Board of Directors. The Advisory Committee will automatically dissolve following the appointment of a majority of the Board of Directors by non-Developer Co-owners. The Advisory Committee must meet at least quarterly with the Board of Directors.

E. *Percentages of Value.* Each of the Seventy-eight (78) units at the Condominium has been assigned One and 28/100 (1.28%) percent of the total value of the Project based upon its size and anticipated allocable expenses of maintenance. The total value of the Project is 100%. The percentage of value assigned to each Unit determines the proportionate share of each Unit in the proceeds from and expenses of the administration of the Condominium, the value of such Unit's vote at meetings of the Association of Co-Owners and of the Unit's undivided interest in the common elements.

XI.

CONVERTIBLE AREA

All convertible areas may be changed from Common Elements to Unit space or from Unit space to Common Elements by the Developer through an amendment to the Master Deed. The convertible areas in the Condominium are governed by Article VIII of the Master Deed.

XII.

EXPANSION OF THE CONDOMINIUM

The Master Deed of Verndale at East Bay Condominium provides that the number of Units and the amount of land included in the Condominium may be expanded by the addition of land and the construction of additional Units. The land which may be added to the Condominium is legally described in the Verndale at East Bay Condominium Master Deed and is called the "Expansion Property". Any portion or all of the Expansion Property may be added to the Condominium by further amendments to the Master Deed. Such amendments may be made by the Developer in its discretion, without the consent of any co-owners. The Expansion Property is not limited or restricted to single family residential housing.

The Developer's expansion rights are not subject to any restrictions, except a time restriction. Thus, additional phases may be added, in any order, in any size, and need not be physically attached to other portions of the Condominium. The Developer has the sole right to determine whether any further expansion of the Condominium will occur, and the nature, appearance and location of any additional Units. Verndale at East Bay Condominium may not be expanded beyond a total of One hundred thirty (130) Units. The Developer is not restricted in the type of Units which may be created on the Expansion Property. In other words, the Developer is not required to restrict the Expansion Property to residential use, and all of the Expansion Property could be used for non-residential purposes. All decisions regarding expansion must be made on or before _____, 20___.

The Developer also has the right, in its sole discretion, to create Limited Common Elements, convertible area and contractible area within any additional land added to the project and to designate general Common Elements therein, which may subsequently be assigned as limited common elements. The Developer has no present intention of adding any land to the Condominium that might subsequently be removed by contraction.

Each time Verndale at East Bay Condominium is expanded by the addition of Units, the percentages of value assigned to each individual Unit will be proportionately readjusted in order to preserve a total value of 100 percent for the entire project. The precise determination of the readjustment in percentages of value is within the sole judgment of the Developer. Such readjustments must, however, reflect a continuing reasonable relationship among Unit size and allocable expenses of maintenance of the various Units. At the time of the recording of the initial Master Deed, an equal percentage of value was assigned to each of the Units in Verndale at East Bay Condominium. If the total number of Units included in the Condominium increases, the percentage of value assigned to each Unit in the Condominium will decrease. This will in turn decrease the proportionate share of each Co-owner in the expenses of administering the Condominium and the value of each Co-owner's vote at meetings of the Verndale at East Bay Condominium Association.

The expansion of Verndale at East Bay Condominium could increase the usage of certain Common Elements included in the Condominium. Expansion would also mean that there would be more Common Elements within the Condominium, leading to higher fixed maintenance and repair expenses, and an increase in the total budget of the Verndale at East Bay Condominium Association.

XIII.

SUMMARY OF LIMITED WARRANTIES

This is a site Condominium Project. Therefore, the Developer does not warrant any building or other improvement on individual sites. All other improvements within the Condominium Project are warranted for one year from date of completion of original construction or installation. All shrubbery in the Condominium will be guaranteed for one year from installation by the supplier.

CAUTION: THERE ARE NO WARRANTIES ON THIS CONDOMINIUM PROJECT OTHER THAN THOSE DESCRIBED HEREIN. YOU, INDIVIDUALLY OR AS A MEMBER OF THE ASSOCIATION, MAY BE REQUIRED TO PAY SUBSTANTIAL SUMS FOR THE REPLACEMENT OR REPAIR OF ANY DEFECTS IN THIS CONDOMINIUM PROJECT THAT ARE NOT COVERED BY WARRANTY, IF ANY SUCH DEFECTS EXIST.

XIV.

BUDGET AND ASSESSMENTS

At closing, each purchaser of a Unit at Verndale at East Bay Condominium will pay a prorated annual assessment equal to the annual assessment for the budget year then in effect times the percentage of the budget year remaining between the date of closing and the end of the budget year. After the closing, each Co-owner will pay an annual assessment as his share of the common expenses of the Condominium. The annual amounts collected from Co-owners are used to operate and maintain the Condominium. Because the day-to-day operations of Verndale at East Bay Condominium depend upon the availability of funds, it is important that each Co-owner pay his annual assessment in a timely manner. Annual assessments at Verndale at East Bay Condominium are due by the first day of February of each year. In the event a Co-owner fails to pay this amount in a timely manner, the Condominium Bylaws provide that Verndale at East Bay Condominium Association may impose a lien upon a delinquent Co-owner's Unit, collect interest at the maximum legal rate on delinquent assessments, and impose other penalties. Article V of the Condominium Bylaws should be consulted for further details.

The amount of the annual assessment will be determined by the amount of the common expenses. Under the budget of the Verndale at East Bay Condominium Association for fiscal year

20___ (the fiscal year of the Association will be a calendar year), adopted by the Developer in the exercise of its best judgment, each co-owner will pay $_____ per year.

For fiscal year 20___, the estimated revenues and expenses of the Condominium are as follows:

REVENUES:

Assoc. Dues—Annual.....	$
No. of Units.....	
Annual Receipts.....	$[1]

EXPENSES:

Utilities.....	
Garbage.....	
Lawn Maintenance.....	
Snowplowing.....	
Water—Sprinkling.....	
Fees & Permits.....	
Bank Service Charges.....	
Legal & Accounting.....	
Insurance.....[2]	
Miscellaneous.....	
Reserve.....[3]	
Total Expenses.....	$

Each Co-owner must also pay other charges in connection with his ownership of a Unit at Verndale at East Bay Condominium. For example, each co-owner will be responsible for paying real estate taxes levied on his Unit and his undivided interest in the common elements. The amount of such taxes will be determined by the assessor of the Township of East Bay. Verndale at East Bay Condominium Association will pay no real estate taxes, except in the first year of the Condominium, as described on page ___ above.

Like other Unit Co-owners, the Developer is required to pay its assessments when they are due. The Developer will pay the full annual assessment for unsold Units which it owns only upon receipt of a certificate of occupancy for that Unit. In addition, the Developer must pay the cost of maintaining incomplete Units owned by it, as set forth in Article V, Section 7, of the Condominium Bylaws.

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[1] This budget has been estimated by the Developer based upon an assumption that ^ Units will be sold and occupied by ^, 20___, which is unlikely. However, the Developer believes that revenues and expenses will be reduced pro rata for each Unit not sold and occupied.

[2] Estimate including fire and extended coverage, vandalism and malicious mischief and liability insurance. See discussion of Insurance at p. ^ of this Disclosure Statement.

[3] There is no assurance that the contingency reserve will be adequate.

Each Co-owner could be required to pay special assessments, if special assessments are levied by the Board of Directors of Verndale at East Bay Condominium Association. Special assessments may be levied by the Board of Directors in the event that, among other things, the regular assessment should prove inadequate, Common Elements need to be replaced or expanded, or an emergency occurs. Article V of the Bylaws of Verndale at East Bay Condominium attached to the Master Deed should be examined for further details about special assessments.

Like most expenses today, the expenses in the budget are subject to change as a result of changing costs in the economy. The budget contained herein represents the Developer's best estimate of those expenses at this time. However, these costs may increase from year to year on account of such factors as cost increases, the need for repair or replacement of Common Elements, and property improvements. Such cost increases will result in increased annual assessments.

There are no fees, payments or services which are paid or furnished directly or indirectly by the Developer which will later become an expense of administration, except that the Developer is providing management service for a fee that may be below the prevailing rate for such services. Management fees paid by each Unit Co-owner could therefore increase when the Developer ceases to manage the Project.

XV.

RESTRICTIONS ON USE

In order to provide an environment conducive to pleasant living at Verndale at East Bay Condominium, the Condominium Bylaws contain certain limitations upon the activities of Co-owners which might infringe upon the right to quiet enjoyment of all Co-owners. Some of these restrictions are set forth herein. You should read Article VII of the Condominium Bylaws to ascertain the full extent of the restrictions. In addition to the restrictions imposed by the Condominium Bylaws, the Developer has imposed substantially similar restrictions by way of a Declaration of Restrictions. A copy of the Declaration of Restrictions is included in your Purchaser Information Booklet.

The residential Units in Phase I of Verndale at East Bay Condominium may be used solely for the purpose of single-family dwellings. To assure harmony of development, all structures erected on any unit (including such structures as fences, swimming pools, and mailboxes) are subject to architectural control. Dwellings are required to be of certain minimum square footages and maximum height, with exteriors of certain approved materials. Yards are required to be maintained, there are restrictions on the cutting of trees, and aesthetics such as the placement of trash cans are controlled.

Architectural control under the Condominium Bylaws will be exercised by an Architectural Control Committee, which will be controlled initially by the Developer. Architectural control under the Declaration of Restrictions will at all times be controlled by the Developer.

The use restrictions at Verndale at East Bay Condominium are enforceable by the Verndale at East Bay Condominium Association, which may take appropriate action to enforce the restrictions, such as legal actions for injunctive relief and damages. The use restrictions imposed by the Declaration of Restrictions are enforceable by the Developer, which may take appropriate action to enforce the restrictions, such as legal actions for injunctive relief and damages. The remedies available in the event of default are contained in Article XII of the Condominium Bylaws and in Section 18 of the Declaration of Restrictions.

XVI.

INSURANCE

Verndale at East Bay Condominium Association is responsible for securing fire and extended coverage, vandalism and malicious mischief and liability insurance, and, when necessary, worker's compensation insurance pertinent to the ownership, use, and maintenance of the Common Elements of the Condominium. Such insurance policies contain deductible clauses which, in the event of a loss, could result in the Association's being responsible for a certain portion of the loss.

Unit owners, as Co-owners of the Association, would bear any such loss in proportion to their percentage ownership of the Common Elements. Verndale at East Bay Condominium Association has taken out an all-risk policy of insurance on the Common Elements. A copy of the all-risk policy is available at the sales office for inspection by prospective purchasers. Worker's compensation insurance will not initially be secured by the Association, since Verndale at East Bay Condominium will have no employees. Co-owners should regularly review the insurance coverage of the Condominium to insure it is adequate.

The insurance coverage provided by the Association will not cover the individual Units, any articles contained therein or any personal property of a Co-owner on the grounds of the Condominium. Each Unit Co-owner must therefore secure Condominium Unit Co-owner's insurance to insure against loss of his unit and his personal property. A Unit Co-owner should consult with his insurance adviser to determine the amount of coverage required for his particular needs. In the event a Unit Co-owner fails to procure his own insurance, he will be uninsured for any loss that might occur to his Unit, to himself or his property.

If the Condominium is destroyed, in whole or in part, Article VI of the Condominium Bylaws attached to the Master Deed provides a plan for reconstruction or repair.

XVII.

PRIVATE ROADS AND EASEMENTS

All roads within the Condominium are private and are for use by the Co-owners and their guests. They must be maintained by the Verndale at East Bay Condominium Association. The private roads will not be patrolled by public police forces. The Developer has not sought the dedication of the private roads to the Grand Traverse County Road Commission.

Edgecomb Road is an unimproved public road which runs along the west edge of the Condominium. Portions of Units 17 through 20, inclusive, and Units 32 through 38, inclusive, and part of the Condominium Open Space fall within the right-of-way of Edgecomb Road. The existence of this right of way may affect building setback requirements for these Units. The Developer is not aware of any plan which exists to improve Edgecomb Road, but it could be improved.

Developer is permitted to enter the Condominium for the purpose of sale and preparation for sale of Units. The Developer's sales personnel are also permitted to enter Condominium and to maintain an office and model Units at the Condominium. The usual public utility easements, such as telephone, electricity, water and sewer, are enjoyed by those companies and municipalities responsible for the furnishing of public utilities to the Condominium. As set forth more fully in Article VII of the Master Deed, the Developer has also reserved the right to tie into utilities serving the Condominium.

Representatives of the Verndale at East Bay Condominium Association are entitled to enter a Unit in the case of an emergency or to make necessary repairs to a Common Element. While such an entry may cause inconvenience, it is necessary to the well-being of all the Co-owners.

XVIII.

CO-OWNER LIABILITY

If title to a Unit at Verndale at East Bay Condominium passes by virtue of a first mortgage foreclosure, the new title holder is not liable for the assessments of the Verndale at East Bay Condominium Association which came due prior to the acquisition of the title to the Unit by that person. Any unpaid assessments are deemed to be common expenses collectible from all of the Condominium Unit owners, including that person. This provision is contained in the Condominium Bylaws, as required by the laws of the State of Michigan.

XIX.

ARBITRATION

The Purchase Agreement contains a provision permitting the purchaser to elect to arbitrate a dispute with the Developer if the amount claimed by the purchaser in such dispute is less than $2,500. For more information, see the Purchase Agreement.

The Michigan Condominium Act, as amended, also provides that the Condominium Association may elect to arbitrate any dispute with the Developer concerning the Common Elements of the Condominium in which dispute the Association claims $10,000 or less.

XX.

UNUSUAL CIRCUMSTANCES

To the Developer's knowledge, there are no unusual circumstances associated with Verndale at East Bay Condominium.

XXI.

LEGAL MATTERS

Kurt M. Bowden, of Traverse City, Michigan, served as legal counsel in connection with the preparation of this Disclosure Statement and related documents. Legal counsel has not passed upon the accuracy of the factual matters herein contained.

2005C-00046

STATE OF MICHIGAN
GRAND TRAVERSE COUNTY
RECORD

07/25/2005 12:00:56PM

PAGE 1 OF 47 TXID 26435

PEGGY HAINES
REGISTER OF DEEDS

Pt of 28-03-230-003-00
Pt of 28-03-230-003-20

Parcel # _____ By RCR
STATE OF MICHIGAN, County of Grand Traverse ss. Traverse City _____. I hereby certify that there are no Tax liens or Titles held by the State of any individual against the within description, and all taxes on same are paid for five years previous to the date of the instrument as appears by the records in my office. This does not cover taxes in the process of collection by Township, City or Village 07/25/2005 Grand Traverse County, Treasurer

A Cummings Dep

MASTER DEED
VERNDALE AT EAST BAY CONDOMINIUM

THIS MASTER DEED has been executed as of July 20, 2005 by Auto-Owners Insurance Company, a Michigan corporation, whose address is 6101 Anacapri Blvd., Lansing, Michigan 48917-3999 (the "Developer"), pursuant to the provisions of the Michigan Condominium Act, as amended.

RECITALS:

A. Developer desires to establish the real property described in Article III below, and all appurtenances to it, together with all improvements at any time located upon that property, as a condominium project under the Act (as defined below).

B. Developer has prepared and executed this Master Deed, together with the Condominium Bylaws attached hereto as Exhibit "A" and the Condominium Subdivision Plan attached hereto as Exhibit "B," to accomplish this purpose.

ARTICLE I

DEFINITIONS

When used in any of the Condominium Documents, or in any other instrument pertaining to the Condominium Project or the creation or transfer of any interest in it, the following terms shall carry the definitions which follow them unless the context clearly indicates to the contrary:

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

(b) "Architectural Control Committee," until the first to occur of the conclusion of the Construction and Sales Period or the assignment of architectural control by the Developer to the Association, means the Developer. After the Construction and Sales Period or the assignment of architectural control by the Developer to the Association, whichever is the first to occur, the term "Architectural Control Committee" shall mean one or more persons appointed by the Association.

(c) "Association" means Verndale at East Bay Condominium Association, a not for profit corporation organized under the laws of the State of Michigan, of which all Co-owners shall be members and which shall administer, operate, manage, and maintain the Condominium Project. Any action required of or permitted by the Association shall be exercisable by its Board of Directors unless explicitly reserved to the members by the Condominium Documents or the laws of the State of Michigan, and any reference to the Association shall, where appropriate, also constitute a reference to its Board of Directors.

(d) "Association Bylaws" means the corporate Bylaws of the Verndale at East Bay Condominium Association.

(e) "Common Elements," where used without modification, means both the general and limited common elements, as defined in Article V hereof.

(f) "Condominium Bylaws" means Exhibit "A" hereto, the Bylaws for the Condominium Project.

(g) "Condominium Documents" means and includes this Master Deed, Exhibits "A" and "B" hereto, and the Articles of Incorporation, Bylaws and the Rules and Regulations, if any, of the Association.

(h) "Condominium Premises" means and includes the land described in Article III hereof, and all easements, rights and appurtenances belonging to the Condominium Project, as described below.

(i) "Condominium Project" means Verndale at East Bay Condominium, which is a condominium project established pursuant to the Act.

(j) "Condominium Subdivision Plan" means Exhibit "B" hereto.

(k) "Condominium Unit" or "Unit" each means that portion of the Condominium Project designed and intended for separate ownership and use, as described in Article VI hereof and on Exhibit "B" hereto.

(l) "Construction and Sales Period" means the period beginning with the recording of the Master Deed and continuing as long as Developer, or its successor(s), owns any Unit which it offers for sale or so long as there remains any residence to be constructed, whichever last occurs.

(m) "Co-owner" or "Owner" each means a person, firm, corporation, partnership, association, trust or other legal entity or any combination thereof who owns legal or equitable title to a condominium unit (including land contract vendees not in default under the terms of their land contracts) within the Condominium Project, and is, therefore, a member of the Association.

(n) "Developer" means Auto-Owners Insurance Company, and its successors and assigns. The Developer of the Condominium owns the real property dedicated to the Condominium and the Developer, or its successor(s), will develop the Condominium. It is anticipated that the initial Developer, Auto-Owners Insurance Company, a Michigan corporation, will sell one hundred (100%) percent of the Condominium Project to a Third Party, which Third Party will actually develop, construct, and/or sell the respective Units. The Third Party shall become the "Successor Developer" upon the recording of the appropriately executed deed from the initial Developer to the Third Party transferring one hundred (100%) percent of the Condominium Project to such Third Party, and such Successor Developer shall thereafter have all the rights, duties, and obligations of Developer hereunder. The Successor Developer shall be identified as the Developer in all future amendments to the Master Deed and pursuant to Article XI of this Master Deed Auto-Owners Insurance Company shall be released. Notwithstanding, Auto-Owners Insurance Company shall retain all rights, duties and powers as Developer under the Declaration of Restrictions.

(o) "Frontage Area" shall mean the area between the boundary of a unit and the paved portion of the road right-of-way, as shown on the Condominium Subdivision Plan attached hereto as Exhibit "B."

(p) "Master Deed" means this Master Deed, including Exhibits "A" and "B" hereto, both of which are incorporated by reference and made a part hereof.

(q) "P.U.D." means the resolution of the Charter Township of East Bay granting Planned Unit Development status to the Condominium Project, as amended, or as it may be amended from time to time. All applicable terms and conditions of the Planned Unit Development shall be incorporated herein by reference, and the terms, conditions, and provisions of the P.U.D. shall govern in the event of any conflict or dispute with the Condominium Documents.

(r) "Shared Entranceway and Drive Easement and Maintenance Agreement" means that certain Agreement of even date entered into between Auto-Owners Insurance Company, a Michigan corporation, as "Developer" and Verndale at East Bay Condominium Association, a not for profit Michigan corporation, which provides access to the Condominium Project from Hammond Road over Burgenstock Road, and imposes a duty on the Association to pay certain maintenance costs and expenses associated with Burgenstock, which document is being recorded contemporaneously herewith.

(s) "Declaration of Restrictions" means those Restrictions of even date imposed on the real property comprising the Condominium Project by Auto-Owners Insurance Company, a Michigan corporation, as Developer, which rights and duties are separate and independent from the Condominium Documents; which Declaration of Restrictions are recorded at Document # 2005R-16427 Grand Traverse County Records.

(t) "Drainage Easement and Maintenance Agreement" means that certain Agreement of even date entered into between Auto-Owners Insurance Company, a Michigan corporation, as "Developer" and Verndale at East Bay Condominium Association, a not for profit Michigan corporation, which provides drainage for the Condominium Project over other Lands owned by the Developer, or others, and imposes a duty on the Association to maintain the drainage system for the Project.

(u) "Pedestrian Walkway" means that certain Easement Agreement dated December 31, 2001, and recorded in Liber 1646, Page 38, Grand Traverse County Register of Deeds, and duties and obligations imposed on the Association therein.

Terms not defined herein, but defined in the Act, shall carry the meanings given them in the Act unless the context clearly indicates to the contrary. Whenever any reference is made to one gender, the same shall include a reference to any and all genders where such a reference would be appropriate; similarly, whenever a reference is made to the singular, a reference shall also be included to the plural where such a reference would be appropriate, and vice versa.

ARTICLE II

DEDICATION

By executing and recording this Master Deed, the Developer establishes Verndale at East Bay Condominium as a condominium project under the Act. Once established, the Condominium Project shall be held, conveyed, encumbered, leased, occupied, improved and in every manner utilized, subject to (i) the provisions of this Master Deed, and (ii) the Act. The provisions of this Master Deed shall run with the land included in the Condominium Project and bind the Developer, its successor(s), and all persons acquiring or owning an interest in the Condominium Project, or in the real estate dedicated to the Condominium Project, and their grantees, successors, assigns, heirs and personal representatives. The remainder of this Master Deed has been set forth in furtherance of the establishment of the Condominium Project.

ARTICLE III

LEGAL DESCRIPTION

The land which is dedicated to the Condominium Project established hereby is legally described as follows:

That part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as:

Commencing at the North quarter corner of said Section 30; thence South 00°15'05" West, 489.54 feet along the North and South quarter line of said section to the Point of Beginning; thence South 00°15'05" West, 2147.71 feet continuing along the North and South quarter line to the East and West quarter line of said section; thence North 89°26'13" East, 1522.71 feet along said East and West quarter line; thence North 09°25'31" West, 251.94 feet; thence North 27°50'50" East, 135.05 feet; thence North 09°13'33" West, 297.73 feet; thence North 85°33'46" East, 202.98 feet; thence North 03°40'17" East, 636.79 feet; thence North 30°38'12" East, 176.49 feet; thence North 01°40'56" West, 320.83 feet; thence South 88°45'28" West, 196.96 feet; thence South 26°08'28" West, 261.35 feet; thence South 81°15'59" West, 346.01 feet; thence Northwesterly, 361.16 feet, along the arc of a 376.00 foot radius curve to the left, the central angle of which is 55°02'04" and the long chord of which bears North 61°20'36" West, 347.44 feet; thence North 88°51'38" West, 623.55 feet; thence Northwesterly, 38.88 feet, along the arc of a 25.00 foot radius curve to the right, the central angle of which is 89°06'44" and the long chord of which bears North 44°18'16" West, 35.08 feet; thence North 00°15'05" East, 177.52 feet; thence Northwesterly, 96.10 feet, along the arc of a 333.00 foot radius curve to the left, the central angle of which is 16°32'04" and the long chord of which bears North 08°00'56" West, 95.76 feet; thence North 65°02'06" West, 116.79 feet; thence Northwesterly, 27.62 feet along the arc of a 257.00 foot radius curve to the left, the central angle of which is 06°09'30", and the long chord of which bears North 36°47'44" West, 27.61 feet; thence North 39°52'26" West, 56.65 feet; thence Northwesterly, 57.59 feet along the arc of a 322.89 foot radius curve to the right, the central angle of which is 10°13'07" and the long chord of which bears North 34°45'55" West, 57.51 feet to said North and South quarter line and the Point of Beginning. Said parcel contains 64.13 acres of land, more or less.

Reserving, however, to the Developer and to the Developer's successors and assigns, all of the oil, gas and other minerals in and under and that may be produced from the above-described lands, together with the right of ingress and egress at all times for the purpose of mining, drilling, exploring, operating and developing said lands for oil, gas and other minerals, and storing, handling, transporting, and marketing the same therefrom.

Subject to and together with an 86 foot wide utilities easement as recorded in Liber 2087, Pages 810-812, Grand Traverse County Records.

Subject to and together with a 20' x 40' watermain pressure reducing station easement as recorded in Liber 2087, Pages 813-814, Grand Traverse County Records.

Subject to and together with a 20 foot wide easement for the installation and maintenance of a Sanitary Sewer in part of the Northeast Quarter of Section 30, Town 27 North, Range 11 West, East Bay Township, Grand Traverse County, Michigan the centerline of said 20 foot wide easement is more fully described as; Commencing at the North Quarter Corner of said Section 30; thence North 88°45'28" East, 1158.41 feet, along the North line of said Section 30 to the intersection of the centerline of Burgenstock; thence along said centerline the following 7 courses; South 01°15'38" East, 124.36 feet; Southeasterly 72.14 feet along the arc of a 175.00 foot radius curve to the left, the central angle of which is 23°37'11" and the long chord which bears South 12°41'41" East, 72.14 feet; South 24°30'17" East, 183.52 feet; Southeasterly 66.94 feet along the arc of a 165.00 foot radius curve to the right, the central angle of which is 23°14'39" and the long chord which bears South 12°52'57" East, 66.48 feet; South 01°15'38" East, 227.51 feet, Southwesterly 204.37 feet along the arc of a 300.00 foot radius curve to the right, the central angle of which is 39°01'54" and the long chord which bears South 18°15'19" West, 200.44 feet; South 37°46'16" West, 292.43 feet, to a point in the centerline of Vienna Way at Burgenstock; thence along the centerline of Vienna Way the following 2 courses: Northwesterly 187.59 feet along the arc of a 343.00 foot radius curve to the left, the central angle of which is 31°20'07", and the long chord of which bears North 73°11'35" West, 185.26 feet; North 88°51'38" West, 162.85 feet, to a point in said centerline and the POINT OF BEGINNING, of said 20 foot wide easement centerline thence South 01°02'44" West, 363.91 feet, to the POINT OF ENDING of said 20 foot wide Sanitary Sewer easement centerline. The sidelines of said easement are to extend or shorten to meet at angle points, to begin at the centerline of Vienna Way and to the Southerly right of way of Maderia Drive.

Subject to and together with a 66 foot wide easement for ingress, egress, together with easements for the installation and maintenance of public and private utilities over 10 foot wide strips of land to Easterly and Westerly sides of said 66 foot wide easement, described collectively as being in part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as: Commencing at the North quarter corner of said Section 30; thence North 88°45'28" East, 1074.61 feet, along the North line of said Section 30 and centerline of Hammond Road to the Point of Beginning; thence continuing North 88°45'28" East, 166.00 feet, along said North line and centerline of Hammond Road; thence South 01°14'32" East, 85.00 feet; thence Southwesterly, 63.28 feet, along the arc of a 40.00 foot radius curve to the left, the central angle of which is 90°38'14" and the long chord of which bears South 43°25'49" West, 56.88 feet; thence Southeasterly, 65.89 feet, along the arc of a 168.00 foot radius curve to the left, the central angle of which is 22°37'01" and the long chord of which bears South 13°11'48" East, 65.89 feet; thence South 24°30'17" East, 167.96 feet; thence Southeasterly, 84.46 feet, along the arc of a 208.00 foot radius curve to the right, the central angle of which is 23°16'00" and the long chord of which bears South 12°52'20" East, 83.89 feet; thence South 01°15'38" East, 220.75 feet; thence Southwesterly, 240.46 feet, along the arc of a 343.03 foot radius curve to the right, the central angle of which is 40°09'50" and the long chord of which bears South 17°41'32" West, 235.57 feet; thence South 37°46'16" West, 233.80 feet; thence Southeasterly, 22.58 feet, along the arc of a 15.00 foot radius curve to the left, the central angle of which is 86°14'03" and the long chord of which bears South 05°20'45" East, 20.50 feet; thence South 41°32'13" West, 10.00 feet, to a point on the Northerly right-of-way line of Vienna Way; thence Northwesterly, 109.50 feet, along said Northerly right-of-way line and the arc of a 376.00 foot radius curve to the left, the central angle of which is 16°41'11" and the long chord of which bears North 56°48'22" West, 109.12 feet; thence North 24°51'03" East, 10.00 feet; thence Northeasterly, 20.18 feet, along the arc of a 15.00 foot radius curve to the left, the central angle of which is 77°04'47" and the long chord of which bears North 76°18'39" East, 18.69 feet; thence North 37°46'16" East, 243.08 feet; thence Northeasterly, 180.96 feet, along the arc of a 257.03 foot radius curve to the left, the central angle of which is 40°20'23" and the long chord of which bears North 17°36'19" East, 177.25 feet; thence North 01°15'38" West, 221.74 feet; thence Northwesterly, 49.50 feet, along the arc of 122.00 foot radius curve to the left, the central angle of which is 23°14'47" and the long chord of which bears North 12°52'57" West, 49.16 feet; thence North 24°30'17" West, 167.96 feet; thence Northwesterly, 101.88 feet, along the arc of a 254.00 foot radius curve to the right, the central angle of which is 22°58'54" and the long chord of which bears North 13°00'52" West, 101.20 feet; thence Northwesterly, 62.64 feet, along the arc of a 40.00 foot radius curve to the left, the central angle of which is 89°43'15" and the long chord of which bears North 46°23'02" West, 56.43 feet; thence North 01°14'32" West, 85.00 feet, to the Point of Beginning. Said easement parcel contains 2.42 acres.

Subject to and together with an 86 foot wide utilities easement as recorded in Liber 2087, Page 810-812, Grand Traverse County Records. Subject to other easements or restrictions, if any.

Subject to a Declaration of Restrictions recorded at Document #2005R-16427, Grand Traverse Register of Deeds (the "Building and Use Restrictions").

Together with and subject to easements, restrictions and governmental limitations of record, and easements set forth on the Condominium Subdivision Plan attached to and incorporated herein as Exhibit "B" hereto or as declared and reserved in Article VII below.

ARTICLE IV

TITLE AND NATURE

The Condominium Project shall be known as "Verndale at East Bay Condominium," Grand Traverse County Subdivision Plan No. 273. Such architectural plans and specifications as may exist for the Condominium Project will be filed with the Charter Township of East Bay, Grand Traverse County, Michigan. The improvements contained in the Condominium Project, including the number, boundaries, dimensions and area of each Unit, are set forth in the Condominium Subdivision Plan attached hereto as Exhibit "B." The Condominium Project contains individual Units to be used as building sites for single-family residential homes. Each Unit has been designed and is intended for separate ownership and use, as evidenced by each Unit having direct access to a common element of the Condominium Project. Each Co-owner in the Condominium Project shall enjoy the exclusive right to occupy his Unit and shall have undivided and inseparable rights to share with other Co-owners the use and enjoyment of the general common elements.

ARTICLE V

COMMON ELEMENTS

A. *General Common Elements.* The general common elements are:

(1) The real property described in Article III hereof, excluding those portions within the boundaries of any Condominium Unit as described in Article VI. A. hereof and shown on Exhibit "B" hereto, but including easement interests of the Condominium in the property within the boundaries of any Unit;

(2) All roads and utility rights-of-way as indicated on the Condominium Subdivision Plan ("Right-of-Way"), including the roads built within the Right-of-Way but excluding all portions of driveways built upon the Frontage Area by any Co-owners, provided, however, that each Co-owner shall have the right to build a driveway and place an approved mailbox upon Frontage Area adjoining his Unit and when built, the portion of the driveway, but not the ground beneath it, built upon the Frontage Area, shall be as provided in subsection B below, a limited common element;

(3) The main electrical distribution system throughout the Condominium Project located within the Right-of-Way (excluding the lateral connection and facilities which serve individual Units). Also, any common lighting, if installed, will be a general Common Element. The Developer has no current plans to install common lighting, but reserves the right to do so;

(4) The telephone wiring system throughout the Condominium Project located within the Right-of-Way (excluding the lateral connection and facilities which serve individual Units);

(5) The water distribution system throughout the Condominium Project located within the Right-of-Way (excluding the lateral connection and facilities which serve individual Units), including sprinkler system pipes, fixtures, connections and controls used for irrigation of the Common Elements;

(6) The sanitary sewer system throughout the Condominium Project located within the Right-of-Way (excluding the lateral connection and facilities which serve individual Units);

(7) The storm water sewer system throughout the Condominium Project, including storm water retention easements and drain easements, as depicted on the Condominium Subdivision Plan;

(8) The gas distribution network throughout the Condominium Project located within the Right-of-Way (excluding the lateral connection and facilities which serve individual Units);

(9) Any cable television wiring throughout the Condominium Project located within the Right-of-Way (excluding the lateral connection and facilities which serve individual Units);

(10) The Open Space located along the easterly edge of the Condominium Project, as depicted on the Condominium Subdivision Plan attached hereto as Exhibit "B;"

(11) The ponds, swales, and streams and drains related to the ponds, as depicted on the Condominium Subdivision Plan; and

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

(13) The Pedestrian Walkway referenced in the Easement Agreement dated December 13, 2001, and recorded in Liber 1646, Page 38, Grand Traverse County Register of Deeds.

(14) The Shared Entranceway and Drive Easement and Maintenance Agreement, dated July 20, 2005, and recorded contemporaneously herewith.

(15) The Drainage Easement and Maintenance Agreement, dated July 20, 2005, and recorded contemporaneously herewith.

Some or all of the utility lines, systems and equipment described above may be owned by the local public authority or by the company that is providing the pertinent service. Accordingly, such utility lines, systems and equipment shall be general common elements only to the extent of the Co-owners' interest therein, if any, and Developer makes no warranty whatever with respect to the nature or extent of such interest. Each Co-owner will be responsible for connecting the utilities for his Unit to the distribution lines lying within the Right-of-Way at the Unit owner's sole expense.

B. *Limited Common Elements.* The limited common elements are those common elements limited in use to the owners of the Unit they abut or to which they appertain. The portion of any driveway, but not the ground beneath the driveway, built upon the Frontage Area, once built by the Owner of the adjoining Unit, shall be a limited common element appurtenant to the Unit it serves.

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

(1) The Association shall bear the cost of maintaining, repairing, and replacing all general common elements and providing and all necessary utilities with respect to all general common elements except (a) to the extent of maintenance, repair or replacement due to the acts or neglects of a Co-owner or his agent, guest or invitee, for which such Co-owner shall be wholly responsible, unless, and to the extent, any such loss or damage is covered by insurance maintained by the Association; and (b) as provided in subsection (2) of this section. The Association shall maintain, repair and replace the pedestrian trail from Verndale to Three Mile Road and any future pedestrian trail along the south side of the neighbor's pond, connecting Verndale and the Township Hall property.

(2) Each Co-owner shall bear the cost of installing and maintaining landscaping within the Frontage Area adjoining his Unit; installing, maintaining, repairing and replacing the portion of the driveway built upon the Frontage Area; and of installing, decorating, maintaining, repairing and replacing the mailbox located within the Frontage Area.

(3) Except for maintenance, repair or replacement due to the act or neglect of another Co-owner or his agent, guest or invitee, for which such Co-owner shall be wholly responsible, the cost of decorating, maintaining, repairing and replacing all improvements, including landscaping, within the boundaries of a Unit, and the cost of meeting the obligations set forth in subsection (2) of this section, will be borne by the Co-owner of the Unit. The appearance of all buildings, garages, patios, decks, porches (whether open or screened), landscaping and all other improvements within a Unit or the Frontage Area appurtenant to it, will, at all times, be subject to the approval of the Architectural Control Committee and shall be subject to the Declaration of Restrictions.

Any maintenance, repair or replacement obligation to be borne by a Co-owner may, if not performed by the Co-owner, be performed by or under the direction of the Association, with the cost assessed against the responsible Co-owner. The Association shall not, in such case, be responsible for incidental damage to the Unit or the Frontage Area, or any improvement or property located within the boundaries of the Unit or Frontage Area, of the Co-owner who failed to fulfill his obligations.

D. *Residual Damage to Units.* Unless provided otherwise in this Master Deed or in the Condominium Bylaws, damage to a Unit, or any improvement or property located within the boundaries of the Unit, caused by the repair, replacement or maintenance activities of the Association of those common elements which must be maintained by the Association shall be repaired at the expense of the Association.

E. *Use of Units and Common Elements.*

(1) No Co-owner shall use his Unit or the common elements in any manner (i) inconsistent with the purposes of the Condominium Project or (ii) which will unreasonably interfere with or impair the rights of any other Co-owner in the use and enjoyment of his Unit or the common elements.

(2) No Co-owner shall be exempt from contributing toward Expenses of Administration (as defined in the Condominium Bylaws) or from the payment of assessments against his Unit by reason of nonuse or waiver of use of the common elements or by the abandonment of his Unit.

(3) Those areas defined as Open Space shall remain, to the greatest degree possible, in a natural and undeveloped condition. The Open Space areas may not be sold, transferred or developed and shall be used by the Co-owners for recreation activities such as hiking, walking, cross-country skiing and the like.

ARTICLE VI

UNIT DESCRIPTION AND PERCENTAGES OF VALUE

A. *Description.* A description of each Unit, with elevations therein referenced to an official benchmark of the United States Geological Survey sufficient to relocate accurately the space enclosed by the description without reference to the Unit itself, is set forth in the Condominium Subdivision Plan. Each Unit shall consist of all that space within the Unit boundaries, as shown on the Condominium Subdivision Plan and delineated in heavy outlines, but not any Common Elements contained therein. The dimensions shown on the Condominium Subdivision Plan for each Unit have been calculated by Gourdie-Fraser Associates, of Traverse City, Michigan.

B. *Percentages of Value.* The total value of the Condominium Project is 100 percent (100%). All Units are hereby assigned an equal percentage of value because all Units are expected to have equal allocable expenses of maintenance. The Developer may expand the Condominium Project by creating additional Units in the Expansion Property (as defined in Article IX hereof). Such expansion will result in a change in the actual percentage of value attributable to each single family Unit in Phase I. The percentages of value of all Phase I Units would, however, remain equal to each other. The Expansion Property may consist of multifamily units, duplexes and town homes, and shall be referred to as Phase II.

A Unit's percentage of value shall determine its proportionate share of the common proceeds and Expenses of Administration, the value of its vote at certain meetings of the Association of Co-owners and of its undivided interest in the Common Elements.

ARTICLE VII

EASEMENTS

A. *Easements for Maintenance and Related Matters.* If all or any portion of a Common Element encroaches upon a Unit due to Developer's survey errors, construction deviations, reconstruction, replacement, renovation or repair, an easement shall exist for the maintenance of the encroachment for so long as the encroachment exists, and for maintenance thereof after rebuilding in the event of any destruction. Perpetual easements shall also exist to, through, over, under and across the Condominium Premises, including all Units, for the maintenance, repair or replacement of Common Elements, which easements shall be administered by the Association, and as may be appropriate, for the installation, inspection, maintenance, repair and replacement by the responsible governmental entity or utility company of all utilities in the Condominium Project, including, but not necessarily limited to, light, heat, power and communications. The Association may grant such easements, licenses and rights-of-way over, under and across the Condominium Premises for utility purposes, access purposes or other lawful purposes as may be necessary for connecting a Unit to a utility, or for the benefit of the Condominium Project, subject, however, to the approval of the Developer so long as the Developer holds any Unit available for sale or so long as any additional Unit may be created in the Condominium. In the event any Co-owner fails to discharge said Co-owner's responsibilities in accordance with the aesthetic, maintenance and architectural standards imposed by the Association and the Condominium Documents, the Association may enter upon the Unit and perform any Co-owner's required decoration, maintenance, repair or replacement responsibilities and assess the costs thereof to the pertinent Co-owner in accordance with the provisions of the Bylaws.

B. *Easements Retained by Developer.*

(1) Easements. In addition to all other rights reserved to it hereunder, the Developer reserves for the benefit of itself, and its agents, employees, guests, invitees, independent contractors, successors and assigns, a perpetual easement for the unrestricted use of any right-of-way now or hereafter located in the Condominium Project for the purpose of (a) ingress to and egress from all or any portion of (i) the Condominium Premises; (ii) the Expansion Property, as defined herein, whether or not it is added to the Condominium Premises; and (iii) any other land in the vicinity of the Condominium Project now owned or hereafter acquired by the Developer, (b) complying with any governmental regulation, or installing and servicing the roads, utilities, or drains, as shown on the Condominium Subdivision Plan attached hereto as Exhibit "B," or (c) for any other lawful purpose.

(2) Use of Facilities. The Developer, and its duly authorized agents, representatives and employees, may maintain offices and other facilities on the Condominium Premises and engage in any acts reasonably necessary to facilitate the development and sale of Units in the Condominium Project. In connection therewith, the Developer shall have full and free access to all Common Elements and unsold Units.

(3) Easements to be Clear. No structures will be erected within any Unit which will interfere with the rights of ingress and egress provided above. Any fences, paving or plantings which interfere with the rights of ingress and egress provided above may be removed as necessary when installing or servicing the roads, utilities, drains or perimeter fence, and neither Developer nor Developer's agents will have liability for such removal.

(4) Drainage. No changes will be made in the grading of any areas used as drainage swales which would alter surface run-off drainage patterns without the prior written consent of Developer. Developer also reserves for the benefit of itself, its successors and assigns, all future owners of Units in the Condominium and all affected governmental bodies and public utilities, all of the utility, drainage, storm water detention, storm water retention, water, sanitary lift stations, conservation, flooding, and other easements designated and depicted as such on the Condominium Subdivision Plan whether located upon the Common Elements or within Units. The foregoing easements include, but are not limited to the drainage, retention and detention easements described in the Drainage Easement and Maintenance Agreement.

(5) Hook-Up of Utilities. The Developer reserves for the benefit of itself, and its agents, employees, independent contractors, successors and assigns, and for the benefit of any appropriate governmental entity or utility company, perpetual easements to enter upon and cross the Condominium Premises and lay pipes and cables and do all other things reasonably necessary to utilize, tap and tie into, and to construct, extend and enlarge, all utility services or systems now or hereafter located on the property described in Article III hereof to service all or any portion of the Condominium Premises, including any property hereafter contracted out of the Condominium; Expansion Property as defined herein, whether or not it is added to the Condominium Premises; or any other property in the vicinity of the Condominium Project now owned or hereafter acquired by the Developer in furtherance of any lawful purpose.

(6) Utility Lines. All electrical service, cable television and telephone lines will be placed underground and are the responsibility of the Co-owner of each Unit appurtenant thereto.

C. *Grant of Easements.* Developer further reserves the right at any time prior to the Transitional Control Date to grant an easement for a footpath, through the Common Elements, from the footpath at the southerly boundary of the Condominium Project to the Developer's north property line, adjacent to the property line of the neighboring parcel of land east of the Condominium and the right to grant easements for utilities over, under and across the Condominium (including the Common Elements and any Unit) to appropriate governmental agencies or public or private utility companies and to transfer title of utilities to state, county or local governments and/or to public or private utility companies. Any such easement or transfer of title may be granted or conveyed by Developer without the consent of any Co-owner, mortgagee or other person and may be evidenced by an appropriate amendment to this Master Deed and to Exhibit "B" hereto executed by Developer and recorded in the Grand Traverse County Records. All of the Co-owners and mortgagees of Units and other persons interested or to become interested in the Condominium Project from time to time shall be deemed to have irrevocably and unanimously consented to such amendment or amendments of this Master Deed to effectuate the foregoing easement or transfer of title. The Association, acting through its lawfully constituted Board of Directors (including any Board of Directors acting prior to the Transitional Control Date) shall be empowered and obligated to grant such easements, licenses, rights-of-entry and rights-of-way over, under and across the Condominium Project for utility purposes, access purposes or other lawful purposes as may be necessary for the benefit of the Condominium, subject, however, to the approval of the Developer so long as the construction and Sales Period has not expired. No easements created under the Condominium Documents may be modified, or obligations with respect thereto varied, without the consent of each person benefitted thereby.

D. *Termination of Easements.* The Developer reserves the right to terminate and revoke any utility or other easement granted in this Master Deed at such time as the particular easement has become unnecessary. This may occur, by way of example but not limitation, when a utility easement is relocated to coordinate further and future development

of the Condominium Project or other projects located in the vicinity of the Condominium Project. No easement for a utility may be terminated or revoked unless and until all Units served by it are adequately served by an appropriate substitute or replacement utility on a shared maintenance basis. Any termination or revocation of any such easement shall be effected by the recordation of an appropriate amendment to this Master Deed in accordance with the requirements of the Act.

E. *Financial Support of Easements.* The Association shall financially support all easements described in this Article VII or otherwise pertaining to the Condominium Project, regardless of the rights of others to utilize such easements.

F. *Hold Harmless.* The Association shall hold Charter Township of East Bay, The Grand Traverse County Road Commission and Developer, its officers and employees, harmless and to indemnify them from liability for personal injury or property damage arising from any easement or private roadway authorized by such Township and Road Commission.

ARTICLE VIII

ALTERATIONS

A. *Boundary Relocations.*

(1) Subject to the approval of East Bay Charter Township, if required, as long as the Developer holds any Unit available for sale in the Condominium Project, it may, in its discretion, modify the dimensions of any such Unit or Units, the general Common Elements, and any limited Common Element appurtenant to such Unit or Units, by enlargement, combination, division, or reduction in size or relocation of boundaries between Units, even if such action will result in the elimination of a Unit from the Condominium Project. However, no such modifications may be performed which would unreasonably impair or diminish the appearance of the Project or the view, privacy or other significant attribute or amenity of any Unit owned by a non-Developer Co-owner which adjoins or is proximate to the modified Unit. All space in the Condominium Project, since it is or could be affected by such a modification, is hereby designated as "convertible area," whether or not so designated on the Condominium Subdivision Plan. Such space may be converted, in the Developer's sole discretion, into portions of a Unit, general Common Elements or limited common elements, or any combination of these, and the responsibility for maintenance, repair and replacement therefor may be assigned by an amendment to this Master Deed effected solely by Developer without the consent of any other person.

(2) If non-Developer Co-owners owning adjoining Units, or a non-Developer Co-owner and Developer owning adjoining Units, desire to relocate the boundaries between those Units, then the Board of Directors of the Association shall, upon written application of the Co-owners, accompanied by the written approval of all mortgagees of record of the adjoining Units, and further subject to the approval of the Township of East Bay, if required, forthwith prepare or cause to be prepared an amendment to this Master Deed duly relocating the boundaries of such Units, at the requesting Co-owner's sole cost and expense.

B. *Master Deed Amendment.* No Unit modified in accordance with the provisions of this section shall be conveyed until an amendment to this Master Deed effectuating such modification is recorded. The Developer or Association may, in connection with any such amendment, readjust percentages of value for all Units in a manner which gives recognition to such Unit or Common Element modifications and the method of determination of percentages of value for the Condominium Project described in Article VI. B. above. All of the Co-owners and mortgagees of Units and other persons interested or to become interested in the Condominium Project from time to time shall be deemed to have unanimously consented to an amendment or amendments to this Master Deed to effectuate the foregoing, including, subject to the limitations set forth herein, the proportionate reallocation of the percentages of value assigned to each Unit if there is a change in the number of Units. All such interested persons irrevocably appoint Developer and the Association as their agent and attorney for the purpose of executing such amendment or amendments to the Condominium Documents necessary to effectuate the foregoing.

ARTICLE IX

ENLARGEMENT OF CONDOMINIUM

A. *Right to Expand.* The Condominium Project is an expandable condominium project, as that term is defined in the Act. The first phase of the Condominium Project established pursuant to this initial Master Deed consists of 78 Units (Phase I). Other phases may be added later. The Condominium Project will contain in its entirety no more than 130 Units.

The Developer, for itself and its successors and assigns, hereby explicitly reserves the right to expand the Condominium Project without the consent of any of the Co-owners. This right may be exercised without any limitations whatsoever, except as expressly provided in this Article. The additional land, all or any portion of which may be added to the Condominium Project, is described as follows:

> Part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as: Commencing at the North quarter corner of said Section 30; thence South 00°15'05" West, 489.54 feet, along the North and South one-quarter line of said Section 30; thence Southeasterly, 57.59 feet, along the arc of a 322.89 foot radius curve to the left, the central angle of which is 10°13'07" and the long chord of which bears South 34°45'55" East, 57.51 feet; thence South 39°52'26" East, 56.65 feet; thence Southeasterly, 27.62 feet, along the arc of a 257.00 foot radius curve to the right, the central angle of which is 06°09'30" and the long chord of which bears South 36°47'44" East, 27.61 feet; thence South 65°02'06" East, 116.79 feet, to the Point of Beginning; thence South 65°02'06" East, 194.82 feet; thence South 84°47'57" East, 210.67 feet; thence South 89°40'05" East, 228.44 feet; thence South 01°08'22" West, 20.00 feet; thence South 89°40'05" East, 148.95 feet; thence North 52°45'43" East, 106.58 feet; thence North 27°57'35" West, 20.00 feet; thence North 62°02'25" East, 124.22 feet; thence Northeasterly, 23.30 feet, along the arc of a 50.00 foot radius curve to the right, the central angle of which is 26°42'00" and the long chord of which bears North 75°23'23" East, 23.09 feet; thence North 88°44'22" East, 65.18 feet; thence North 01°15'38" West, 69.36 feet; thence North 88°44'22" East, 99.83 feet; thence North 88°45'28" East, 282.09 feet; thence South 01°14'32" East, 291.18 feet; thence South 26°08'28" West, 261.35 feet; thence South 81°15'59" West, 346.01 feet; thence Northwesterly, 361.16 feet, along the arc of a 376.00 foot radius curve to the left, the central angle of which is 55°02'04" and the long chord of which bears North 61°20'36" West, 347.44 feet; thence North 88°51'38' West, 623.55 feet; thence Northwesterly, 38.88 feet, along the arc of a 25.00 foot radius curve to the right, the central angle of which is 89°06'44" and the long chord of which bears North 44°18'16" West, 35.08 feet; thence North 00°15'05" East, 177.52 feet; thence Northwesterly, 96.10 feet, along the arc of a 333.00 foot radius curve to the left, the central angle of which is 16°32'04" and the long chord of which bears North 08°00'56" West, 95.76 feet, to the Point of Beginning. Said parcel contains 10.52 acres.

(herein referred to as the "Expansion Property").

B. *Restriction upon Expansion.* Expansion of the Condominium Project shall occur without restriction under the following conditions:

(1) The right to elect to expand the Project shall expire six (6) years from the date of the recording of this Master Deed with the Register of Deeds for Grand Traverse County, Michigan.

(2) All or any portion of the Expansion Property may be added, but none of it must be added.

(3) There is no limitation as to what portion of the Expansion Property may be added, and any portions added may or may not be contiguous to each other or to the Condominium Project as it exists at the time of any expansion.

(4) Portions of the Expansion Property may be added to the Condominium Project at different times.

(5) The order in which portions of the Expansion Property may be added is not restricted, nor are there any restrictions fixing the boundaries of those portions of the Expansion Property that may be added.

(6) There is no restriction as to the location of any improvements that may be made on any portions of the Expansion Property.

(7) There is no restriction upon the number of Units that may be placed on any particular portion of the Expansion Property.

(8) While the Developer presently intends that any expansion will be reasonably compatible with Units in Phase I of the Condominium Project, the nature, appearance and location of all additional Units, if any, placed upon the Expansion Property, and any structures to be built therein, will be as may be determined by the Developer in its sole judgment without any restrictions whatsoever.

(9) There are no restrictions as to what improvements may be made on the Expansion Property.

(10) There are no restrictions as to the types of condominium units that may be created on the Expansion Property, except that all Units in the Condominium Project must be residential condominium units but shall not necessarily be single-family units.

(11) The Developer reserves the right, in its sole discretion, to create convertible and contractible area and limited common elements within any portion of the Expansion Property added to the Condominium Project and to designate general Common Elements which may subsequently be assigned as limited common elements.

(12) The Condominium Project shall be expanded, if it is expanded, by one or a series of successive amendments to this initial Master Deed, each adding additional land to the Condominium Project as then constituted.

(13) All expansion must be carried out in accordance with the provisions of the Act.

C. *Procedure for Expansion.* Pursuant to this Article, and any other provisions of this Master Deed to the contrary notwithstanding, the number of Units and the amount of real property in the Condominium Project may, at the sole option of the Developer, or its successors and assigns, from time to time, within a period ending no later than six (6) years from the date hereof, be increased by the addition to this Condominium Project of all or any portion of the Expansion Property and the creation of condominium Units thereon. Such increase in the size of this Condominium Project shall be given effect by an appropriate amendment or amendments to this Master Deed in the manner provided by law, which amendment or amendments shall be prepared by and at the discretion of the Developer or its successors or assigns.

(1) The percentages of value set forth in Article VI hereof shall be adjusted proportionately in the event of such expansion in order to preserve a total value of one hundred percent (100%) for the entire Condominium Project resulting from such amendment or amendments to this Master Deed. The precise determination of the readjustments in percentages of value shall be made within the sole judgment of Developer. Such readjustments, however, shall reflect a continuing reasonable relationship among the percentages of value and each Unit's anticipated allocable expenses of administration.

(2) Such amendment or amendments to the Master Deed shall also contain such further definitions or redefinitions of general or limited common elements as may be necessary to adequately describe the Common Elements added to the Condominium Project by such amendment. Such amendment or amendments to the Master Deed shall also contain such modifications of general or limited common elements as may be necessary to adequately service the additional Units being added to the Condominium Project by such amendment.

(3) All of the Co-owners and mortgagees of Units and other persons interested or to become interested in the Condominium Project from time to time shall be deemed to have irrevocably and unanimously consented to such amendment or amendments of this Master Deed to effectuate the foregoing and, subject to the limitations set forth herein, to any proportionate reallocation of percentages of value of existing Units which Developer may determine to be necessary in conjunction with such amendment or amendments. All such interested persons irrevocably appoint Developer as agent and attorney for the purpose of execution of such amendment or amendments to the Master Deed and all other documents necessary to effectuate the foregoing.

Such amendments may be effected without the necessity of rerecording an entire Master Deed or the Exhibits thereto and may incorporate by reference all or any pertinent portions of this Master Deed and the Exhibits hereto; PROVIDED, HOWEVER, that a Consolidating Master Deed, when recorded, shall supersede the previously recorded Master Deed and all amendments thereto. Nothing herein contained, however, shall in any way obligate Developer to enlarge the Condominium Project beyond the phase established by this Master Deed, and Developer may, in its discretion, establish all or a portion of said Expansion Property as a rental development, a separate condominium project (or projects), or any other form of development as may be approved by The Charter Township of East Bay.

ARTICLE X

AMENDMENT

Except as otherwise expressly provided in this Master Deed, the Condominium Project shall not be terminated, vacated, revoked or abandoned except as provided in the Act, nor may any of the provisions of this Master Deed, including Exhibits "A" and "B," or any other Condominium Document, be amended, except as follows, or as provided in the Condominium Document sought to be amended.

A. *Methods and Conditions.*

(1) The Condominium Documents may be amended without the consent of Co-owners or mortgagees for any purpose if the amendment does not materially alter or change the rights of a Co-owner or mortgagee. The Developer, for itself and for the Association of Co-owners (and the Board, to the extent permitted by the Condominium or Association Bylaws), hereby expressly reserves the right to amend the Condominium Documents for such a purpose. Amendments which do not materially alter or change the rights of a Co-owner or mortgagee include, but are not limited to, amendments modifying the types and sizes of unsold Units and their appurtenant Common Elements, correcting survey or other errors made in the Condominium Documents, or for the purpose of facilitating mortgage loan financing for existing or prospective Co-owners and to enable the purchase of insurance of such mortgage loans by any institutional participant in the secondary mortgage market which purchases or insures mortgages.

(2) This Master Deed, the Condominium Bylaws (subject to the restrictions set forth in Article X thereon), and the Condominium Subdivision Plan may be amended, even if the amendment will materially alter or change the rights of the Co-owners or mortgagees, either pursuant to subsection (7) below or by an affirmative vote of two-thirds (⅔) of the votes of the Co-owners and two-thirds (⅔) of the first mortgagees. A Co-owner will have one vote for each Unit owned, including, as to the Developer, all Units created by the Master Deed but not yet conveyed. A mortgagee shall have one vote for each first mortgage held. The required votes may be achieved by written consents or by votes at any regular annual meeting or a special meeting called for such purpose, or a combination of votes and consents.

(3) The method or formula used to determine the percentage of value of Units in the Project for other than voting purposes, and any provisions relating to the ability or terms under which a Co-owner may rent a Unit, may not be modified without the consent of each affected Co-owner and mortgagee. A Co-owner's Unit dimensions or appurtenant limited common elements, if any, may not be modified without the Co-owner's consent.

(4) In no case, unless (i) all of the first mortgagees, (ii) all Co-owners (other than the Developer), and (iii) the Developer (if at the time it owns any Units) have given their prior written approval, shall the Association be entitled by any act or omission to seek to abandon or terminate the Condominium Project.

(5) The restrictions contained in this Article X on Amendments shall not in any way affect the rights of the Developer as set forth elsewhere in this Master Deed.

(6) Co-owners and mortgagees of record shall be notified in writing at their addresses reflected on the Condominium records of proposed amendments not less than ten (10) days before the amendment is recorded.

(7) Notwithstanding any contrary provision of the Condominium Documents, Developer reserves the right to amend materially this Master Deed or any of its exhibits for any of the following purposes:

(a) To amend the Condominium Bylaws, subject to any restrictions on amendments stated therein;

(b) To correct arithmetic errors, typographical errors, survey or plan errors, deviations in construction or any similar errors in the Master Deed, Condominium Subdivision Plan or Condominium Bylaws, or to correct errors in the boundaries or locations of improvements;

(c) To clarify or explain the provisions of this Master Deed or its exhibits;

(d) To comply with the Act or rules promulgated thereunder or with any requirements of any governmental or quasi-governmental agency or any financing institution providing mortgages on Units in the Condominium Premises;

(e) To create, grant, make, define or limit easements affecting the Condominium Premises;

(f) To record an "as built" Condominium Subdivision Plan and/or consolidating Master Deed and/or to designate any improvements shown on the Plan as "must be built," subject to any limitations or obligations imposed by the Act;

(g) To terminate or eliminate reference to any right which Developer has reserved to itself herein; and

(h) To make alterations described in Article VIII above, even if the number of Units in the Condominium Project would thereby be reduced.

Amendments of the type described in this subsection (7) may be made by the Developer without the consent of Co-owners or mortgagees, and any Co-owner or mortgagee having an interest in a Unit affected by such an amendment shall join with the Developer in amending this Master Deed.

(8) The rights reserved to Developer in this Master Deed or in the Condominium Bylaws attached hereto as Exhibit "A" may not be amended except by or with the consent of the Developer.

B. *Recording.*

(1) An amendment to this Master Deed shall not be effective until the amendment is recorded.

(2) A copy of the recorded amendment shall be delivered to each Co-owner.

C. *Costs.* A person causing or requesting an amendment to the Condominium Documents shall be responsible for the costs and expenses of the amendment, except for amendments based upon a vote of a prescribed majority of Co-owners, based upon the Advisory Committee's decision or based upon Article X, Section 4, of the Condominium Bylaws, the costs of which shall be deemed Expenses of Administration.

ARTICLE XI

ASSIGNMENT

Any or all of the rights and powers granted or reserved to the Developer in the Condominium Documents or by law, including the power to approve or disapprove any act, use or proposed action, may be assigned by it to any other entity or to the Association. Except as otherwise provided herein, no such rights or powers shall be deemed to have been assigned except by a recorded instrument specifically so stating. Upon the recording of such assignment Developer shall be released from any and all liability and obligations under the Condominium Documents, except as provided by the Act, the terms and conditions of the Assignment and Michigan law. Notwithstanding, any transfer or assignment of the initial Developer Auto-Owners Insurance Company, shall not transfer, modify or limit Auto-Owners Insurance Company's rights under the Declaration of Restrictions.

ARTICLE XII

CONTROLLING LAW

The provisions of the Act, and of the other laws of the State of Michigan and of the United States, shall be applicable to and govern this Master Deed and all activities related hereto.

IN WITNESS WHEREOF, the undersigned has executed this Master Deed as of the date first written above.

AUTO-OWNERS INSURANCE COMPANY,
a Michigan corporation

By: S.R. Birn
Its: Senior Vice President, Secretary
and General Counsel

By: G. A. Maisch
Its: Assistant General COunsel

STATE OF MICHIGAN)
)ss.
COUNTY OF EATON)

The foregoing instrument was acknowledged before me this 20th day of July, 2005, by S.R. Birn and G. A. Maisch, the Senior Vice President, Secretary and General Counsel and Assistant General Counsel respectively of Auto-Owners Insurance Company, a Michigan corporation, as their free act and deed on behalf of said corporation.

Notary Public

CORIE L. KECK
Notary Public, Ingham Co., MI
Acting in Eaton County, Michigan
My Comm. Expires Sept. 14, 2007

Acting in _____ County, Michigan
My commission expires: _____

THIS MASTER DEED WAS PREPARED BY:

Kurt M. Bowden
Bowerman, Bowden & Moothart, P.C.
620-A Woodmere
Traverse City, Michigan 49686
231.941.8048

WHEN RECORDED, RETURN TO PREPARER

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EXHIBIT A

CONDOMINIUM BYLAWS
OF
VERNDALE AT EAST BAY CONDOMINIUM

ARTICLE I

ASSOCIATION OF CO-OWNERS

Section 1. Organization. Verndale at East Bay Condominium, a residential site condominium project located in the Township of East Bay,. Grand Traverse County, Michigan (the "Condominium"), shall be administered by an association of Co-owners (the "Association") which shall be organized as a not-for-profit corporation under the laws of the State of Michigan. The Association will be responsible for the management, maintenance, operation and administration of the common elements, easements and affairs of the Condominium in accordance with the Master Deed and Bylaws of the Condominium, the Articles of Incorporation, Bylaws, Rules and Regulations of the Association, and the laws of the State of Michigan.

Section 2. Compliance. All present and future Co-owners, mortgagees, lessees and all other persons who may in any manner use, enter upon or acquire any interest in the Condominium Premises, or any Unit in the Condominium, shall be subject to and comply with the provisions of the Michigan Condominium Act (Act 59, of the Public Acts of 1978, as amended), and the Condominium Documents including, but not necessarily limited to, any provision thereof pertaining to the use and operation of the Condominium Premises and the property of the Condominium. The acceptance of a deed or conveyance, the taking of a mortgage, the execution of a lease or the act of occupancy of a Unit, or presence, in the Condominium shall constitute an acceptance of the provisions of these instruments and an agreement to comply therewith.

Section 3. Purpose of Bylaws. These Bylaws govern the general operation, maintenance, administration, use and occupancy of the Condominium, and all such activities shall be performed in accordance with the provisions hereof.

ARTICLE II

MEMBERSHIP AND VOTING

Section 1. Membership. Each Co-owner of a Unit in the Condominium, 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. Neither membership in the Association nor the share of a member in the funds and assets of the Association shall be assigned, pledged or transferred in any manner, except as an appurtenance to a Unit in the Condominium.

Section 2. Voting Rights. Except as otherwise provided in the Master Deed and in these Bylaws, the Co-owners of each Unit shall collectively be entitled to one vote when voting by number and one vote, the value of which shall equal the total percentage assigned to the Unit or Units owned by them in Article VI Section B. of the Master Deed, when voting by value. Voting when required or permitted herein, or elsewhere in the Condominium Documents, shall be by value, except in those instances where voting is specifically required to be both in value and in number, and no cumulation of votes shall be permitted.

Section 3. Persons Entitled to Vote. For each Unit, the Co-owners shall file a written certificate designating one individual representative entitled to cast the vote for the Unit and to receive all notices and other communications from the Association. The certificate shall be signed by all of the record owners of the Unit and filed with the Secretary of the Association. Such certificate shall state the name and address of the individual representative designated, the number or numbers of the Unit or Units owned, the name and address of the person or persons, firm, corporation, partnership, association, trust or other legal entity who is the Co-owner thereof, and shall be signed and dated by the Co-owners of record. All certificates shall be valid until revoked, until superseded by a subsequent certificate, or until a change occurs in the record ownership of the Unit concerned. The Developer shall, at any meeting, be entitled to cast a vote on behalf of each Unit it owns without submitting any proof of ownership.

Section 4. Method of Voting. Votes on a specific issue may be cast in person. In addition, any person entitled to vote at any meeting may also appear and vote via telecommunications equipment, as provided in Article II, Section 6 of the Association Bylaws, or appear and vote (either specifically on an issue or by the general designation of a person to cast a vote) by written proxy. Proxies shall be valid only for the particular meeting designated, and any adjournment thereof, and must be filed with the Association before the appointed time of the meeting.

Section 5. Majority. At any meeting of the members at which a quorum is present, fifty-one percent (51%) in value of the Co-owners voting, whether in person, by telecommunications or by proxy, on any particular matter, shall constitute a majority for the approval of such matter, except as otherwise required herein, by the Master Deed, or by law.

ARTICLE III

MEETINGS AND QUORUM

Section 1. First Meeting of Members. The first meeting of the members of the Association may be convened only by the Board of Directors and may be called at any time upon ten (10) days' written notice to all members. In no event, however, shall the first meeting be held later than (a) one hundred twenty (120) days after legal or equitable title to Twenty-five (25%) percent of the Units has been conveyed to non-developer Co-owners; or (b) fifty-four (54) months after the first conveyance of legal or equitable title to a Unit to a non-developer Co-owner, whichever first occurs. The Board of Directors may call meetings of members of the Association for informational or other appropriate purposes prior to the first meeting of members but no such meeting shall be construed as the first meeting of members. Prior to the first annual meeting, the Developer shall appoint all directors.

Section 2. Advisory Committee. The Developer shall establish an Advisory Committee of non-Developer members upon the passage of (a) one hundred twenty (120) days after legal or equitable title to one-third (1/3) of the Units has been conveyed to non-developer Co-owners; or (b) one (1) year after the initial conveyance of legal or equitable title to a Condominium Unit to a non-Developer Co-owner, whichever first occurs. The Advisory Committee shall meet with the Board of Directors from time to time to facilitate communication with the non-developer members and to aid in transferring control from the Developer to non-developer members. The Advisory Committee shall be composed of not less than three (3) nor more than five (5) non-developer members, who shall be appointed by the Developer in any manner it selects, and who shall serve at the pleasure of the Developer. The Advisory Committee shall automatically dissolve following the election of a majority of the Board of Directors by non-developer Co-owners. Reasonable notice of such meetings shall be provided to all members of the Committee, and such meetings may be open or closed, in the discretion of the Board of Directors.

Section 3. Annual Meetings of Members. Following the first meeting of members, an annual meeting of the members shall be held each year at the time and place specified in the Association Bylaws. At least ten (10) days' prior to the date of an 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 4. Special Meetings of Members. It shall be the duty of the President to call a special meeting of the Co-owners upon a petition signed by one-third (1/3), in number, of the Co-owners and presented to the Secretary of the Association. Notice of any special meeting shall state the time and place of such meeting and 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.

Section 5. Quorum of Members. Unless otherwise provided herein, the presence, in person or by proxy, of a majority in value of the Co-owners entitled to vote shall constitute a quorum of members. If a quorum shall not be present at any meeting, the members present may adjourn the meeting for not less than forty-eight (48) hours nor more than thirty (30) days.

ARTICLE IV

ADMINISTRATION

Section 1. Board of Directors. The business, property and affairs of the Association shall be managed by a Board of Directors consisting of One (1) Directors, provided that the Board of Directors shall be expanded to Three (3) Directors at the time of the first meeting of the members as provided in Article III, Section 1, above. Until such initial meeting of members, the Directors designated by the Developer, or their appointed successors, shall serve. The entire Board of Directors shall be elected or appointed at the first meeting of the Association, each annual meeting of the Association and at any meeting of the Association called by the Board of Directors for the particular purpose of electing directors, in the following manner:

(a) Not later than one hundred twenty (120) days after conveyance of legal or equitable title to non-developer Co-owners of twenty-five percent (25%) of the Units that may be created, one (1) Director (but in any case not less than twenty-five percent (25%) of the Board of Directors) shall be elected by non-developer Co-owners.

(b) Not later than one hundred twenty (120) days after conveyance of legal or equitable title to non-developer Co-owners of fifty percent (50%) of the Units that may be created, one (1) director (but in any case not less than thirty three and one-third percent (33 1/3%) of the Board of Directors) shall be elected by non-developer Co-owners.

(c) Not later than one hundred twenty (120) days after conveyance of legal or equitable title to non-developer Co-owners of seventy-five percent (75%) of the Units that may be created, and before conveyance of ninety percent (90%) of such Units, the non-developer Co-owners shall elect all Directors on the board except that the Developer shall have the right to designate at least one (1) director as long as the Developer owns and offers for sale at least ten percent (10%) of the Units in the Condominium Project or as long as ten percent (10%) of the Units remain that may be created.

(d) Notwithstanding the formula provided in subsections (a) - (c), above, fifty-four (54) months after the first conveyance of legal or equitable title to a non-developer Co-owner of a Unit in the Condominium Project, if title to not less than seventy-five percent (75%)of the Units that may be created has not been conveyed, the non-developer Co-owners have the right to elect, as provided in the Condominium Documents, a percentage of members of the Board of Directors of the Association of Co-owners equal to the combined percentage of value of the Units they own, and the Developer has the right to elect, as provided in the Condominium Documents, a percentage of members of the Board equal to the combined percentage of value of Units which are owned by the Developer and for which all assessments are payable by the Developer. This election may increase, but shall not reduce, the minimum election and designation rights otherwise established. Application of this subsection does not require a change in the size of the Board of Directors.

(e) All the Directors not designated by the Developer pursuant to this Section shall be elected by the non-developer Co-owners.

Whenever the non-developer Co-owners become entitled to elect one or more additional Directors pursuant to the above formula, the Board of Directors shall provide due notice of a meeting at which an election of all the Directors shall take place. The Board of Directors shall schedule such meeting to occur no later than one hundred twenty (120) days after the non-developer Co-owners become so entitled or, if such meeting would be the first meeting of the Association, as provided in Article III, Section 1, above. A Board of Directors elected pursuant to these provisions shall serve until the earlier of the next annual meeting of the Association or such time as it has been replaced in accordance with the provisions of these Condominium Bylaws and the Association Bylaws.

Section 2. Powers and Duties. The Association shall have all powers and duties necessary for the administration of the affairs of the Condominium and may do all things which are not prohibited by law or the Condominium Documents or required thereby to be done by the Co-owners. The powers and duties to be exercised by the Association through the Board shall include, but shall not be limited to, the power and duty:

(a) To manage and administer the affairs of and to maintain the Condominium Project, all appurtenances thereto and the common elements, property and easements thereof,

(b) To levy and collect assessments against and from the Co-owners of the Association and to use the proceeds therefrom for the purposes of the Association, and to enforce assessments through liens and foreclosure proceedings where, in the judgment of the Directors, appropriate;

(c) To carry insurance and to collect and allocate the proceeds thereof;

(d) To restore, repair or rebuild the Common Elements of the Condominium, or any portion thereof, and any improvements located thereon, after the occurrence of a casualty and to negotiate on behalf of Co-owners in connection with the taking of the Condominium Project, or any portion thereof, by eminent domain;

(e) To contract for and employ, supervise, and discharge, persons or business entities to assist in the management, operation, maintenance and administration of the Condominium Project;

(f) To make and amend reasonable rules and regulations consistent with the Michigan Condominium Act, the Master Deed and these Condominium Bylaws affecting Co-owners and their tenants, guests, employees and invitees concerning the use and enjoyment of the Condominium Project and to enforce such regulations by all legal methods, including, but not limited to, the imposition of fines and late payment charges, eviction proceedings or legal proceedings (copies of all such regulations and amendments thereto shall be furnished to all members and shall become effective ten (10) days after mailing or delivery thereof to the designated voting representative, as provided for in Article II, Section 3 above, of each Co-owner, and any such regulation or amendment may be revoked at any time at any duly convened meeting of the Association by the affirmative vote of more than 50 percent (50%) of all Co-owners in number

and in value, except that the Co-owners may not revoke any regulation or amendment prior to the first meeting of the Association);

(g) To own, maintain and improve, and to buy, sell, convey, assign, mortgage, license, rent or lease (as landlord or tenant) any real or personal property, including, but not limited to, any Common Elements or Unit in the Condominium, easements, rights-of-way or licenses or any other real property, whether or not contiguous to the Condominium Project, for the purpose of generating revenues, providing benefit to the members of the Association or in furtherance of any other appropriate purposes of the Association;

(h) To borrow money and issue evidences of indebtedness in furtherance of any and all of the purposes of the business of the Association, and to secure the same by mortgage, pledge or other lien on property owned by the Association; provided, however, that any such action shall first be approved by the affirmative vote of two-thirds (⅔) of all of the members of the Association in value at a meeting of the members duly called;

(i) 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;

(j) To enforce the provisions of the Master Deed and Bylaws of the Condominium, and the Articles of Incorporation and such Bylaws, Rules and Regulations of the Association as may hereafter be adopted, and to sue on behalf of the Condominium or the members and to assert, defend or settle claims on behalf of the Co-owners with respect to the Condominium Project;

(k) To do anything required of or permitted by it as administrator of said Condominium Project by the Condominium Master Deed or Bylaws or the Michigan Condominium Act, as amended;

(l) To provide services to Co-owners;

(m) In general, to enter into any kind of activity; to make and perform any contract and to exercise all powers necessary, incidental or convenient to the administration, management, maintenance, repair, replacement and operation of the Condominium Project and to the accomplishment of any of the purposes thereof not forbidden, and with all powers conferred upon nonprofit corporations by the laws of the State of Michigan.

Provided, however, that, except in the case of licenses, leases or rental arrangements having a duration of one (1) year or less, neither the Board nor the Association shall, by act or omission, abandon, partition, subdivide, encumber, sell or transfer the Common Elements, or any of them, unless at least two-thirds (⅔) of the first mortgages (based upon one (1) vote for each mortgage owned) and two-thirds (⅔) of the Co-owners in number and value have consented thereto. The Board may, however, grant easements for public utilities or other public purposes consistent with the intended use of the common elements by the Condominium Project, and no such grant shall be deemed a transfer for the purposes hereof.

Section 3. Managing Agent. The Board may employ, at a compensation established by it, a Professional Management Agent for the Condominium to perform such duties and services as the Board shall authorize, including, but not limited to, the powers and duties set forth in Section 2 of this Article. A "Professional Management Agent" shall mean a person or organization having proven expertise, either from prior experience or by education, in the operation and management of real property. Prior to the transitional control date, the Developer, or any related person or entity, may serve as professional managing agent if so appointed. In no event shall the Board be authorized to enter into any contract ("Management Contract") with a Professional Management Agent, or any contract providing for services by the Developer or its affiliates, in which the maximum term is greater than three (3) years or which is not terminable by the Association upon the transitional control date or within ninety (90) days thereafter and upon thirty (30) days' written notice for cause. Upon the transitional control date, or within ninety (90) days thereafter, the Board of Directors may terminate a service or Management Contract with the Developer or its affiliates. In addition, the Board of Directors may terminate any Management Contract which extends beyond one (1) year after the transitional control date by providing notice of termination to the Professional Management Agent at least thirty (30) days before the expiration of the one (1) year.

Section 4. Officers. The Association Bylaws 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 affairs of the Association not inconsistent herewith. Officers may be compensated, but only upon the prior affirmative vote of two-thirds (⅔) of the Co-owners.

Section 5. Actions Prior to First Meeting. Subject to the provisions of Section 3 of this Article IV, all of the actions (including, without limitation, the adoption of these Bylaws, the Association Bylaws, any Rules and Regulations for the Association, and any undertakings or contracts entered into with others on behalf of the Association) of the first Board of Directors of the Association designated by Developer, or their appointed successors, before the first meeting of Co-owners, 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 meeting of Co-owners 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 6. Indemnification of Officers and Directors. The Association shall defend and indemnify every Association Director and Officer against all expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him as a consequence of his being made a party to or being threatened to be made a party to any threatened, pending or contemplated action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of his being or having been a Director or Officer of the Association, except in such cases wherein he is adjudged guilty of willful and wanton misconduct or gross negligence in the performance of his duties or adjudged to have not acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association and its members, and with respect to any criminal action or proceeding, he is adjudged to have had no reasonable cause to believe that his conduct was unlawful; provided that, if a Director or Officer claims reimbursement or indemnification hereunder based upon his settlement of a matter, he shall be indemnified only if the Board of Directors (with any Director seeking reimbursement abstaining) approves such settlement and reimbursement as being in the best interest of the Association and, if a majority of the members request it, such approval is based on an opinion of independent counsel supporting the propriety of such indemnification and reimbursement. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights such Director or Officer may have. The Board of Directors shall notify all Co-owners that it has approved an indemnification payment at least ten (10) days prior to making such payment.

ARTICLE V

OPERATION OF THE PROPERTY

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

Section 2. Costs and Receipts to Be Common. All costs incurred by the Association in satisfaction of any liability arising within, or caused by or in connection with, the Common Elements or the administration of the Condominium shall be Expenses of Administration (as defined in subsection 4 below). All sums received as proceeds of, or pursuant to, any policy of insurance carried by the Association securing the interests of the Co-owners against liabilities or losses arising within, caused by or connected with the general common elements or the administration of the Condominium Project shall be receipts of administration.

Section 3. Books of Account. The Association shall keep or cause to be kept detailed books of account showing all expenditures and receipts affecting administration of the Condominium Project. Such books of account shall specify the maintenance and repair expenses of the common elements and any other expenses incurred by or on behalf of the Association of Co-owners and shall be open for inspection by the Co-owners and their mortgagees during reasonable working hours on normal working days at a place to be designated by the Association. The books of account shall be audited at least annually by independent accountants, but such audit need not be a certified audit, nor must the accountants be certified public accountants. The cost of such audit, and all accounting expenses, shall be an Expense of Administration. Any institutional holder of a first mortgage lien on any Unit in the Condominium Project shall be entitled to receive a copy of the audit report within ninety (90) days following the end of the Association's fiscal year upon request therefor. At least once a year, the Association shall prepare and distribute to each Co-owner a statement of the Association's financial condition, the contents of which shall be defined by the Association.

Section 4. Regular Assessments. The Board shall establish an annual budget in advance for each fiscal year for the Condominium Project, and such budget shall contain a statement of the estimated funds required to defray the Expenses of Administration for the forthcoming year, which shall mean all items specifically defined as such in these Bylaws and all other common expenses. The common expenses shall consist, among other things, of such amounts as the Board may deem proper for the operation, management and maintenance of the Condominium Project to the extent of the powers and duties delegated to it hereunder, and in the Master Deed, and shall include, without limitation, amounts to be set aside for working capital of the Condominium Project, the cost of fulfilling the Association's maintenance, repair and replacement responsibilities, management wages, fees and salaries, common area utilities, common area landscaping maintenance and replacement, common area cleaning, supplies, snow removal, licenses and permits, banking, legal and

accounting fees, insurance, and creation and maintenance of an appropriate reserve fund. Each purchaser of a Unit in the Condominium Project is required to pay the Association a prorated annual assessment equal to the annual assessment for the budget year then in effect times the percentage of the budget year remaining between the date of closing and the end of the budget year. As provided in Section 11 below, an adequate reserve fund for maintenance, repair and replacement of the general common elements must be established in the budget and must be funded by regular assessments rather than by special assessments. The budget shall also allocate and assess all Expenses of Administration against all Co-owners in accordance with the percentage of value allocated to each Unit by the Master Deed, without increase or decrease for the existence of any rights to the use of the Common Elements.

The Board shall advise each non-Developer Co-owner in writing of the amount of common charges payable by him and shall furnish copies of each budget on which such common charges are based to all Co-owners, although failure to deliver a copy of the budget to each Co-owner shall not affect the liability of any Co-owner for any existing or future assessments. All assessments levied in accordance with the foregoing provisions of this Section 4 shall be payable by the non-Developer Co-owners not later than February 1, commencing with acquisition of legal or equitable title to a Unit by any means. The Board may, in its sole discretion, elect to collect the regular assessments on a quarterly basis. Should the Board at any time determine, in its sole discretion, that the assessments levied are or may prove to be insufficient (1) to pay the costs of operation and management of the Condominium Project, (2) to provide for the maintenance, repair or replacement of existing Common Elements, (3) to provide additions to the general common elements not exceeding One thousand Dollars ($1,000.00) annually, or (4) to provide for emergencies, the Board shall have the authority to increase the general assessments or to levy such additional assessment or assessments as it shall deem to be necessary. Such assessments shall be payable when and as the Board shall determine.

Any sums owed to the Association by any individual Co-owner may be assessed to and collected from the responsible Co-owner as an addition to the regular assessment next coming due. The discretionary authority of the Board to levy assessments pursuant to this Section will rest solely with the Board for the benefit of the Association and the members thereof and will not be enforceable by any creditors of the Association or its members.

Section 5. Special Assessments. Special assessments, in addition to those provided for in Section 4 above, may be levied by the Board from time to time, following approval by the Co-owners as hereinafter provided, to meet other needs, requirements or desires of the Association, including, but not limited to, (1) assessments for capital improvements for additions to the general common elements at a cost exceeding One thousand Dollars ($1,000.00) per year, (2) assessments to purchase a Unit upon foreclosure of the lien for assessments as described in Section 6 hereof, or (3) assessments for any other appropriate purpose not elsewhere herein described. Special assessments referred to in this Section 5 (but not including regular assessments referred to in Section 4 above, which shall be levied in the sole discretion of the Board) shall not be levied without the prior approval of two-thirds (⅔) of all Co-owners in value and in number, which approval shall be granted only by a vote of the Co-owners taken at a meeting of the Co-owners called in accordance with the provisions of Article III hereof. The discretionary authority of the Board to levy assessments pursuant to this Section will rest solely with the Board for the benefit of the Association and the Co-owners thereof and will not be enforceable by any creditors of the Association or its Co-owners.

Section 6. Collection of Assessments. When used in this Section 6 and Section 12 below, and wherever else appropriate in these Condominium Bylaws, the term "assessment" shall include all regular and special assessments referred to in Sections 4 and 5 above and, in addition, all other charges whatsoever levied by the Association against any Co-owner. This Section 6 is designed to provide the Association with a vehicle for collection.

Each Co-owner, whether one or more persons, shall be and shall remain personally obligated for the payment of all assessments levied with regard to his Unit during the time that he is the owner thereof. If any Co-owner defaults in paying an assessment, interest at the maximum legal rate shall be charged on such assessment from the due date and further penalties or proceedings may be instituted by the Board in its discretion. The payment of an assessment shall be in default if such assessment is not paid in full on or before the due date established by the Board for such payment. In the event of default by any 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 may also discontinue the furnishing of any services to a Co-owner in default upon seven (7) days' written notice to such Co-owner of its intent to do so. A Co-owner in default on the payment of any assessment shall not be entitled to vote at any meeting of the Association so long as such default continues. The Board may, but need not, report such a default to any first mortgagee of record; provided, however, that if such default is not cured within sixty (60) days, the Association shall give the notice required by Section 2 of Article IX of these Condominium Bylaws. Any first mortgagee of a Unit in the Condominium Project may consider a default in the payment of any assessment a default in the payment of its mortgage. When a Co-owner is in arrearage 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 the notice, shall deduct from rental payments due the Co-

owner the arrearage and future assessments as they fall due and pay them to the Association. The deductions shall not be a breach of the rental agreement or lease by the occupant.

Unpaid assessments shall constitute a lien upon the Unit prior to all other liens except unpaid ad valorem real estate taxes and special assessments imposed by a governmental entity and sums unpaid on a first mortgage of record. The Association may enforce collection of delinquent assessments by a suit at law for a money judgment or by foreclosure of the lien that secures payment of assessments. Each Co-owner, and every other person, except a first mortgagee, who from time to time has any interest in the Condominium 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 mortgages by judicial action and by advertisement, as the same may be amended from time to time, are incorporated herein by reference for the purposes of establishing the alternative procedures to be followed in lien foreclosure actions and the rights and obligations of the parties to such actions. The Association is hereby granted what is commonly known as a "Power of Sale." Further, each Co-owner and every other person, except a first mortgagee, who from time to time has any interest in the Condominium 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 is delinquent and to receive, hold and distribute the proceeds of such sale in accordance with the priorities established by applicable law. Each Co-owner acknowledges that at the time of acquiring title to his Unit, he was notified of the provisions of this section and that he voluntarily, intelligently and knowingly waived notice of any proceedings brought by the Association to foreclose by advertisement the lien for nonpayment of assessments and a hearing on the same prior to the sale of the subject Unit.

Notwithstanding the foregoing, neither a judicial foreclosure action nor a suit at law for a money judgment shall be commenced, nor shall any notice of foreclosure by advertisement be published, until the expiration of ten (10) days after the mailing of a written notice that an assessment, or any part thereof, levied against his Unit is delinquent, and 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 notice shall be mailed by certified mail, return receipt requested, and postage prepaid, and shall be addressed to the individual representative of the delinquent Co-owner designated in the certificate filed with the Association pursuant to Section 3 of Article II above, at the address set forth in such certificate or at his last known address. Such written notice shall be accompanied by a written affidavit of an authorized representative of the Association that sets forth (i) the affiant's capacity to make the affidavit, (ii) the statutory and other authority in this Master Deed for the lien, (iii) the amount outstanding (exclusive of interest, costs, attorneys' fees and future assessments), (iv) the legal description of the subject Unit, and (v) the name of the Co-owners of record. Such affidavit shall be recorded in the Office of the Register of Deeds for Grand Traverse County prior to the commencement of any foreclosure proceeding, but it need not have been recorded as of the date of mailing as aforesaid. If the delinquency is not cured within the ten (10) day period, the Association may take such remedial action as may be available to it hereunder or under Michigan Law. In the event the Association elects to foreclose the lien by advertisement, the Association shall so notify the individual representative designated above and shall inform such representative that he may request a judicial hearing by bringing suit against the Association. 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 shall be secured by the lien on his Unit. In a judicial foreclosure action, a receiver may be appointed to collect a reasonable rental for the Unit from the Co-owner thereof or any persons claiming under him, and each Co-owner hereby consents to the appointment of such a receiver. The Association may purchase a Unit at any foreclosure sale hereunder.

If the holder of a first mortgage on a Unit in the Condominium Project obtains title to the Unit as a result of foreclosure of the mortgage, deed in lieu of foreclosure or similar remedy, or any other remedy provided in the mortgage, such person, and its successors and assigns, or other purchaser at a foreclosure sale shall not be liable for unpaid assessments chargeable to the Unit which became due prior to the acquisition of title to the Unit by such person; provided, however, that such unpaid assessments shall be deemed to be common expenses collectible from all of the Unit Co-owners including such person, its successors and assigns, and that all assessments chargeable to the Unit subsequent to the acquisition of title shall be the responsibility of such person as hereinbefore provided with respect to all Co-owners.

Section 7. Obligations of the Developer. The Developer will maintain the Units it owns and pay a pro rata share of the current expenses of administration actually incurred by the Association and any other expenses required by law to be paid by the Developer. The Developer's pro rata share of these expenses will be based upon the ratio of all Units owned by the Developer at the time the expense is incurred to the total number of Units then in the Condominium Project. The Developer, although a Co-owner, will not be responsible at any time for payment of any regular or special assessment, except for Units on which there is a completed residence with respect to which a certificate of occupancy has been issued. Developer shall not be responsible for paying any assessment levied in whole or in part to finance deferred maintenance, reserves for replacement, capital improvements, except with respect to Units owned by Developer with respect to which a certificate of occupancy has been issued. In no case shall Developer be required to pay any

assessment levied in whole or in part to finance any litigation or other claims against the Developer, any cost of investigating and preparing such claim, or any similar or related cost.

Section 8. Access; Maintenance and Repair. The Association or its agent shall have access to each Unit, except any residence constructed thereon, from time to time during reasonable working hours, upon notice to the occupant thereof, for the purpose of maintenance, repair or replacement of any of the general common elements located therein or accessible therefrom. The Association or its agent shall also have access to each Unit, including any residence located thereon, at all times without notice for making emergency repairs necessary to prevent damage to other Units, the Common Elements, or both.

It shall be the responsibility of each Co-owner to provide the Association means of emergency access to the residence and other structures located within his Unit 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 the residence or other structure caused thereby or for repair or replacement of any doors or windows damaged in gaining such access, all of which shall be the responsibility of such Co-owner.

Each Co-owner shall repair, replace, decorate and maintain his Unit and any limited common elements appurtenant thereto in a safe, clean and sanitary condition, and shall install and maintain landscaping on the Frontage Area. Each Co-owner shall also use due care to avoid damaging any of the Common Elements or any improvements located on or within a Common Element which is 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 him, or his guests, agents or invitees, unless such damages or costs are actually reimbursed from insurance carried by the Association, in which case there shall be no such responsibility. (If full reimbursement to the Association is excluded by virtue of a deductible provision, the responsible co-owner shall bear the expense to the extent of the deductible amount, anything else in these Bylaws to the contrary notwithstanding.)

The provisions of this Section 8 shall be subject to those of Article VI, Sections 1–3, inclusive, in the event of repair or replacement on account of a casualty loss.

Section 9. Taxes. Subsequent to the year in which the Condominium Project is established, all governmental special assessments and property taxes shall be assessed against the individual Units and not upon the total property of the Condominium Project or any part thereof. Taxes and governmental special assessments which have become a lien against the property of the Condominium Project in the year of its establishment (as provided in Section 13 of the Act) shall be Expenses of Administration and shall be paid by the Association. Each Unit shall be assessed a percentage of the total bill for such taxes and assessments equal to the percentage of value allocated to it in the Master Deed, and the owner thereof shall reimburse the Association for his Unit's share of such bill within ten (10) days after he has been tendered a statement therefor.

Section 10. Documents to Be Kept. The Association shall keep current copies of the approved Master Deed, and all amendments thereto, and other Condominium Documents available at reasonable hours to Co-owners, mortgagees, prospective purchasers and prospective mortgagees of Units in the Condominium Project.

Section 11. Reserve for Major Repairs and Replacement. The Association shall maintain a reserve fund for major repairs and replacement of Common Elements in an amount equal to at least ten percent (10%) of the Association's current annual budget on a noncumulative basis. Moneys in the reserve fund shall be used only for major repairs and replacement of Common Elements. The minimum standards required by this section may prove inadequate for a particular 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.

Section 12. Statement of Unpaid Assessments. Pursuant to the provisions of the Act, the prospective purchaser of any Unit may request a statement from the Association as to the outstanding amount of any unpaid assessments thereon, whether regular or special or resulting from unpaid charges. Upon written request to the Association accompanied by a copy of the executed purchase agreement pursuant to which the purchaser holds a 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, which statement shall be binding upon the Association for the period stated therein. Upon the payment of that sum within the period stated, the Association's lien for assessments as to such Unit shall be deemed satisfied; provided, however, that the failure of a purchaser to request such statement at least five (5) days prior to the closing of the purchase of such Unit shall render any unpaid assessments and the lien securing the same fully enforceable against such purchaser and the Unit itself.

ARTICLE VI

INSURANCE; REPAIR OR REPLACEMENT; CONDEMNATION; CONSTRUCTION LIENS

Section 1. Insurance. The Association shall carry vandalism and malicious mischief and liability insurance (including, without limitation, Directors' and Officers' coverage), workers' compensation insurance, if applicable, and such other insurance coverage as the Board may determine to be appropriate with respect to the ownership, use and maintenance of the Common Elements of the Condominium and the administration of Condominium affairs. Such 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, the Co-owners and their mortgagees, as their interests may appear, and provision shall be made for the issuance of certificates of insurance with mortgagee endorsements to the mortgagees of Co-owners. It shall be each Co-owner's sole responsibility to obtain insurance coverage for his property located within the boundaries of his Unit or elsewhere in the Condominium Project, including but not limited to, the Frontage Area adjoining his Unit, and the Association shall have absolutely no responsibility for obtaining such coverage. The Association and all co-owners shall use their best efforts to see that all property and liability insurance carried pursuant to the terms of this Article VI shall contain appropriate provisions by which the insurer waives its right of subrogation as to any claims against any Co-owner, Developer, or the Association, and, subject to the provisions of Article V, Section 8, hereof, the Association and each Co-owner hereby waive, each as to the other, any right of recovery for losses covered by insurance. The liability of carriers issuing insurance obtained by the Association shall not, unless otherwise required by law, be affected or diminished on account of any additional insurance carried by any Co-owner, and vice versa.

(b) The Association may carry fidelity bond insurance in such limits as the Board shall determine upon all Officers and employees of the Association who in the course of their duties may reasonably be expected to handle funds of the Association or any Co-owners.

(c) Each Co-owner will be responsible for obtaining fire and extended coverage and vandalism and malicious mischief insurance with respect to his residence and all other improvements constructed or to be constructed, and for his personal property located, within the boundaries of his Unit or elsewhere in the Condominium Project, including but not limited to, the Frontage Area adjoining his Unit. All such insurance will be carried by each Co-owner in an amount equal to the maximum insurable replacement value, including foundation and excavation costs, and evidenced to the Association in a manner acceptable to the Association. In the event of the failure of a Co-owner to obtain such insurance, the Association may obtain such insurance on behalf of such Co-owner and the premiums therefor will constitute a lien against the Co-owner's Unit which may be collected from the Co-owner in the same manner that Association assessments are collected in accordance with Article V. Each Co-owner also will be obligated to obtain insurance coverage for his personal liability for occurrences within the boundaries of his Unit (including within the residence located thereon), the limited common elements appurtenant to his Unit, or on the Frontage Area appurtenant to his Unit and also for alternative living expense in the event of fire. The Association will under no circumstances have any obligation to obtain any of the insurance coverage described in this subsection or any liability to any person for failure to do so.

(d) All insurance carried hereunder shall, to the extent possible, provide for cross-coverage of claims by one insured against another.

(e) All premiums upon insurance purchased by the Association pursuant to these Bylaws, except pursuant to subsection (c) above, shall be Expenses of Administration.

(f) 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, the Co-owners and their mortgagees as their interests may appear; provided, however, whenever repair or reconstruction of the Condominium shall be required as provided in Section 3 of this Article, 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 Condominium Project unless all of the holders of first mortgages on Units in the Condominium Project have given their prior written approval.

Section 2. Appointment of Association. Each Co-owner, by ownership of a Unit in the Condominium, shall be deemed to appoint the Association as his true and lawful attorney-in-fact to act in connection with all matters concerning insurance pertinent to the Condominium Project and the Common Elements thereof. Without limiting the generality of the foregoing, the Association as said attorney 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 Condominium Documents), to execute releases of liability and to execute all documents and to do all things on behalf of such Co-owners and the Condominium Project as shall be necessary or convenient to accomplish the foregoing.

Section 3. Reconstruction or Repair. If any part of the Condominium Project shall be damaged, the determination of whether or not, and how, it shall be reconstructed or repaired shall be made in the following manner:

(a) If the damaged property is a general or limited common element, a Unit or a residence located within a Unit, the property shall be rebuilt or repaired if a residence located within any Unit in the Condominium Project is tenable, unless the Condominium Project is terminated in accordance with subsection 4 of Section A of Article X of the Master Deed.

(b) Any reconstruction or repair shall be performed substantially in accordance with the Master Deed and the plans and specifications for the Condominium Project, and for a residence within any Unit, substantially in accordance with the plans and specifications previously approved by the Association or Developer for that Unit, to a condition as comparable as possible to the condition existing prior to damage unless two-thirds (⅔) of the Co-owners and two-thirds (⅔) of the first mortgagees agree otherwise by a vote or in writing.

(c) If the damage is only to a Unit, to a structure or improvement located within a Unit, to a limited common element appurtenant to a Unit, or to landscaping or a mailbox located within the Frontage Area adjoining a Unit, it shall be the responsibility of the Co-owner of the Unit to repair such damage in accordance with subsection (d) hereof.

(d) Each Co-owner shall be responsible for the reconstruction and repair of his Unit, all structures or improvements, including landscaping, within his Unit, the limited common elements appurtenant to his Unit, and the landscaping and mailbox located on the Frontage Area.

(e) Except as otherwise provided herein, the Association shall be responsible for the reconstruction and repair of the general common elements. The Association shall receive all insurance proceeds and be responsible for all reconstruction and repair activity to the extent of such proceeds. Immediately after a casualty occurs causing damage to property for which the Association has the responsibility of repair and reconstruction, the Association shall obtain reliable and detailed estimates of the cost to return the damaged property to a condition as good as that existing before the damage.

(f) Any proceeds of casualty insurance for which the Association paid the premium, whether received by the Association or a Co-owner, shall be for the reconstruction or repair when reconstruction or repair is required by these Bylaws. If the proceeds of insurance are not sufficient to pay 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. Such assessments shall be levied in the same manner as the assessments described in Article V, Section 4, hereof, and shall be payable when and as the Board shall determine.

(g) If damage within the Condominium Project impairs the appearance of the Condominium Project, the Association or the Co-owner responsible for the reconstruction and repair of the damage will proceed with the repair, reconstruction or replacement of the damaged item without delay, and will complete such repair, reconstruction or replacement within three (3) months after the date of the occurrence which caused the damage.

Section 4. Eminent Domain. The following provisions shall control upon any taking by eminent domain:

(a) The Association, acting through its Board of Directors, may negotiate on behalf of all Co-owners for any taking of general common elements. Any negotiated settlement shall be subject to the approval of at least two-thirds (⅔) of the Co-owners in value and shall thereupon be binding on all Co-owners.

(b) If an entire Unit is taken by eminent domain, the award for the taking of that Unit shall be paid to the Co-owner of such Unit and the mortgagee thereof, as their interests may appear. After acceptance of such award by the Co-owner and his mortgagee, they shall be divested of all interest in the Condominium Project. The undivided interest in the Common Elements belonging to the Co-owner whose Unit has been taken shall thereinafter appertain to the remaining Units, including those restored or reconstructed under the provisions of this section.

(c) In the event of a partial taking of any Unit, any condemnation award shall be paid by the condemning authority to the Co-owner of the Unit and his mortgagee, as their interests may appear. If part of the residence located within the Unit is taken, the Co-owner shall, if practical, and using the award, rebuild the same to the

extent necessary to make it habitable or usable. If it is not practical to rebuild the residence within the boundaries of the Unit, the entire undivided interest in the Common Elements appertaining to that Unit shall thenceforth appertain to the remaining Units, being allocated to them in proportion to their respective undivided interests in the Common Elements. The remaining portion of that Unit shall thenceforth be a Common Element.

(d) If there is any taking of any portion of the Condominium Project other than any Unit, the condemnation proceeds relative to such taking shall be paid to the Association, and the affirmative vote of at least two-thirds (⅔) of the Co-owners in value at a meeting duly called shall determine whether to rebuild, repair or replace the portion so taken or to take such other action as they deem appropriate. If no such affirmative vote is obtained, such condemnation proceeds shall be remitted to the Co-owners and their respective mortgagees, as their interests may appear, in accordance with their respective percentages of value set forth in Section B Article VI of the Master Deed.

(e) If the Condominium Project continues after a 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 VI 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 a continuing value for the Condominium Project of one hundred percent (100%). Such amendment may be effectuated 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-owners.

(f) If any Unit in the Condominium Project, or any portion thereof, is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, the Association promptly shall so notify each holder of a first mortgage lien on any of the affected Units, if the Association earlier received the notice of mortgage required by Section 1 of Article IX hereof. If the Common Elements or any portion thereof are made the subject matter of any condemnation or eminent domain proceeding or are otherwise sought to be acquired by a condemning authority, the Association shall so notify each holder of a first mortgage lien on any of the affected Units, if the Association earlier received the notice of mortgage required by Section I of Article IX hereof.

(g) Votes in the Association of Co-owners and liability for future Expenses of Administration appertaining to a Unit taken or partially taken (but which is not practical to rebuild) by eminent domain shall thenceforth appertain to the remaining Units, being allocated to them in proportion to their relative voting strength in the Association.

(h) In the event any mortgage in the Condominium is held by the Federal Home Loan Mortgage Corporation ("FHLMC") or by the Federal National Mortgage Association ("FNMA") then, upon request therefor by FHLMC or FNMA, as the case may be, the Association shall give it written notice at such address as it may direct of any loss to or taking of the Common Elements if the loss or taking exceeds $10,000 in amount or damage to a Unit covered by a mortgage purchased in whole or in part by FHLMC or FNMA.

Section 5. Construction Liens. The following provisions shall control the circumstances under which construction liens may be applied against the Condominium or any Unit thereof:

(a) Except as provided below, a construction lien for work performed on or beneath a Unit or on the Frontage Area (as defined in Article I of the Master Deed), including that portion of a driveway built thereon, at the request of a Co-owner, may attach only to the Unit upon or for the benefit of which the work was performed. A construction lien for work performed in constructing a residence or other structure within a Unit may attach to the residence or structure constructed on that Unit.

(b) A construction lien for work authorized by the Developer or principal contractor, except at the request of a Co-owner, and performed upon the Common Elements may attach only to the Common Element.

(c) A construction lien for work authorized by the Association of Co-owners may attach to each Unit only to the proportionate extent that the Co-owner of the Unit is required to contribute to the Expenses of Administration as provided by the Condominium Documents.

(d) 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 of Co-owners, except as provided in subsection (a) above.

If a Co-owner is advised or otherwise learns of a purported construction lien contrary to the foregoing, he shall immediately notify the Board of Directors. Upon learning of the purported construction lien, the Board shall take appropriate measures to remove any cloud on the title of Units improperly affected thereby.

Section 6. Mortgagees. Nothing contained in the Condominium Documents shall be construed to give a Unit owner, or any other party, priority over any rights of first mortgagees of Units pursuant to their mortgages in the case

of a distribution to Unit owners of insurance proceeds or condemnation awards for losses to or a taking of Units, Common Elements or both.

ARTICLE VII

USE AND OCCUPANCY RESTRICTIONS; ENFORCEMENT

In order to provide for congenial occupancy of the Condominium, and for the protection of the value of the Units therein, the use of Condominium property shall be subject to the limitations set forth below.

Section 1. Property Subject to These Restrictions.

(a) *Phase I.* All of the single family Units of Verndale at East Bay Condominium are and shall remain subject to these restrictions, and for purposes of the Bylaw shall be referred to herein as Phase I.

(b) *Expansion Property.* Developer, or its successors or assigns, has the right to expand Verndale at East Bay Condominium by adding all or any portion of the Expansion Property to the Condominium Project in the manner provided in the Master Deed. Any such property added may become subject to the terms and conditions hereof, or Developer may at its option record alternative or supplemental restrictions with respect to any such property added to the Condominium Project.

Section 2. Residential Use. No Unit in Phase I of the Condominium Project shall be used for other than single-family residential purposes and the Common Elements shall be used only in Phase I for purposes consistent with single-family residential use. No business, trade or enterprise of any kind or nature shall be conducted or carried on upon any Unit in the Condominium Project. All uses shall conform to all applicable requirements of the ordinances of the Charter Township of East Bay.

Section 3. Architectural Control. No building, structure or other improvement (including but not limited to antennas, satellite dishes, fences, swimming pools, lights, aerials, awnings, doors, shutters, newspaper holders, mailboxes, basketball backboards, and swing sets), shall be constructed within a Unit or elsewhere within the Condominium Project, nor shall any material exterior modification be made to any existing buildings, structures or improvements, unless plans and specifications therefor, containing such detail as the Architectural Control Committee may reasonably request, have first been approved in writing by the Architectural Control Committee, or Architectural Control Committee's designee. The following is the approval procedure:

(a) The Unit Co-owner shall submit a complete set of preliminary sketches showing floor plans, exterior elevations, and an outline specification for materials and finishes to the Architectural Control Committee.

(b) The Architectural Control Committee shall approve or disapprove, with comments, the preliminary sketches.

(c) Upon approval of preliminary sketches, the Unit Co-owner shall submit to the Architectural Control Committee one complete set of plans and specifications therefor, in form satisfactory to the Architectural Control Committee, showing insofar as is appropriate:

(i) The size and dimensions of all proposed improvements;

(ii) The exterior design;

(iii) The exterior color scheme;

(iv) The exact location of all proposed improvements on the Unit; and

(v) The location of the driveways, parking areas and landscaping.

(vi) If at any time a Unit Co-owner shall have submitted to the Architectural Control Committee plans and specifications in accordance with this section for a structure or alteration, and the Architectural Control Committee has neither approved such plans and specifications in writing within thirty (30) days from the date of submission nor notified the Unit Co-owner of its objection within such thirty (30) day period, then such plans and specifications shall be deemed to have been approved by the Architectural Control Committee. In the event that a Unit Co-owner shall file revised plans and specifications for a structure or alteration with the Architectural Control Committee after receiving objections from the Architectural Control Committee with respect to original plans and specifications,

and the Architectural Control Committee has neither approved them nor notified the Unit Co-owner of further objections in writing within thirty (30) days from the date of submission, then such revised plans and specifications shall be deemed to have been approved by the Architectural Control Committee.

Construction or modification of any building, structure, or other improvements must also receive any necessary approvals from the local public authorities and from the Developer as provided in the Building and Use Restrictions. It is the Developer's intent that this Section and the Building and Use Restrictions be read and interpreted harmoniously and that in the event of a conflict between this Section and the Building and Use Restrictions, the Building and Use Restrictions shall exclusively govern and control. The Use and Occupancy Restrictions contained in these Bylaws shall not be deemed to conflict with the Building and Use Restrictions for the sole reason that the Use and Occupancy Restrictions, or the Rules and Regulations adopted pursuant to these Bylaws, are more restrictive than the Building and Use Restrictions. The Architectural Control Committee shall have the right to refuse to approve any such plans, specifications, location of buildings, grading, or landscaping plans, which are not suitable or desirable in the Architectural Control Committee's opinion for aesthetic or other reasons; and in passing upon such plans and specifications it shall have the right to take into consideration the suitability of the proposed structure, improvement or modification, the site upon which it is proposed to be constructed and the degree of harmony thereof with the Condominium Project as a whole. It is of particular necessity that any changes in existing buildings and structures as regards paint or stain colors or the type, texture or color of building materials be approved pursuant to these provisions. Developer has attempted to provide a high degree of developmental compatibility in the Verndale at East Bay Condominiums community and deems it essential that deviations therefrom not be permitted to spoil the appearance of the Condominium Project and/or the adjacent Office Parcel.

The purpose of this Section is to assure the continued maintenance of the Condominium Project as a beautiful and harmonious residential development, and shall be binding upon both the Association and upon all Co-owners. Developer's rights under this Article may, in Developer's discretion, be assigned at any time to the Association or other successor to Developer and shall, upon completion of the Construction and Sales Period, be assigned to the Association. Developer may construct any improvements upon the Condominium Premises that it may, in its sole discretion, elect to make, without the necessity of obtaining the prior written consent from the Association or any other person or entity, subject only to express limitations contained in the Condominium Documents.

Section 4. Construction Standards.

(a) *Floor Area.* Each single story single family dwelling constructed on a single family Unit shall contain a minimum of one thousand seven hundred (1,700) square feet of finished living space above grade, exclusive of basements, lower-level walk-outs, garages, porches, decks, and terraces, unless otherwise approved in writing by the Developer. Each multi-story single family dwelling constructed on a single family Unit shall contain a minimum of one thousand nine hundred (1,900) square feet of finished living space above grade, exclusive of basements, lower-level walk-outs, garages, porches, decks, and terraces, unless otherwise approved in writing by the Developer. Each multi-story single family dwelling constructed on a single family Unit shall contain a minimum of one thousand (1,000) square feet of finished living space on the first story or first level above grade, exclusive of basements, lower-level walk-outs, garages, porches, decks, and terraces, unless otherwise approved by the Developer. No dwelling shall contain less floor area or finished living space than required by the Charter Township of East Bay Zoning Ordinance of 2003, as amended, or applicable ordinances of Grand Traverse County, if any.

(b) *Height, Garages and* No dwelling or other building erected on any Unit shall be more than 2 stories in height exclusive of basement and lower level walkout. No dwelling or other building erected on any Unit shall be higher than thirty-five (35) feet from grade level of the Unit on which it is constructed. Split level, bi-level, tri-level and quad-level dwellings may be permitted and are considered to be multi story dwellings, however final interpretation and approval of such dwellings shall be vested in the Developer. Each single family dwelling and duplex dwelling shall have an attached garage sized proportionately to the dwelling, arranged to contain not less than three (3) automobiles, except that Units 17 through 20, inclusive, and Units 32 through 38, inclusive, shall have an attached garage arranged to contain not less than two (2) automobiles, unless otherwise approved by the Developer. Vehicular entry to all garages shall be from the end of the garage. No carports, detached garages or similar structures will be permitted.

(c) *Materials.* All dwellings and buildings shall be of new construction. Prefabricated buildings shall not be erected upon any Unit and no dwellings or buildings shall be moved onto any Unit. The exterior of all dwellings, buildings and other approved structures placed, erected or maintained on any Unit in the Condominium shall contain a minimum of ten (10%) percent of masonry product on the front elevation, and shall otherwise be composed predominately of wood, brick, high quality vinyl or aluminum siding, stone, or an exterior insulation finishing system (EIFS) which provide the look of a natural material and is approved in writing by Developer, unless otherwise approved in writing by the Developer; no plywood or T-111 siding shall be permitted on any exterior. Not less than twenty five percent (25%) of the front exterior elevation of all dwellings shall be composed of brick or stone, unless otherwise

approved in writing by Developer. All exposed foundations with over sixteen (16) inches in height of exposure shall be covered with wood, brick, vinyl siding, stone or stucco. Sheds, pole barns, barns, tree houses, play houses, dog houses, and similar structures shall not be permitted on any Unit unless otherwise approved in writing by the Developer. No chimney exterior shall be composed of any material other than wood, brick, stone, and/or high-quality vinyl siding unless otherwise approved in writing by the Developer. Garage doors shall be constructed of wood or steel. No dwellings or other buildings shall be moved onto any Unit. Energy Heel roof trusses are required. Each home shall have a common mailbox in front of each Unit. Each home shall have a photo eye wired to a coach light on the face of the garage and shall utilize and maintain the uniform mailbox and house numbers provided by the Builder or successor developer.

(d) *Completion of Construction.* All buildings, dwellings and attached garages, and the sidewalks and landscaping of any Unit shall be substantially completed in accordance with the approved plans for such improvements within twelve (12) months from the date of beginning of excavation. Excavation shall be commenced within six (6) months after written approval by the Developer, or within such extension period as has been granted in writing by the Developer. During the period of construction the premises shall be kept and maintained in a sightly and orderly condition, consistent with the high standards of this Condominium Project.

(e) *Fences.* No fence, wall or hedge shall be allowed within ten (10) feet of any Unit boundary line, and no fence, wall or hedge shall be permitted in the front or side yard of any Unit in the Condominium. No fence, wall, or hedge shall exceed four (4) feet in height, unless required by law to insure the adequate safeguard of swimming pools and other permitted "attractive nuisances," or unless permitted in writing by the Developer. Only fences constructed primarily, from wood, brick, stone, or other materials approved in writing by Developer shall, be permitted on any Unit, unless such fence is constructed by or at the direction of the Developer. No fence, wall or hedge shall be constructed on any Unit without the prior written approval of the Developer as to location, height, setback, construction and materials.

(f) *Earth Removal.* Any gravel, stone, soil or earth removed in grading or excavating on any Unit shall be deposited at such place as shall be approved by the Developer. All Co-owners shall take appropriate soil erosion measures during construction.

(g) *Restoration.* Any dwelling, attached garage, or approved structure on any Unit which may in whole or in part be destroyed by fire, windstorm or for any other reason, must be rebuilt or all debris removed and the Unit restored to a sightly condition with reasonable promptness. In no case shall this time for removal or restoration exceed six (6) months from the date of the destruction, unless otherwise approved in writing by the Developer.

(h) *Driveways and Sidewalks.* Except as otherwise authorized in writing by the Developer, driveways shall be located at least five (5) feet from either sideline of each Unit. The driveway approach and driveway leading from a public road to the dwelling shall be made of concrete or asphalt, unless otherwise approved by the Developer. No parking exclusive of the driveway or other paved surfaces shall be permitted, provided however that the Association may permit parking on only one side of any street in the Condominium Project and the Association shall post all streets accordingly. Any sidewalks required by the Charter Township of East Bay and/or Grand Traverse County Road Commission on any Unit in the Condominium Project shall be installed, maintained, repaired and replaced by the Unit's Co-owner, and not by the Developer. Removal of snow, ice, dirt and debris from any sidewalk located on a Unit shall be the sole responsibility of the Co-owner of such Unit. Any sidewalks required to be installed by the Township of East Bay and by Grand Traverse County Road Commission on the Common Elements in front of (or in the case of any corner Unit, along the side of) any Unit in the Project between the side boundary lines of such Unit (or in the case of any corner Unit, between the side and rear Unit lines of such Unit) if said lines were extended to the road surface, shall be installed, maintained (including snow and ice removal), repaired and replaced by the Unit's Co-Owner, and not the Developer.

(i) *Swimming Pools, Tennis Courts, Racquetball Courts, Basketball Backboards and Courts, Trampolines, Gazebos, Decks, and other Similar Structures.* All swimming pools and fences shall comply with all applicable ordinances and permit requirements of the Charter Township of East Bay. In addition, all swimming pools shall be completely in-ground and approved in writing by the Developer as to size, materials, location and enclosure, and in no case shall any portion of any swimming pool (including the surrounding deck or patio) be located within fifteen (15) feet of any Unit line. Basketball backboards shall not be erected or affixed to any structure unless first approved by the Developer in writing. The location, size, and composition of tennis, basketball and racquetball courts, gazebos, trampolines, decks, and other similar structures on any Unit shall be of a size and character so as to exist in harmony with the surrounding structures and topography. Any tennis courts constructed on the Common Elements within the Condominium Project shall not contain spotlights or other artificial lighting for night play. All basketball backboards and courts, tennis courts, racquetball courts, gazebos, decks, and other similar structures on any Unit must be approved in writing by the Developer as to location, size, and composition, prior to construction. No structure listed in this paragraph shall be used in such a manner so as to create a nuisance to adjoining Unit Co-owners.

(j) *Awnings.* Plans for installation of awnings shall include color, location, mounting design and drawings, and specifications which shall be equal to or better than Sunflexx awning assembly. Awnings will be permitted only over patios or decks and only attached to sidewall. Awnings must be of a solid color which blends with siding color. The Co-owner shall maintain, repair, and replace the awning as necessary to assure its good condition, and shall return the mounting area to its original condition should the awning be removed. The Board may require that the awning assembly be immediately repaired, removed, or replaced if the assembly is not properly maintained, constitutes a hazard, constitutes a nuisance, or its appearance is deemed detrimental to the overall appearance of the Condominium.

(k) *Building Lines and Wetlands.*

(i) No part of any dwelling, building or structure erected in the Condominium Project shall be closer than thirty (30) feet to any private or public road in the Condominium Project or front Unit line, without the prior written approval of the Developer. No part of any building or structure erected on any Unit shall be closer than ten (10) feet to the side Unit line of the Unit, or thirty-five (35) feet to the rear Unit line of the Unit, without the prior written approval of the Developer. In the event that Charter Township of East Bay Zoning Ordinance of 2003, as amended and/or applicable ordinances of Grand Traverse County, Michigan, imposes a greater front, side, or rear setback, said greater setback in the Charter Township of East Bay Zoning Ordinance and/or applicable ordinances of Grand Traverse County, Michigan shall be deemed required hereunder. The foregoing setback lines are shown on the Condominium Subdivision Plan attached as Exhibit "B" and the buildable area inside of said setback lines on each Unit is called the Building Envelope ("Building Envelope").

(ii) No part of any dwelling, building, structure or other improvement shall be erected or placed in any wetland, wetland setback area, or conservation/flooding easement area, and no fill shall be placed in any wetland, wetland setback area, or conservation/flooding easement area, on any Unit in the Condominium Project, without all necessary governmental permits and approvals having first been obtained. The approximate location of such wetlands and conservation/flooding easement areas are delineated on the recorded plat of Condominium Subdivision Plan for Verndale at East Bay Condominium attached as Exhibit "B," but such delineation is not warranted or guaranteed as the location and extent of such wetland may change over time due to changing conditions or laws.

Section 5. Maintenance of Yards and Plantings. Each Unit, including the area between the front Unit line (or in the case of a corner Unit also between the side Unit lines) and any road, shall be landscaped by the Co-owner of said Unit in a neat, orderly, and aesthetically pleasing manner while taking into account native species of plants and vegetation, within one (1) year after the start of construction, consistent with the original building plans and specifications submitted for the Developer's written approval, prior to construction. Each Unit shall have a minimum of one (1) hardwood tree with a trunk of not less than two inches in diameter and a height of five (5) feet, installed and maintained by the Co-Owner of the Unit within the front yard setback. Each Unit shall have a minimum of four (4) decorative shrubs in front of the dwelling Unit, installed and maintained by the Co-Owner of the Unit. All Units, once conveyed by Developer, shall be maintained at all times, in a neat, orderly, and aesthetically pleasant manner, causing grass, trees, shrubs, and other growth to be regularly cut, trimmed, pruned, removed or replaced so as to maintain uniformity and aesthetics. Any tree required to be planted or maintained on a Unit by the Charter Township of East Bay as a condition to receiving condominium, zoning, site plan, or other approvals shall be planted and maintained by the Unit Co-owner as directed by the Charter Township of East Bay and/or Grand Traverse County Road Commission. Any trees required to be planted or maintained along the roads in the Condominium Project on the Common Elements in front of any Unit between the side Unit lines of any Unit (or in the case of a corner Unit, between the side and rear Unit lines of such corner Unit), if extended to the road surface, shall be planted and maintained by the owner of said Unit. Flowers and vines shall be permitted in limited areas only. Plantings around mailboxes should not be allowed to grow higher than the newspaper box. Vines such as Euonymous should not be allowed to grow or climb on the Unit structure.

Section 6. Tree Preservation. No Co-owner shall cut down or trim any living tree located on the Condominium Premises which has a diameter of four (4) inches or more measured at ground level without the prior written approval of the Association and, during the Construction and Sales Period, the Developer. Each tree removed or trimmed in violation of this provision shall constitute a separate violation and shall subject the offending Co-owner to fines as set forth in Article XII of these Bylaws. This provision shall apply to any tree located within the Condominium Premises, whether within any Unit or upon the limited or general common elements. Developer may remove any tree upon the Condominium Premises, without the necessity of obtaining the prior written consent from the Association or any person or entity.

Section 7. Alterations and Modifications. Except as otherwise expressly permitted by Section 45 of the Act or by these Bylaws or by the Building and Use Restrictions, no Co-owner shall make alterations in exterior

appearance or make structural modifications to such Co-owner's Unit visible from the exterior or make changes in any of the Common Elements without the prior express written approval of the Developer, including without limitation changes to the color of exterior painting and staining, or the erection of antennas, satellite dishes, fences, swimming pools, lights, aerials, awnings, doors, shutters, newspaper holders, mailboxes, basketball backboards, swing sets, or other exterior attachments or modifications. No Co-owner shall in any way restrict access to any plumbing, water line, water line valves, water meter, sprinkler system valves or any other element that must be accessible to service the Common Elements or any element which affects an Association responsibility in any way. Should access to any facilities of any sort be required, the Association may remove any coverings or attachments of any nature that restrict such access and will have no responsibility for repairing, replacing or reinstalling any materials, whether or not installation thereof has been approved hereunder, that are damaged in the course of gaining such access, nor shall the Association be responsible for monetary damages of any sort arising out of actions taken to gain necessary access. Neither a Co-owner or the Association shall make any modifications to the storm water drainage facilities, swales, or to the storm water detention areas without approval of the Charter Township of East Bay or other public agency having jurisdiction. Notwithstanding the foregoing, a Co-owner may make improvements or modifications to the Co-owner's Unit, including improvements or modifications to Common Elements and to the route from the public way to the Unit, at said Co-owner's expense in accordance with Section 47a of the Act, if the purpose of the improvement of modification is to facilitate access to or movement within the Unit for persons with disabilities who reside in or regularly visit the Unit, or to alleviate conditions that could be hazardous to persons with disabilities who reside in or regularly visit the Unit, as provided in Section 47a of the Act.

Section 8. Animals.

(a) *Pet Approval.* No pets of any kind are allowed upon the Condominium, without the prior written consent of, and registration with, the Association. All pet approvals shall require the filing of a written Application for Pet Approval, to be established by the Rules and Regulations of the Association. No more than two (2) cats, no more than one (1) dog or no more than one (1) cat and one (1) dog shall be approved per Unit.

(b) *Types of Animals.* No animal other than normal domesticated household pets, and no animal which does not comply with all Charter Township of East Bay and Grand Traverse County ordinances, shall be maintained within any Unit or elsewhere on the Condominium Premises. No animal may be kept or bred for any commercial purpose on the Condominium Premises, and every animal on the Condominium Premises shall have such care and restraint so as not to be obnoxious or offensive on account of noise, odor or unsanitary conditions. No animal may be permitted to run loose at any time upon the Condominium Premises and all animals kept or brought onto the Condominium Premises shall at all times be leashed and attended by some responsible person while on the Condominium Premises. [No savage, wild or dangerous animal shall be kept on the Condominium Premises, and any Co-owner who causes any animal to be brought or kept upon the Condominium Premises shall indemnify and hold harmless the Association for any loss, damage or liability which the Association may sustain as the result of the presence of such animal on the Condominium Premises, whether or not the Association has given its permission therefor.]

(c) *Responsibility for Pets.* All pets must be under the control of the owner when out-of-doors. No pets shall be allowed to run freely. Each Co-owner shall immediately collect and properly dispose of all fecal matter deposited anywhere within Verndale at East Bay Condominium by any pet maintained by such Co-owner. No dog which barks and can be heard on any frequent or continuing basis shall be kept in any Unit or on the Common Elements. The Association may charge all Co-owners maintaining animals a reasonable additional assessment to be collected in the manner provided in Article V of these Bylaws in the event that the Association determines such assessment necessary to defray the maintenance cost to the Association of accommodating animals within the Condominium Project. The Association may, without liability to the owner thereof, remove or cause to be removed any animal from the Condominium Project which it determines to violate the restrictions imposed by this Section. In the event of any violation of this Section, the Association may assess fines for such violation in accordance with these Bylaws and in accordance with duly adopted Rules and Regulations of the Association.

Section 9. Aesthetics. No outside clotheslines shall be placed or maintained on any Unit in the Condominium Project, nor shall outdoor drying or airing of laundry be permitted within a Unit. No tank for the storage of fuel shall be placed or maintained on any Unit outside any building. Garage doors shall be kept closed at all times except as may be reasonably necessary to gain access to or from any garage. Outside wood piles shall be neatly stacked in the side or rear yard, in an aesthetically pleasing manner, and shall not exceed two (2) face cords. No unsightly condition shall be maintained on any patio, porch or deck and only furniture and equipment consistent with the normal and reasonable use of such areas shall be permitted to remain there during seasons when such areas are reasonably in use and no furniture or equipment of any kind shall be stored thereon during seasons when such areas are not reasonably in use. Draperies or curtains used in any Unit which may affect the exterior appearance of the Condominium, shall be of a kind and nature which will not detract from the overall exterior appearance of the Condominium. No vegetable gardens shall be permitted in any front or side yard of any Unit in the Condominium Project. Any permitted vegetable

garden shall be limited to a reasonable size no larger than three hundred (300) square feet, and shall not be maintained within fifteen (15) feet of any Unit line. No swing set, playground equipment, exercise equipment, or other recreational equipment shall be permitted or maintained in the front or side yard of any Unit in the Condominium Project, and any such equipment maintained on any Unit shall be made of treated lumber or such other materials and colors that blend in with the natural surroundings and character of the Condominium Project, and must be approved in writing by the Developer prior to construction. Any mailbox installed in front of a dwelling must be of a design and materials approved by the Developer and must be maintained in good condition and repair by the Unit Co-owner. The Common Elements shall not be used by the Co-Owners 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. The Common Elements shall not be used in any way for the drying, shaking or airing of clothing, rugs, or other fabrics. In general, no activity shall be carried on nor condition maintained by a Co-owner, either in Co-owner's Unit or upon the Common Elements, which is detrimental to the appearance of the Condominium Project.

Section 10. Trash. All dwellings constructed in the Condominium Project shall maintain garbage or refuse disposal services. All trash, refuse, and solid waste shall be properly disposed of by the Co-owner off the Condominium Project on a weekly basis, utilizing a private refuse or waste hauling contractor. No trash, garbage or rubbish of any kind shall be placed within any Unit, except in sanitary containers for removal. Trash receptacles shall be maintained in the garage of each Unit at all times and shall not be permitted to remain elsewhere on a Unit or on the Common Elements except that they may be placed at the curb between 6:00 p.m. of the day before trash collection and 7:30 a.m. of the day of trash collection, and the emptied receptacles shall be removed from the curb on the same day as trash collection.

Section 11. Motor Vehicles and Parking.

(a) *Vehicles.* No house trailers, commercial vehicles, boat trailers, boats, camping vehicles, camping trailers, motorcycles, tractors, all-terrain vehicles, snowmobile trailers or vehicles other than automobiles or vehicles used primarily for general personal transportation use may be parked or stored on the Condominium Project unless parked in a garage with the door completely closed or unless present for temporary loading or unloading purposes. No inoperable vehicles of any type may be brought or stored on the Condominium Project, either temporarily or permanently, unless within a garage with the door completely closed. Commercial vehicles shall not be parked on the Condominium Project (unless fully inside a garage with the door completely closed) except while making deliveries or pick-ups in the normal course of business or for construction purposes. Any truck over three-quarter ¾-ton, any vehicle with a company name or other advertising or commercial designation, and any vehicle which is designed for or licensed for commercial use, will be considered a commercial vehicle. No boat, boat trailer, camping vehicle or trailer, snowmobile or snowmobile trailer, or similar item, shall be stored in the garage of a Unit unless at least one of the Unit's Co-owner's personal motor vehicles is parked in the same garage.

(b) *Parking.* Primary parking for motor vehicles shall be in the garage located on the Unit. Unit driveways may be used for secondary parking, in an area immediately adjacent to the garage. Guests and visitors may park along the roadway if necessary. No vehicle may be parked overnight on any road or on any Frontage Area, except as permitted by the Association in accordance with any rules or regulations adopted by the Association.

(c) *Vehicle Maintenance.* No servicing or repairing of any vehicle (including oil changes) shall be allowed upon any part of the Condominium, except in case of emergency. Vehicles may be washed in the driveway space assigned to each Unit and shall be done in such a manner so as not to damage the Condominium Common Elements or disturb the property of any other resident or Co-owner. No vehicle shall leak any fluid upon, or otherwise despoil, any Common Element. Such vehicle may be towed away by the Association at the owner's expense. Any damages caused by such a vehicle (including spilled liquids or staining) must be repaired promptly by Co-owner.

(d) *Snow Removal.* Snow shall be removed from the driveways, parking areas and sidewalks, whenever a snowfall accumulation exceeds two-inches in depth.

Section 12. Activities. No immoral, improper, unlawful or offensive activity shall be carried on in any Unit or upon the Common Elements nor shall anything be done which may be or become an annoyance or a nuisance to the Co-owners of the Condominium. No unreasonably noisy activity shall occur in or on the Common Elements or in any Unit at any time and disputes among Co-owners, arising as a result of this provision which cannot be amicably resolved, shall be arbitrated by the Association. No Co-owner shall do or permit anything to be done or keep or permit to be kept in Co-owner's Unit or on the Common Elements anything that will increase the rate of insurance on the Condominium Project without the written approval of the Association, and each Co-owner shall pay to the Association the increased cost of insurance premiums resulting from any such activity or the maintenance of any such condition even if approved. Activities which are deemed offensive and are expressly prohibited include, but are not limited to, the following: Any activity involving the use of firearms, air rifles, pellet guns, B-B guns, slingshots, bows and arrows,

fireworks (other than legal fireworks on July 4 of each year), or other similar dangerous weapons, crossbows, projectiles or devices. Barbecue grills must not be used in any manner which could damage any Common Element or disturb any other occupants of the Condominium by way of fire, smoke or odors, for any other reason. No exploration, mining, removal or drilling for oil, gas, sand, gravel, dirt or other minerals shall be permitted on any Unit in the Condominium Project, other than as permitted by the Developer.

Section 13. Antennae. No exterior television, radio or other antenna, or satellite dish, shall be erected, altered, placed, or maintained which has not received the prior approval of the Developer as to height, placement, design and size and screening. Plans for installation of antennae shall include color, size, location, anchoring and assurance of damage insurance. Antennae other than those designed for video reception will not be allowed. Co-owners may install a video antenna only in or on areas that are limited to the use of the Co-owner. The antenna shall be no larger than one meter in diameter and shall blend in color with the background setting. Satellite dishes shall not be mounted on any residence or structure, but must be located on the ground if possible, and appropriately screened as directed in the Developer's written approval.

Section 14. Signs. Except for billboards or signs constructed, permitted, or maintained by Developer or the Association, no billboards or advertising signs of any character shall be erected, placed, permitted, or maintained on any Unit in the Condominium Project except as expressly permitted in these Bylaws. A name and address sign of reasonable size and material not to exceed six (6) square feet in area, political signs not to exceed six (6) square feet in area, and one "for sale" sign referring only to the premises on which displayed not exceeding six (6) square feet in area shall be permitted. Security or Emergency Service signs (not larger than 6-inch square) may be placed in the interior of a Unit so they are visible from the exterior of said unit. Open House real estate signs may be placed on the common grounds during an open house. Open house signs may be displayed only on weekend (Saturday - Sunday) afternoons (12 noon to 5:00 p.m.), and not more than two weekday (Monday - Friday) evenings (4:00 p.m. to 8:00 p.m.). No other signs or other advertising devices of any kind shall be displayed which are visible from the exterior of a Unit or on the Common Elements, including but not limited to "For Rent" signs, during the Construction and Sales Period, and, subsequent thereto, only with prior written permission from the Association and the Developer pursuant to the Building and Use Restrictions. This restrictive provision shall not apply to the Developer during the Construction and Sales Period. Any other sign must be of a design, material, and size approved by the Developer.

Section 15. Decorations. Except as otherwise provided herein, seasonal or other holiday decorations may be displayed for a period not to exceed two weeks prior to the event and removed no later than ten days after the event. Christmas decorations may be displayed no sooner than the day after Thanksgiving and must be removed by January 10, of each year. United States flags may be displayed at any time. Flag etiquette should be observed.

Section 16. Rules and Regulations. It is intended that the Association may make Rules and Regulations from time to time to reflect the needs and desires of the majority of the Co-owners in the Condominium Project. Reasonable regulations consistent with the Act, the Master Deed and these Bylaws concerning the use of the Common Elements may be made and amended from time to time by the Association, including the period of time prior to the Transitional Control Date. Copies of all such rules, regulations and amendments thereto shall be furnished to all Co-owners.

Section 17. Right of Access of Association. The Association or its duly authorized agents shall have access to each Unit and any 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 Co-owner's Unit (excluding however, any dwelling constructed thereon) 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 Co-owner's Unit and any limited common elements appurtenant thereto caused thereby.

Section 18. Common Element Maintenance. Common Elements shall not be obstructed nor shall they be used for purposes other than that for which they are reasonably and obviously intended. No obstructions may be left unattended on or about the Common Elements.

Section 19. Co-owner Maintenance. Each Co-owner shall maintain such Co-owner's Unit and lawn in a good, safe, clean, sanitary and aesthetically satisfactory condition and in accordance with any duly adopted regulations of the Association. 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 Common Elements 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 him, or 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 such responsibility unless reimbursement to the Association is limited 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 V of these Bylaws.

Section 20. General Provisions.

(a) *Zoning.* All restrictions imposed by the Charter Township of East Bay Zoning Ordinance, as it applies to LDR residential districts, shall apply to all Units in Verndale at East Bay Condominium, except that if the Developer or the Association has imposed more stringent restrictions, those restrictions shall apply in place of the Charter Township of East Bay Township's restrictions.

(b) *No Gift or Dedication.* Nothing herein contained will be deemed to be a gift or dedication of any portion of the Units or other areas in Verndale at East Bay Condominium to the general public or for any public purposes whatsoever, it being the intention of the Developer that these restrictions will be strictly limited to the purposes herein specifically expressed.

(c) *No Third-Party Beneficiaries.* No third party, except grantees, heirs, representatives, successors and assigns of the Developer, as provided herein, will be a beneficiary of any provision set forth herein.

(d) *Handicapped Persons.* Reasonable accommodations in the rules, policies and practices of the Condominium will be made as required by the Federal Fair Housing Act, and the Act, to accommodate handicapped persons, if applicable.

(e) *Co-Owner Relations.* No Co-owner or occupant is authorized to reprimand or give orders to any other Co-owner's guest or employee of the Condominium. Any criticism of employees, guests or other owners shall be made in writing to the Board of Directors.

(f) *Notices.* Whenever under these Bylaws a provision is made for any notice of any kind to a Co-owner, notice shall be deemed to be given: (i) when personally delivered to the party to be given such notice; (ii) on the third business day following the date of deposit in the United States mail if such notice is sent by first class mail with postage fully prepaid; or (iii) on the business day following the day such notice or other communication is sent by reputable overnight courier to the Co-owner at such Co-owner's Unit, or at such Co-owner's last known address.

Section 21. Reserved Rights of Developer. None of the restrictions contained in this Article VII shall apply to the commercial activities or signs or billboards, if any, of the Developer during the Construction and Sales Period or of the Association in furtherance of its powers and purposes set forth herein and in its Articles of Incorporation, as the same may be amended from time to time. Notwithstanding anything to the contrary elsewhere herein contained, Developer, successor developer, and residential builders who receive an assignment of rights from Developer, shall have the right to maintain sales offices, business offices, construction offices, model homes, storage areas, other facilities, and reasonable parking incident to the foregoing and such access to, from and over the Condominium Project as may be reasonable to enable development and sale of the entire Condominium Project by Developer; and may continue to do so during the entire Construction and Sales Period.

Section 22. Enforcement of Bylaws. The Condominium Project shall at all times be maintained in a manner consistent with the highest standards of a beautiful, serene, private, residential community for the benefit of the Co-owners and all persons interested in the Condominium Project. If at any time the Association fails or refuses to carry out its obligation to maintain, repair, replace and landscape in a manner consistent with the maintenance of such high standards, then Developer, or any entity to which it may assign this right, at its option, may elect to maintain, repair and/or replace any Common Elements and/or to do any landscaping required by these Bylaws and to charge the cost thereof to the Association as an Expense of Administration. The Developer shall have the right to enforce these Bylaws throughout the Construction and Sales Period notwithstanding that it may no longer own a Unit in the Condominium Project, which right of enforcement shall include (without limitation) an action to restrain the Association or any Co-owner from any activity prohibited by these Bylaws.

Section 23. Notification Respecting Sale. The Board of Directors and the Condominium Association's Managing Agent, if any, shall be advised of a Co-owner's intentions to sell a Unit and the name of the listing agent.

Section 24. Declaration of Restrictions. The rights of Auto-Owners Insurance Company under the Declaration of Restrictions, recorded in the records of Grand Traverse County Register of Deeds, shall be independent of, and in addition to, those contained in this Article. If Auto-Owners Insurance Company sells or transfers the Condominium Project, Auto-Owners Insurance Company's rights under the Declaration of Restrictions shall not thereafter be limited, amended, or modified, without Auto-Owners Insurance Company's prior written authorization.

ARTICLE VIII

LEASES

Section 1. Notice of Intent to Lease. A Co-owner, including the Developer, desiring to rent or lease a Unit, shall disclose that fact in writing to the Association at least ten (10) days before presenting a lease form to a potential lessee, and at the same time, shall supply the Association with a copy of the exact lease form for its review for its compliance with the Condominium Documents. If Developer proposes to rent any Unit before the transitional control date, Developer shall notify either the advisory committee or each Co-owner in writing. For security purposes, all non-Co-owner occupants shall register their presence with the Association prior to taking occupancy and shall notify the Association upon departure. With the exception of a first priority mortgage lender in possession of a Unit following a default of the mortgage, foreclosure of the mortgage, or deed in lieu of foreclosure of the mortgage, no Co-owner shall lease less than an entire Unit nor shall the term of such lease be for a period of less than one (1) year. The lease shall specifically incorporate the terms of these Condominium Documents. The Co-owner of a leased Unit shall have no right to use the Condominium Common Elements for the duration of the lease term.

Section 2. Conduct of Tenants. All tenants and non-Co-owner occupants shall comply with all of the terms and conditions of the Condominium Documents and the provisions of the Act. If the Association determines that a tenant or non-Co-owner occupant has failed to comply with the conditions of the Condominium Documents or the provisions of the Act, the Association may advise the appropriate member by certified mail of the alleged violation by a person occupying his Unit. 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. 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 the members may institute, derivatively on behalf of the Association if it is under the control of the Developer, an action for eviction against the tenant or non-Co-owner occupant and, simultaneously, for money damages against the member and tenant or non-Co-owner occupant for the 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 both the tenant or non-Co-owner occupant and the member liable for the damages caused to the Condominium Project.

Section 3. Nonpayment of Assessments. If a tenant, after being notified of the non-payment of assessments as provided in Article V, Section 6, above, fails or refuses to remit rent to the Association which would otherwise be due to the Co-owner, the Association may issue a statutory notice to quit for nonpayment of rent to the tenant and shall have the right to enforce that notice by summary proceeding, or initiate proceedings pursuant to Section 2 of this Article VIII.

ARTICLE IX

MORTGAGES

Section 1. Notice of Mortgage. A Co-owner who mortgages a Unit shall notify the Association of the name and address of his mortgagee and shall file a conformed copy of the note and mortgage with the Association, which shall maintain such information in a book entitled "Mortgages of Units." If the Association does not receive such notice, it shall be relieved of any duty to provide the mortgagee any notice required by the Master Deed or these Bylaws.

Section 2. Notice of Default. The Association shall give to the holder of any first mortgage covering any Unit in the Condominium 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 if such mortgagee has, in writing, requested the Association to report such defaults to it.

Section 3. Notice of Insurance. The Association shall notify each mortgagee appearing in said book of the name of each company insuring the general common elements of the Condominium Project against vandalism and malicious mischief and the amounts of such coverage.

Section 4. Notice of Meetings. Upon a request submitted to the Association, any institutional holder of a first mortgage lien on any Unit in the Condominium Project shall be entitled to receive written notification of every meeting of the Co-owners of the Association and to designate a representative to attend such meeting.

Section 5. Acquisition of Title by First Mortgagee. Any first mortgagee who obtains title to a Unit pursuant to the remedies provided in the mortgage, or deed in lieu thereof, shall not be liable for such Unit's unpaid assessments which accrue prior to acquisition of title by the mortgagee, except to the extent provided in Article V, Section 6, above.

ARTICLE X

AMENDMENTS

Section 1. Proposal. Amendments to these Bylaws 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 (⅓) or more of the Co-owners in number or in value by an instrument in writing signed by them.

Section 2. Meeting to Be Held. 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 Bylaws.

Section 3. Vote Required. These Condominium Bylaws may be amended by an affirmative vote of two-thirds (⅔) of the Co-owners in number and in value and two-thirds (⅔) of all mortgagees at any regular meeting or special meeting called for such purpose, except that the method or formula used to determine the percentage of value of Units in the Condominium Project and any provisions relating to the ability or terms under which a Co-owner may rent a Unit may not be modified or amended without the consent of each affected Co-owner and mortgagee. For purposes of such voting, each Co-owner will get one (1) vote for each Unit owned, including as to the Developer all Units created by the Master Deed but not yet conveyed. Each mortgagee shall get one (1) vote for each mortgage held.

Section 4. Amendments Not Materially Changing Condominium Bylaws. The Developer or Board of Directors may enact amendments to these Condominium Bylaws without the approval of any Co-owner or mortgagee, provided that such amendments shall not materially alter or change the rights of a Co-owner or mortgagee. The Developer may also enact amendments to these Condominium Bylaws as provided in the Master Deed.

Section 5. Effective Date. Any amendment to these Bylaws (but not the Association Bylaws) shall become effective upon the recording of such amendment in the Office of the Register of Deeds for Grand Traverse County, Michigan.

Section 6. Costs of Amendments. Any person causing or requesting an amendment to these Condominium Bylaws shall be responsible for the costs and expenses of considering, adopting, preparing and recording such amendment except as provided in Article X Section C. of the Master Deed.

Section 7. Notice; Copies to Be Distributed. Co-owners and mortgagees of record of Units shall be notified of proposed amendments not less than ten (10) days before the amendment is recorded. A copy of each amendment to the Bylaws shall be furnished to every Co-owner after recording; provided, however, that any amendment to these Bylaws that is adopted in accordance with this Article shall be binding upon all persons who have an interest in the Condominium Project regardless of whether such persons actually receive a copy of the amendment.

ARTICLE XI

DEFINITIONS

All terms used herein shall have the same meanings as set forth in the Act or as set forth in the Master Deed to which these Bylaws are attached as an exhibit.

ARTICLE XII

REMEDIES FOR DEFAULT

Section 1. Relief Available. 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 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 any assessment) 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 or the failure of any Co-owner to abide by the provisions of the Condominium Documents, 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 attorneys' fees.

(c) Such other reasonable remedies as are provided in the Rules and Regulations promulgated by the Board of Directors, including, without limitation, the levying of fines against Co-owners after notice and opportunity for hearing, as provided in the Rules and Regulations of the Association, and the imposition of late charges for nonpayment of assessments.

(d) 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 or 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.

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

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

Section 4. Hearing. Prior to the imposition of any fine or other penalty hereunder, the offending Unit Co-owner shall be given a reasonable opportunity to appear before the Board and be heard. Following any such hearing, the Board shall prepare a written decision and place it in the permanent records of the Association.

Section 5. Default. Failure to respond to the Notice of Violation constitutes a default.

Section 6. Fines. Following hearing and determination by the Board that there has been a violation, or upon default of the Co-owner, the following fines shall be levied:

(a) First Violation. A fine of Fifty Dollars ($50.00).

(b) Second Violation. A fine of One hundred Dollars ($100.00).

(c) Third Violation. A fine of One hundred fifty Dollars ($150.00).

(d) Fourth and each Subsequent Violation. A fine of Two hundred fifty Dollars ($250.00).

Fines shall be due and payable with the next regular Condominium Assessment. Failure to pay the fine will subject the Co-owner to further fine as a violation of the Condominium Documents under this Article. All fines shall constitute a lien on the offending Co-owner's Unit and property and such fines may be collected from the responsible Co-owner in the manner provided in Article V, Section 6 of these Bylaws.

ARTICLE XIII

ARBITRATION

Section 1. Submission to Arbitration. Any dispute, claim or grievance arising out of or relating to the interpretation or application of the Master Deed, Condominium Bylaws or Management Contract, if any, or to any disputes, claims or grievances arising among or between the Co-owners or between such Co-owners and the Association shall, upon the election and written consent of all the parties to any such dispute, claim or grievance, and written notice to the Association, be submitted to arbitration, and the parties thereto shall accept the arbiter's decision as final and binding. The Commercial Arbitration Rules of the American Arbitration Association, as amended and in effect from time to time hereafter, shall be applicable to such arbitration.

The arbiter may be either an attorney acceptable to both parties or a panel of three (3) individuals, at least one (1) of whom shall be an attorney. The panel shall be composed of one (1) individual appointed by the Co-owner and one (1) individual appointed by the Board of Directors of the Association. These two (2) panelists will then promptly agree on the third member of the panel. No Co-owner who is a natural person may appoint himself or a member of his household to the panel. No corporation or partnership member may appoint a director, partner, officer or employee to the panel. Neither may the Board appoint a person similarly associated with an individual, corporate or partnership member. If the two (2) panelists cannot agree on a third member, either panelist may petition the Grand Traverse County Circuit Court to appoint the third panelist.

Costs of the arbitration shall be borne by the losing party to the arbitration. The arbiter may require a reasonable deposit to ensure payment of costs. Such deposit shall be placed in escrow in the name of the arbiter as trustee in the name of the matter at issue.

Section 2. Effect of Election. Election by Co-owners or the Association to submit any such dispute, claim or grievance to arbitration shall preclude' such parties from litigating such dispute, claim or grievance in the courts. Any appeal from an arbitration award shall be deemed a statutory appeal.

Section 3. Preservation of Rights. No Co-owner shall be precluded from petitioning the courts to resolve any dispute, claim or grievance in the absence of election to arbitrate.

ARTICLE XIV

SEVERABILITY

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

ARTICLE XV

CONFLICTING PROVISIONS

In the event of a conflict between the provisions of the Act (or other law of the United States or of the State of Michigan) and any Condominium Document, the Act (or other law) shall govern. In the event of any conflict between the provisions of any Condominium Document and the Building and Use Restrictions, the Building and Use Restrictions shall govern and control. 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) These Condominium Bylaws;

(3) The Articles of Incorporation of the Association;

(4) The Bylaws of the Association; and

(5) The Rules and Regulations of the Association.

GRAND TRAVERSE COUNTY CONDOMINIUM
SUBDIVISION PLAN NO. 273
EXHIBIT B TO THE MASTER DEED OF
VERNDALE AT EAST BAY, A SITE CONDOMINIUM
EAST BAY TOWNSHIP, GRAND TRAVERSE COUNTY, MICHIGAN

ATTENTION: COUNTY REGISTRAR OF DEEDS
THE CONDOMINIUM SUBDIVISION PLAN NUMBER MUST BE ASSIGNED IN CONSECUTIVE SEQUENCE. WHEN A NUMBER HAS BEEN ASSIGNED TO THIS PROJECT, IT MUST BE PROPERLY SHOWN IN THE TITLE AND THE SURVEYOR'S CERTIFICATE ON SHEET 2.

SHEET INDEX:

1 COVER SHEET
2 COVER SHEET (CONTINUED) EASEMENT DESCRIPTIONS
3 SURVEY PLAN
4 SURVEY PLAN---UNIT DETAILS
5 SURVEY PLAN---UNIT DETAILS
6 SURVEY PLAN---UNIT DETAILS
7 SURVEY PLAN---UNIT DETAILS
8 SURVEY PLAN---MISC. DATA LISTINGS
9 SITE PLAN
10 UTILITY PLAN

DEVELOPER:
AUTO-OWNERS INSURANCE COMPANY
6101 ANACAPRI BOULEVARD
LANSING, MICHIGAN 48909

PROPERTY DESCRIPTION:

That part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as:

Commencing at the North quarter corner of said Section 30;
thence South 00°15'05" West, 489.54 feet
along the North and South quarter line of said section to the Point of Beginning;
thence South 00°15'05" West, 2147.71 feet
continuing along the North and South quarter line to the East and West quarter line of said section;
thence North 89°26'13" East, 1522.71 feet
along said East and West quarter line;
thence North 09°25'31" West, 251.94 feet;
thence North 27°50'50" East, 135.05 feet;
thence North 09°13'33" West, 297.73 feet;
thence North 85°33'46" East, 202.98 feet;
thence North 03°40'17" East, 636.79 feet;
thence North 30°38'12" East, 176.49 feet;
thence North 01°40'56" West, 320.83 feet;
thence South 88°45'28" West, 196.96 feet;
thence South 25°08'28" West, 261.35 feet;
thence South 81°15'59" West, 346.01 feet;
thence Northwesterly, 361.16 feet,
along the arc of a 376.00 foot radius curve to the left, the central angle of which is 55°02'04" and the long chord of which
bears North 61°20'36" West, 347.44 feet;
thence North 88°51'38" West, 623.55 feet;
thence Northwesterly, 38.88 feet,
along the arc of a 25.00 foot radius curve to the right, the central angle of which is 89°06'44" and the long chord of which
bears North 44°18'16" West, 35.08 feet;
thence North 00°15'05" East, 177.52 feet;
thence Northwesterly, 96.10 feet,
along the arc of a 333.00 foot radius curve to the left, the central angle of which is 16°32'04" and the long chord of which
bears North 08°00'56" West, 95.76 feet;
thence North 65°02'06" West, 116.79 feet;
thence Northwesterly, 27.62 feet along the arc of a 257.00 foot radius curve to the left, the central angle of which is 06°09'30", and the long chord of which
bears North 36°47'44" West, 27.61 feet;
thence North 39°52'26" West, 56.65 feet;
thence Northwesterly, 57.59 feet
along the arc of a 322.89 foot radius curve to the right, the central angle of which is 10°13'07" and the long chord of which
bears North 34°45'55" West, 57.51 feet
to said North and South quarter line and the Point of Beginning.

Said parcel contains 64.13 acres of land, more or less.

Subject to and togetherw with an 86 foot wide utilities easement as recorded in Liber 2087, Pages 810-812, Grand Traverse County Records.

Subject to and together with a 20' x 40' watermain pressure reducing station easmeent as recorded in Liber 2087, Pages 813-814, Grand Traverse County Records.

Subject to and together with a 20 foot wide easement for the installation and maintenance of a Sanitary Sewer in part of the Northeast Quarter of Section 30, Town 27 North, Range 11 West, East Bay Township, Grand Traverse County, Michigan the centerline of said 20 foot wide easement is more fully described as;

Commencing at the North Quarter Corner of said Section 30;
thence North 88°45'28" East, 1158.41 feet,
along the North line of said Section 30 to the intersection of the centerline of Burgenstock;...
thence along said centerline the following 7 courses;
South 01°15'38" East, 124.36 feet;
Southeasterly 72.14 feet along the arc of a 175.00 foot radius curve to the left, the central angle of which is 23°37'11", and the long chord which
bears South 12°41'41" East, 72.14 feet;
South 24°30'17" East, 183.52 feet;
Southeasterly 66.94 feet along the arc of a 165.00 foot radius curve to the right, the central angle of which is 23°14'39" and the long chord which
bears South 12°52'57" East, 66.48 feet;
South 01°15'38" East, 227.51 feet,
Southwesterly204.37 feet along the arc of a 300.00 foot radius curve to the right, the central angle of which is 39°01'54" and the long chord which
bears South 18°15'19" West, 200.44 feet;
South 37°46'16" West, 292.43 feet,
to a point in the centerline of Vienna Way at Burgenstock;
thence along the centerline of Vienna Way the following 2 courses:
Northwesterly 187.59 feet along the arc of a 343.00 foot radius curve to the left, the central angle of which is 31°20'07", and the long chord of which
bears North 73°11'35" West, 185.26 feet;
North 88°51'38" West, 162.85 feet,
to a point in said centerline and the POINT OF BEGINNING, of said 20 foot wide easement centerline
thence South 01°02'44" West, 363.91 feet,
to the POINT OF ENDING of said 20 foot wide Sanitary Sewer easement centerline.

The sidelines of said easement are to extend or shorten to meet at angle points, to begin at the centerline of Vienna Way and to the Southerly right of way of Moderia Drive

VERNDALE AT EAST BAY, A SITE CONDOMINIUM
COVER SHEET

PH 231.946.5874
FAX 231.946.3703
WWW.gourdiefraser.com
123 W Front Street
Traverse City, MI 49684
gfa Gourdie-Fraser
Municipal | Development | Transportation

PROPOSED
DATE 6-30-05
SHEET 1

GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25881
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684

04082

EASEMENT DESCRIPTIONS:

A 66 foot wide easement for ingress, egress, together with easements for the installation and maintenance of public and private utilities over 10 foot wide strips of land to Easterly and Westerly sides of said 66 foot wide easement, described collectively as being in part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as:

Commencing at the North quarter corner of said Section 30;
thence North 88°45'28" East, 1074.61 feet,
along the North line of said Section 30 and centerline of Hammond Road to the Point of Beginning;
thence continuing North 88°45'28" East, 166.00 feet,
along said North line and centerline of Hammond Road;
thence South 01°14'32" East, 85.00 feet;
thence Southwesterly, 63.28 feet,
along the arc of a 40.00 foot radius curve to the left, the central angle of which is 90°38'14" and the long chord of which
bears South 43°25'49" West, 56.88 feet;
thence Southeasterly, 65.89 feet,
along the arc of a 168.00 foot radius curve to the left, the central angle of which is 22°37'01" and the long chord of which
bears South 13°11'48" East, 65.89 feet;
thence South 24°30'17" East, 167.96 feet;
thence Southeasterly, 84.46 feet,
along the arc of a 208.00 foot radius curve to the right, the central angle of which is 23°16'00" and the long chord of which
bears South 12°52'20" East, 83.89 feet;
thence South 01°15'38" East, 220.75 feet;
thence Southwesterly, 240.46 feet,
along the arc of a 343.03 foot radius curve to the right, the central angle of which is 40°09'50" and the long chord of which
bears South 17°41'32" West, 235.57 feet;
thence South 37°46'16" West, 233.80 feet;
thence Southeasterly, 22.58 feet,
along the arc of a 15.00 foot radius curve to the left, the central angle of which is 86°14'03" and the long chord of which
bears South 05°20'45" East, 20.50 feet;
thence South 41°32'13" West, 10.00 feet,
to a point on the Northerly right-of-way line of Vienna Way;
thence Northwesterly, 109.50 feet,
along said Northerly right-of-way line and the arc of a 376.00 foot radius curve to the left, the central angle of which is 16°41'11" and the long chord of which
bears North 56°48'22" West, 109.12 feet;
thence North 24°51'03" East, 10.00 feet;
thence Northeasterly, 20.18 feet,
along the arc of a 15.00 foot radius curve to the left, the central angle of which is 77°04'47" and the long chord of which
bears North 76°18'39" East, 18.69 feet;
thence North 37°46'16" East, 243.08 feet;
thence Northeasterly, 180.96 feet,
along the arc of a 257.03 foot radius curve to the left, the central angle of which is 40°20'23" and the long chord of which
bears North 17°36'19" East, 177.25 feet;
thence North 01°15'38" West, 221.74 feet;
thence Northwesterly, 49.50 feet,
along the arc of 122.00 foot radius curve to the left, the central angle of which is 23°14'47" and the long chord of which
bears North 12°52'57" West, 49.16 feet;
thence North 24°30'17" West, 167.96 feet;
thence Northwesterly, 101.88 feet,
along the arc of a 254.00 foot radius curve to the right, the central angle of which is 22°58'54" and the long chord of which
bears North 13°00'52" West, 101.20 feet;
thence Northwesterly, 62.64 feet,
along the arc of a 40.00 foot radius curve to the left, the central angle of which is 89°43'15" and the long chord of which
bears North 46°23'02" West, 56.43 feet;
thence North 01°14'32" West, 85.00 feet,
to the Point of Beginning.

VERNDALE AT EAST BAY, A SITE CONDOMINIUM

COVER SHEET--EASEMENT DESCRIPTIONS

PH 231.946.5874
FAX 231.946.3703
WWW.gourdiefraser.com
123 W Front Street
Traverse City, MI 49684

Gourdie-Fraser
Municipal | Development | Transportation

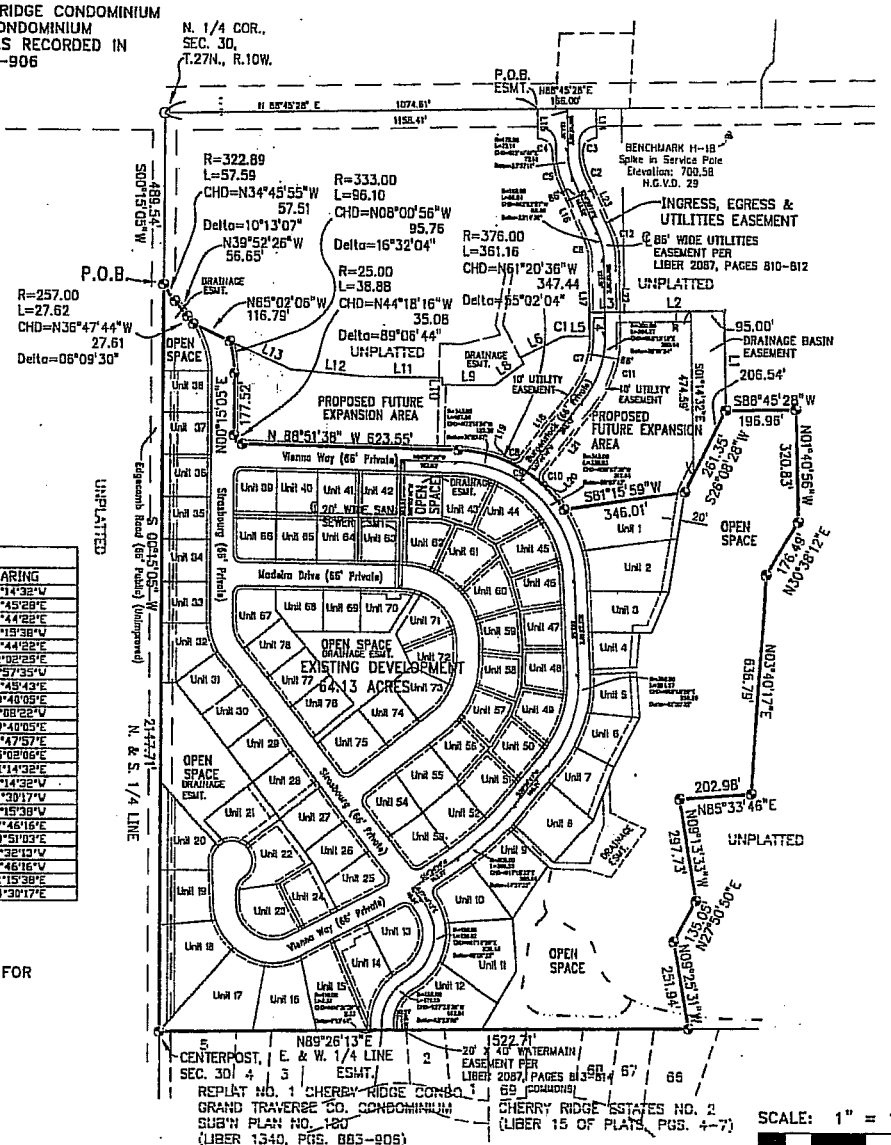
PROPOSED
DATE 6-30-05

SHEET 2

GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25881
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684

04082

BEARING BASIS:
REPLAT NO. 1, CHERRY RIDGE CONDOMINIUM
GRAND TRAVERSE CO. CONDOMINIUM
SUB'N PLAT NO. 100 AS RECORDED IN
LIBER 1340, PAGES 883-906



LINE TABLE		
LINE	LENGTH	BEARING
L1	291.18	N01°14'32"W
L2	288.09	N88°45'28"E
L3	99.64	N88°44'28"E
L4	66.36	N01°15'38"W
L5	65.18	N88°44'28"E
L6	124.22	N62°02'25"E
L7	20.00	N27°57'35"W
L8	106.58	N52°45'43"E
L9	148.95	S89°40'05"E
L10	20.00	S01°08'22"W
L11	228.44	S89°40'05"E
L12	210.67	S84°47'57"E
L13	194.82	S65°02'06"E
L14	85.00	S01°14'32"E
L15	85.00	N01°14'32"W
L16	167.96	N24°30'17"W
L17	221.74	N01°15'38"W
L18	243.08	N37°46'16"E
L19	10.00	N24°51'03"E
L20	10.00	S41°32'13"W
L21	233.80	S37°46'16"W
L22	228.75	S01°15'38"E
L23	167.96	S24°30'17"E

NOTE: SEE SHEET 6 FOR CURVE DATA LISTING.

SCALE: 1" = 150'
0' 75' 150' 300' 450'

N

LEGEND
- MONUMENT SET
- IRON FOUND
- IRON SET
- BENCH MARK LOCATION

VERNDALE AT EAST BAY, A SITE CONDOMINIUM
SURVEY PLAN

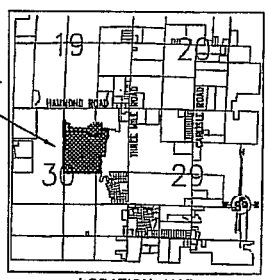
I, GARY G. WILSON, REGISTERED LAND SURVEYOR OF THE STATE OF MICHIGAN, HEREBY CERTIFY: THAT THE SUBDIVISION PLAN KNOWN AS GRAND TRAVERSE COUNTY CONDOMINIUM SUBDIVISION PLAN NO. _____, AS SHOWN ON THE ACCOMPANYING DRAWINGS, REPRESENTS A SURVEY ON THE GROUND MADE UNDER MY DIRECTION, THAT THERE ARE NO EXISTING ENCROACHMENTS UPON THE LANDS AND PROPERTY HEREIN DESCRIBED; THAT THE REQUIRED MONUMENTS AND IRON MARKERS HAVE BEEN LOCATED IN THE GROUND AS REQUIRED BY RULES PROMULGATED UNDER SECTION 142 OF ACT NUMBER 59 OF THE PUBLIC ACTS OF 1978; THAT THE ACCURACY OF THIS SURVEY IS WITHIN THE LIMITS REQUIRED BY THE RULES PROMULGATED UNDER SECTION 142 OF ACT NUMBER 59 OF THE PUBLIC ACTS OF 1978; THAT THE BEARINGS AS SHOWN ARE NOTED ON THE SURVEY PLAN AS REQUIRED BY THE RULES PROMULGATED UNDER SECTION 142 OF ACT NUMBER 59 OF THE PUBLIC ACTS OF 1978.

6.30.05
DATE

Gary G. Wilson
GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25881
GOURDIE/FRASER, INC.
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684

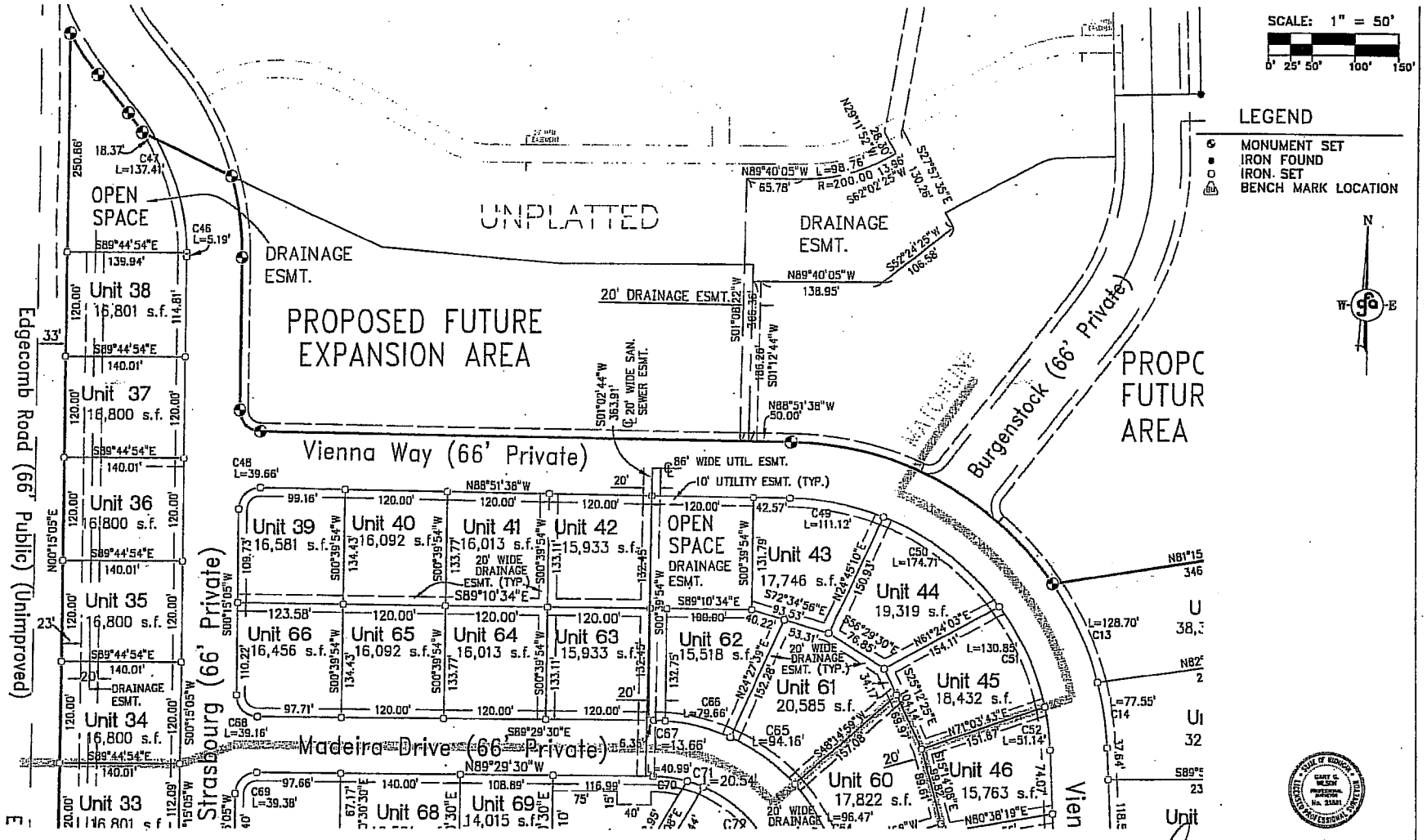
STATE OF MICHIGAN GARY G. WILSON PROFESSIONAL SURVEYOR No. 25881

VERNDALE AT EAST BAY



LOCATION MAP
NO SCALE

Gourdie-Fraser
Municipal | Development | Transportation
PROPOSED
DATE 6-30-05
SHEET 3



NOTE: SEE SHEET 8 FOR CURVE DATA LISTING.

VERNDALE AT EAST BAY, A SITE CONDOMINIUM

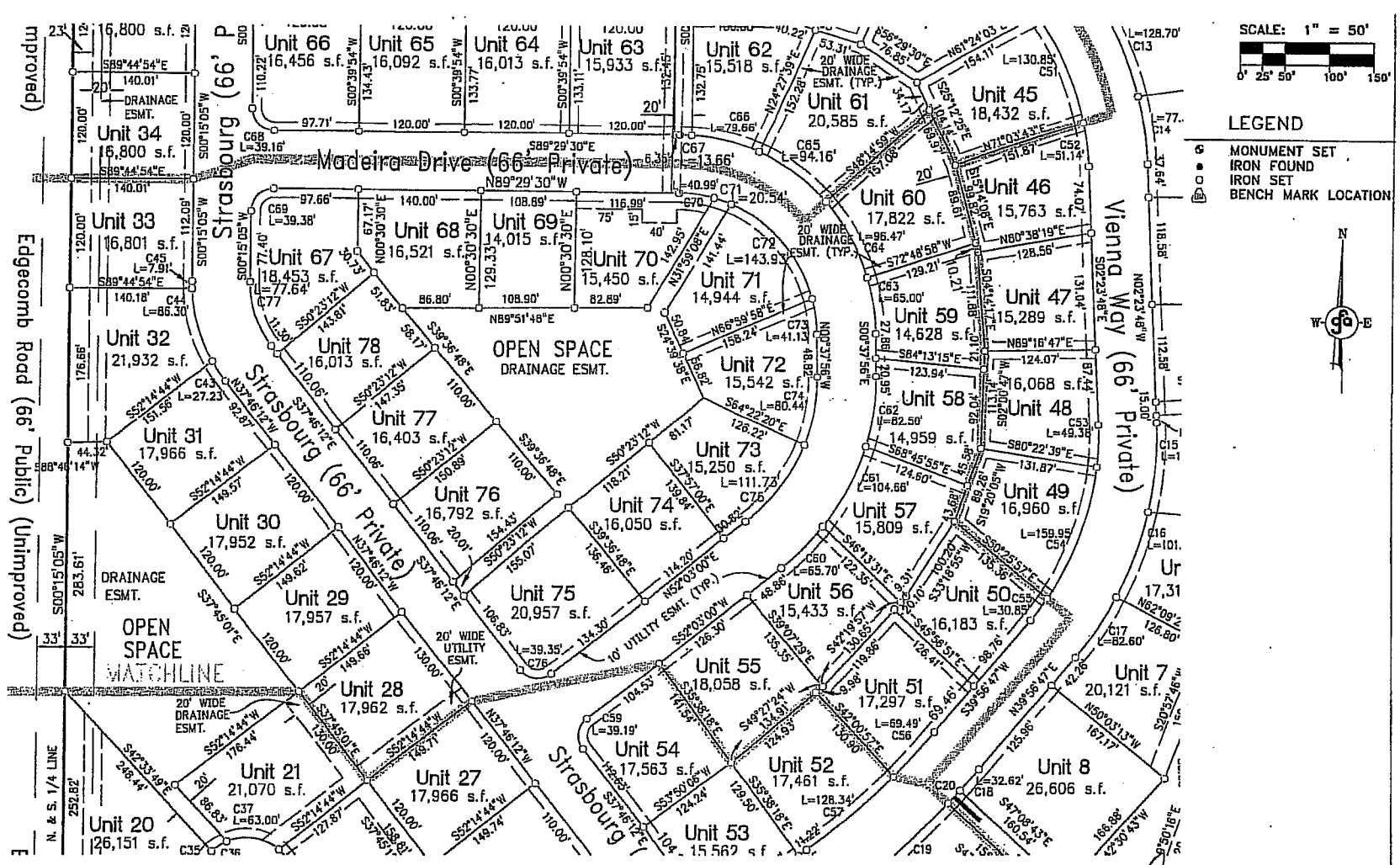
SURVEY PLAN--UNIT DETAILS

Gourdie-Fraser

PROPOSED
DATE 6-30-05

SHEET 4

GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25881
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684



SCALE: 1" = 50'

0' 25' 50' 100' 150'

LEGEND

- MONUMENT SET
- IRON FOUND
- IRON SET
- BENCH MARK LOCATION

NOTE: SEE SHEET 8 FOR CURVE DATA LISTING.

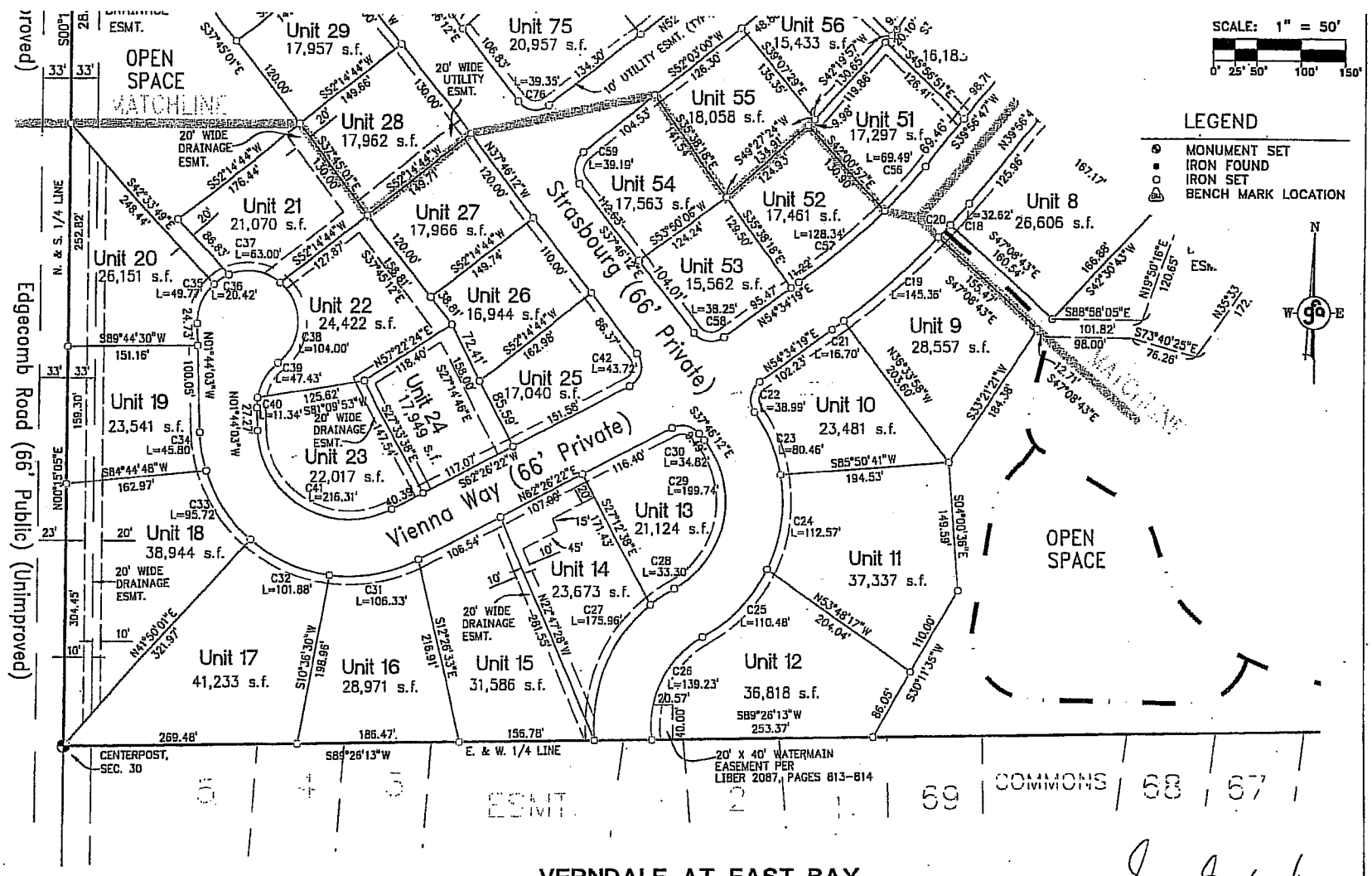
VERNDALE AT EAST BAY, A SITE CONDOMINIUM

SURVEY PLAN--UNIT DETAILS

Gourdie-Fraser
Municipal | Development | Transportation

PROPOSED DATE	6-30-05
SHEET	5

GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25881
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684



NOTE: SEE SHEET 8 FOR CURVE DATA LISTING.

VERNDALE AT EAST BAY, A SITE CONDOMINIUM

SURVEY PLAN--UNIT DETAILS

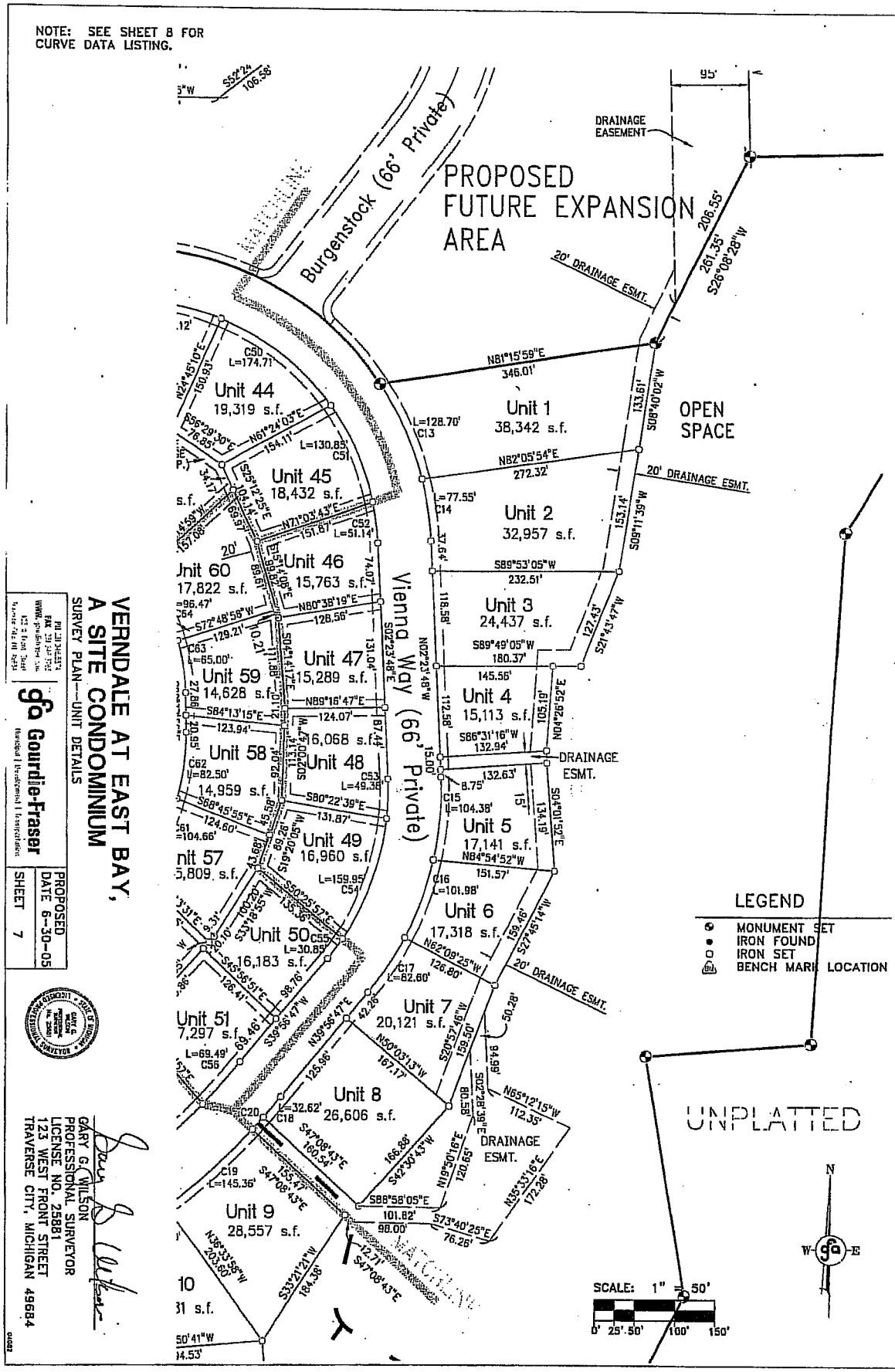
Gourdie-Fraser

PROPOSED
DATE 6-30-05

SHEET 6

GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25881
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684

NOTE: SEE SHEET 8 FOR CURVE DATA LISTING.



VERNDALE AT EAST BAY, A SITE CONDOMINIUM

SURVEY PLAN—UNIT DETAILS

Gourdie-Fraser

PH 231 946-9310
FAX 231 941-1120
WWW.gourdiefraser.com
123 E. Front Street
Traverse City, MI 49684

PROPOSED DATE 6-30-05
SHEET 7

GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25881
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684

64082

CURVE TABLE					
CURVE	LENGTH	RADIUS	CHORD BRG.	CHORD	DELTA
C1	23.30	50.00	S75°23'23"W	23.09	26°42'00"
C2	66.32	168.00	S13°11'48"E	65.89	22°37'01"
C3	63.28	40.00	S43°25'49"W	56.88	90°38'14"
C4	62.64	40.00	N46°23'02"W	56.43	89°43'15"
C5	101.88	254.00	N13°00'52"W	101.20	22°58'54"
C6	49.50	122.00	N12°52'57"W	49.16	23°14'47"
C7	180.96	257.03	N17°36'19"E	177.25	40°20'23"
C8	20.18	15.00	N76°18'39"E	18.69	77°04'47"
C9	109.50	376.00	N56°48'22"W	109.12	16°41'11"
C10	22.58	15.00	S05°20'45"E	20.50	86°14'03"
C11	240.46	343.03	S17°41'32"W	235.57	40°09'50"
C12	84.46	208.00	S12°52'20"E	83.89	23°16'00"
C13	128.70	376.00	N24°01'12"W	128.08	19°36'44"
C14	77.55	376.00	N08°18'19"W	77.41	11°49'02"
C15	104.38	391.00	N05°15'05"E	104.07	15°17'45"
C16	101.98	391.00	N20°22'16"E	101.69	14°56'38"
C17	82.60	391.00	N33°53'41"E	82.44	12°06'12"
C18	32.62	841.00	N41°03'27"E	32.62	2°13'20"
C19	145.36	841.00	N48°28'57"E	145.18	9°54'11"
C20	20.00	841.00	N42°50'59"E	20.00	1°21'45"
C21	16.70	841.00	N54°00'11"E	16.70	1°08'17"
C22	38.99	25.00	S09°53'53"W	35.15	89°20'52"
C23	80.46	183.00	N22°10'46"W	79.82	25°11'34"
C24	112.57	183.00	N08°02'21"E	110.80	35°14'39"
C25	110.48	183.00	N42°57'26"E	108.81	34°35'30"
C26	139.23	117.00	S26°09'43"W	131.16	68°10'55"
C27	175.96	183.00	S22°16'54"W	169.26	55°05'35"
C28	33.30	183.00	S55°02'26"W	33.25	10°25'29"
C29	199.74	117.00	N11°20'43"E	176.35	97°48'55"
C30	34.82	25.00	N77°39'55"W	32.07	79°47'26"
C31	106.33	173.00	N80°02'52"E	104.67	35°13'00"
C32	101.88	173.00	S65°28'24"E	100.41	33°44'29"
C33	95.72	173.00	S32°45'08"E	94.50	31°42'04"
C34	45.80	173.00	S09°19'05"E	45.66	15°10'03"
C35	49.77	58.00	S22°51'04"W	48.26	49°10'14"
C36	20.42	58.00	S57°31'19"W	20.31	20°10'17"
C37	63.00	58.00	N81°16'22"W	59.95	62°14'21"
C38	104.00	58.00	N01°12'49"E	90.61	102°44'01"
C39	47.43	62.00	S30°39'54"W	46.28	43°49'52"
C40	11.34	62.00	S03°30'27"W	11.33	10°29'00"
C41	216.31	107.00	S59°38'51"E	181.31	115°49'35"
C42	43.72	25.00	N12°20'05"E	38.36	100°12'34"
C43	27.23	183.00	S33°30'28"E	27.20	8°31'27"
C44	86.30	183.00	S15°44'10"E	85.50	27°01'10"
C45	7.91	183.00	S00°59'14"E	7.91	2°28'40"
C46	5.19	267.00	N00°18'20"W	5.19	1°06'52"
C47	137.41	267.00	N15°36'23"W	135.90	29°29'14"
C48	39.66	25.00	S45°41'44"W	35.63	90°53'16"
C49	111.12	310.00	N76°35'31"W	110.52	20°32'14"
C50	174.71	310.00	N52°10'39"W	172.41	32°17'30"
C51	130.85	310.00	N23°56'23"W	129.88	24°11'01"
C52	51.14	310.00	N07°07'20"W	51.08	9°27'05"
C53	49.38	325.00	N01°57'23"E	49.34	8°42'23"
C54	159.95	325.00	N20°24'32"E	158.34	28°11'56"
C55	30.85	325.00	N37°13'38"E	30.83	5°26'17"
C56	69.49	775.00	N42°30'54"E	69.46	5°08'14"
C57	128.34	775.00	N49°49'40"E	128.20	9°29'19"
C58	38.25	25.00	S81°35'56"E	34.63	87°39'29"
C59	39.19	25.00	S07°08'24"W	35.30	89°49'12"
C60	65.70	275.00	N45°12'21"E	65.54	13°41'19"

CURVE TABLE					
CURVE	LENGTH	RADIUS	CHORD BRG.	CHORD	DELTA
C61	104.66	275.00	N27°27'31"E	104.03	21°48'21"
C62	82.50	275.00	N07°57'42"E	82.19	17°11'16"
C63	65.00	225.00	N08°54'29"W	64.77	16°33'07"
C64	96.47	225.00	N29°28'02"W	95.73	24°33'58"
C65	94.16	225.00	N53°44'19"W	93.47	23°58'37"
C66	79.66	225.00	N75°52'12"W	79.25	20°17'08"
C67	13.66	225.00	N87°45'08"W	13.66	3°28'44"
C68	39.16	25.00	S44°37'12"E	35.28	89°44'35"
C69	39.38	25.00	S45°22'48"W	35.43	90°15'25"
C70	40.99	159.00	N82°06'26"W	40.87	14°46'08"
C71	20.54	159.00	N71°01'18"W	20.53	7°24'07"
C72	143.93	159.00	N41°23'14"W	139.07	51°52'01"
C73	41.13	159.00	N08°02'35"W	41.02	14°49'18"
C74	80.44	209.00	N10°23'38"E	79.95	22°03'09"
C75	111.73	209.00	N36°44'07"E	110.40	30°37'47"
C76	39.35	25.00	S82°51'36"E	35.41	90°10'48"
C77	77.64	117.00	S18°45'33"E	76.22	38°01'18"

VERNDALE AT EAST BAY, A SITE CONDOMINIUM

SURVEY PLAN---MISC. DATA LISTINGS

PH (231) 946-9310
FAX (231) 946-9588
WWW.gourdie-fraser.com
123 W. Front Street
Traverse City, MI 49684

gfa Gourdie-Fraser
Municipal | Development | Transportation

PROPOSED
DATE 6-30-05

SHEET 8

GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25881
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684

01082

VERNDALE AT EAST BAY
A SITE CONDOMINIUM
SITE PLAN

COORDINATE LISTING:

	NORTH	EAST
1	8457.75	8220.23
2	8174.49	8175.62
3	8056.11	8128.45
4	8056.00	8093.64
5	7951.12	8085.48
6	7936.12	8085.79
7	7802.25	8095.23
8	7661.14	8020.97
9	7512.19	7963.91
10	7389.18	7851.14
11	7223.95	7732.44
12	7074.73	7742.90
13	6905.27	7644.30
14	7058.76	7386.77
15	7211.21	7310.39
16	6902.13	7324.60
17	6900.59	7167.82
18	6898.76	6881.36
19	7200.56	6713.23
20	7358.86	6713.93
21	7612.68	6715.04
22	7504.56	6841.49
23	7612.59	6980.99
24	7704.23	7099.32
25	7351.39	7372.71
26	7313.91	7364.52
27	7170.92	7080.55
28	7301.11	6933.95
29	7384.24	7157.81
30	7897.24	6760.59
31	7886.20	6716.28
32	7567.36	6895.44
33	6792.94	6720.22
34	6792.33	6860.22
35	6787.14	6860.20
36	8080.25	6857.09
37	8518.20	6950.41
38	8505.84	7572.04
39	8208.86	7875.60
40	7916.57	7887.63
41	7694.30	7812.28
42	7565.34	7704.27
43	7424.94	7550.23
44	7368.58	7472.44
45	7374.65	7438.16
46	7545.90	7305.48
47	7580.93	7309.88
48	7752.93	7530.43
49	7972.81	7636.29
50	8021.63	7635.75
51	8243.60	7426.41
52	8244.14	7412.76
53	8248.25	6948.72
54	8273.36	6923.94
55	8493.32	6924.91
56	8376.34	7427.95
57	8182.25	6948.66
58	8178.14	7412.18
59	8020.90	7569.76
60	7972.08	7570.30
61	7804.97	7489.84
62	7633.20	7269.58
63	7637.60	7234.44
64	8007.78	6947.61
65	8079.96	6923.09
66	7387.48	7811.15

LEGEND

GENERAL COMMON ELEMENT

LIMITED COMMON ELEMENT

.66 COORDINATE LOCATION

ALL THE IMPROVEMENTS SHOWN HEREON "NEED NOT BE BUILT".

SCALE: 1" = 100'

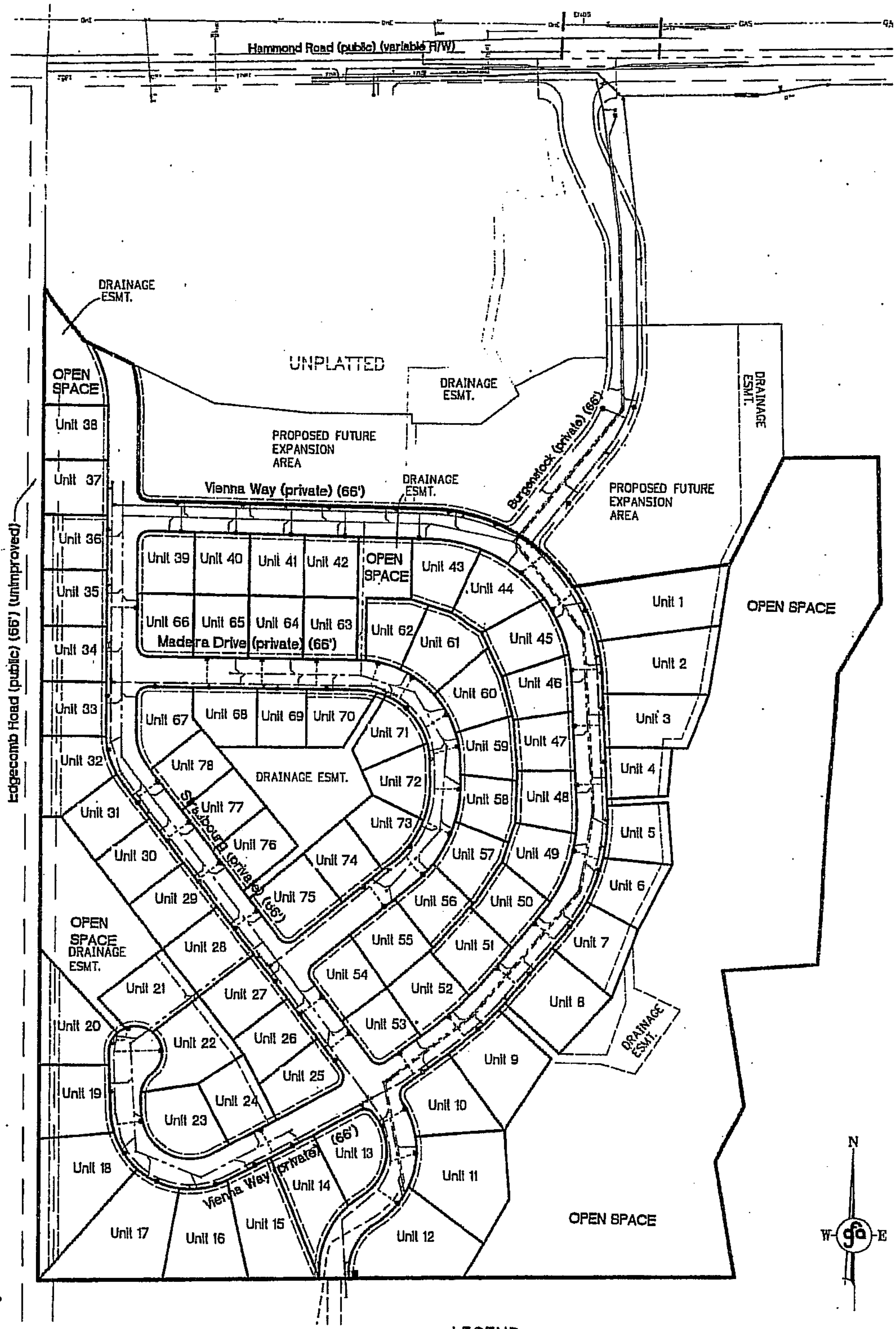
0' 50' 100' 200' 300'

gourdie-fraser

PROPOSED
DATE 6-30-05

SHEET 9

GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25681
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684



VERNDALE AT EAST BAY
A SITE CONDOMINIUM
UTILITY PLAN

gfa Gourdie-Fraser

PROPOSED
DATE 6-30-05
SHEET 10

GARY G. WILSON
PROFESSIONAL SURVEYOR
LICENSE NO. 25881
123 WEST FRONT STREET
TRAVERSE CITY, MICHIGAN 49684

NOTE: LOCATION OF UTILITIES DETERMINED FROM PLANS BY THIS OFFICE & FIELD OBSERVATION.

LEGEND
- WATERMAIN
- SANITARY SEWER LINE
- GAS LINE
- ELECTRIC, TELEPHONE & CABLE T.V. (UNDERGROUND)

ALL THE IMPROVEMENTS SHOWN HEREON "NEED NOT BE BUILT".

SCALE: 1" = 100'

0' 50' 100' 200' 300'

Michigan Department of Labor & Economic Growth

Filing Endorsement

This is to Certify that the ARTICLES OF INCORPORATION - NONPROFIT

for

VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

ID NUMBER: 794760

received by facsimile transmission on July 19, 2005 is hereby endorsed filed on July 20, 2005 by the Administrator. The document is effective on the date filed, unless a subsequent effective date within 90 days after received date is stated in the document.

In testimony whereof, I have hereunto set my hand and affixed the Seal of the Department, in the City of Lansing, this 21th day of July, 2005.

, Director

Bureau of Commercial Services

Sent by Facsimile Transmission 05202

C&S 502 (Rev. 10/00)

MICHIGAN DEPARTMENT OF CONSUMER & INDUSTRY SERVICES
BUREAU OF COMMERCIAL SERVICES

Date Received	(FOR BUREAU USE ONLY)
	This document is effective on the date filed, unless a subsequent effective date within 90 days after received date is stated in the document.

Name
-KURT M. BOWDEN, ESQ.

Address
620-A WOODMERE

City	State	Zip Code
TRAVERSE CITY	MI	49686

EFFECTIVE DATE:

Document will be returned to the name and address you enter above.
If left blank document will be mailed to the registered office.

ARTICLES OF INCORPORATION

For use by Domestic Non-Profit Corporations

(Please read information and instructions on the last page)

Pursuant to the provisions of Act 162, Public Acts of 1982, the undersigned corporation executes the following Articles:

ARTICLE I

The name of the corporation is:

VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

ARTICLE II

The purpose or purposes for which the corporation is organized are:

(a) To manage and administer the affairs of and to maintain a condominium in the Charter Township of East Bay, Grand Traverse County, Michigan, to be known as Verndale at East Bay Condominium, all appurtenances thereto and the common elements, property and easements thereof (the "Condominium");

ARTICLE III

1. The corporation is organized upon a Nonstock basis.
(Stock or Nonstock)

2. If organized on a stock basis, the total number of shares which the corporation has authority to issue is N/A. If the shares are, or are to be, divided into classes, the designation of each class, the number of shares in each class, and the relative rights, preferences and limitations of the shares of each class are as follows:

ARTICLE III (cont.)

3. a. If organized on a nonstock basis, the description and value of its real property assets are: (if none, insert "none")

None

b. The description and value of its personal property assets are: (if none, insert "none")

None

c. The corporation is to be financed under the following general plan:

Assessment of Members (Co-owners)

d. The corporation is organized on a Membership (Membership or Directorship) basis.

ARTICLE IV

1. The address of the registered office is:

6101 ANACAPRI BLVD. (Street Address) LANSING (City), Michigan 48917 (ZIP Code)

2. The mailing address of the registered office, if different than above is:

P.O. BOX 30660 (Street Address or P.O. Box) LANSING (City), Michigan 48909 (ZIP Code)

3. The name of the resident agent at the registered office is: B. L. HIESRODT

ARTICLE V

The name(s) and address(es) of the incorporator(s) is (are) as follows:

Name	Residence or Business Address
KURT M. BOWDEN	620-A WOODMERE, TRAVERSE CITY, MI 49686

Use space below for additional Articles of for continuation of previous Articles. Please identify any Article being continued or added. Attach additional pages if needed.

(Article II (Continued)

(b) To levy and collect assessments against and from the members of the Corporation and to use the proceeds therefrom for the purposes of the corporation, and to enforce assessments through liens and foreclosure proceedings where appropriate;

(c) To carry insurance and to collect and allocate the proceeds thereof;

(d) To restore, repair or rebuild the Condominium, or any portion thereof, after occurrence of casualty, and to negotiate on behalf of all of the members in connection with any taking of the common elements of the Condominium, or any portion thereof, by eminent domain;

(e) To contract for and employ, and to discharge, persons or business entities to assist in the management, operation, maintenance and administration of the Condominium;

(f) To make reasonable rules and regulations governing the use and enjoyment of the Condominium by members and their tenants, guests, employees, invitees, families and pets and to enforce such rules and regulations by all legal methods, including, without limitation, imposing fines and late payment charges, or instituting eviction or legal proceedings;

(g) To own, maintain and improve, and to buy, sell, convey, assign, transfer, mortgage or lease (as landlord or tenant), or otherwise deal in any real or personal property, including, but not limited to, any Condominium Unit, easements, rights-of-way, licenses or any other real property, whether or not contiguous to the Condominium, to benefit the members of the Corporation and to further any of the purposes of the corporation;

(h) To borrow money and issue evidences of indebtedness in furtherance of any and all of the purposes of the business of the corporation, and to secure the same by mortgage, pledge or other lien on the corporation's property; provided, however, that any such action shall be subject to limitation in amount and to voter approval as provided in the Condominium Bylaws;

(i) To enforce the provisions of the Master Deed and Bylaws of the Condominium and of these Articles of Incorporation and such Bylaws, Rules and Regulations of this Corporation as may hereafter be adopted, and to sue on behalf of the Condominium or the members and to assert, defend or settle claims on behalf of the members with respect to the Condominium;

(j) To do anything required of or permitted to it as administrator of said Condominium by the Condominium Master Deed or Bylaws or by Act No. 59 of the Public Acts of 1978, as amended, including, but not limited to, those amendments contained in Act No. 538 of the Public Acts of 1982, and Act No. 113 of the Public Acts of 1983, as amended; and

(k) In general, to enter into any kind of activity, to make and perform any contract and to exercise all powers necessary, incidental or convenient to the administration, management, maintenance, repair, replacement and operation of the Condominium and to the accomplishment of any of the purposes thereof not forbidden, and with all powers conferred upon nonprofit corporations by the laws of the State of Michigan.

(Continued)

I, the Incorporator sign my name this 19th day July, 2005.

KURT M. BOWDEN

ARTICLES OF INCORPORATION

VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

ARTICLE VI

The term of this corporation shall be perpetual.

ARTICLE VII

The qualifications of members, the manner of their admission to membership in the Corporation, the termination of membership and voting by members shall be as follows:

(a) Each Co-owner (including the Developer) of a Condominium unit shall be a member of the Corporation, and no other person or entity shall be entitled to membership; except that the Incorporator shall be a member of the corporation until such time as the Developer becomes a member as hereinafter provided, at which time the Incorporator's membership shall terminate.

(b) Membership in the Corporation (except with respect to the Incorporator, who shall cease to be a member upon the qualification for membership of any Co-owner) shall be established by the acquisition of legal or equitable title to a Condominium Unit and by recording with the Register of Deeds in the County where the Condominium is located a deed or other instrument evidencing such title and the furnishing of evidence of same satisfactory to the Corporation (except that the Developer of the Condominium shall become a member immediately upon establishing the Condominium), the new Co-owner thereby becoming a member of the Corporation, and the membership of the prior co-owner of such unit thereby being terminated.

(c) Neither membership nor the share of the member in the funds and assets of the Corporation can be assigned, pledged or transferred in any manner, except as an appurtenance to a Condominium Unit.

(d) Voting by members shall be in accordance with the provisions of the Bylaws of this Corporation.

ARTICLE VIII

When a compromise or arrangement or a plan of reorganization of this Corporation is proposed between this corporation and its creditors, or any class of them, or between this Corporation and its members, or any class of them, a court of equity jurisdiction within the state, on application of this Corporation or of a creditor, or member of the Corporation, or on application of a receiver appointed for the Corporation, may order a meeting of the creditors or class of creditors or of the members or class of members to be affected by the proposed compromise or arrangement or reorganization, to be summoned in such manner as the court directs. If a majority in number representing seventy-five percent (75%) in value of the creditors or class of creditors, or of the members or class of members, to be affected by the proposed compromise or arrangement or a reorganization, agree to a compromise or arrangement or a reorganization of this Corporation as a consequence of the compromise or arrangement, the compromise or arrangement and the reorganization, if sanctioned by the court to which the application has been made, shall be binding on all the creditors or class of creditors, or on all of the members or class of members, and also on this Corporation.

SCHEDULE "A" TO
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OF
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ARTICLES OF INCORPORATION

VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

ARTICLE IX

Any action required or permitted to be taken at an annual or special meeting of members may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken, is signed by members having not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting at which all members entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to members who have not consented in writing.

ARTICLE X

A contract or other transaction between this Corporation and one or more of its directors or officers, or between this Corporation and another corporation, firm or association of any type or kind, in which one or more of this corporation's directors or officers are directors or officers, or are otherwise interested, is not void or voidable solely because of such common directorship, officership or interest, or solely because such Directors are present at the meeting of the board or committee thereof which authorizes or approves the contract or transaction, or solely because their votes are counted for such purpose if:

(a) The contract or other transaction is fair and reasonable to this Corporation when it is authorized, approved or ratified; or

(b) The material facts as to the Director's or officer's relationship or interest and as to the contract or transaction are disclosed or known to the board or committee, and the board or committee authorizes, approves or ratifies the contract or transaction by a vote sufficient for the purpose without counting the vote of any common or interested Director; or

(c) The material facts as to the Director's or officer's relationship or interest as to the contract or transaction are disclosed or known to the members, and they authorize, approve or ratify the contract or transaction.

ARTICLE XI

These Articles of Incorporation may be amended, altered, changed or repealed only by the affirmative vote of not less than sixty-six and two-thirds percent (66 2/3%) of the entire membership of the corporation; provided, that in no event shall any amendment make changes in the qualification for membership or the voting rights of members without the unanimous consent of the membership.

ARTICLE XII - INDEMNIFICATION OF DIRECTORS AND OFFICERS

A. Third Party Proceedings. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, other than an action by or in the right of the Corporation, by reason of the fact that the person is or was a Director or officer of the

Corporation, or is or was serving at the request of the Corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, business corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not for profit, against expenses including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit, or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation or its members and with respect to any criminal action or proceeding, if the person had no reasonable cause to believe that conduct was 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 the person reasonably believed to be in or not opposed to the best interests of the Corporation or its members and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful. The right to indemnification conferred in this Section shall be a contract right.

The Corporation may, by action of its Board of Directors, or by action of any person to whom the Board of Directors has delegated such authority, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of directors and officers.

B. Derivative Shareholder Liability. The Corporation shall indemnify any person who was or is a party to or is threatened to be made a party to a threatened, pending, or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that the person is or was a Director or officer of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, business corporation, partnership, joint venture, trust, or other enterprise whether for profit or not against expenses, including actual and reasonable attorneys' fees, and amounts paid in settlement incurred by the person in connection with the action or suit if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interests of the Corporation or its members. However, indemnification shall not be made for a claim, issue, or matter in which the person has been found liable to the Corporation unless and only to the extent that the court in which the action or suit was brought has determined upon application that, despite the adjudication of liability but in view of all circumstances of the case, the person is fairly and reasonably entitled to indemnification for expenses which the court considers proper. The right to indemnification conferred in this Section shall be a contract right.

The Corporation may, by action of its Board of Directors, or by action of any person to whom the Board of Directors has delegated such authority, provide indemnification to employees and agents of the Corporation with the same scope and effect as the foregoing indemnification of Directors and officers.

SCHEDULE "A" TO
ARTICLES OF INCORPORATION
OF
VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

ARTICLES OF INCORPORATION

VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

To the extent that a Director, officer, employee, or agent of the Corporation has been successful on the merits or otherwise in defense of an action, suit, or proceeding referred to in paragraph A or B above, or in defense of a claim, issue, or matter in the action, suit, or proceeding, the successful party shall be indemnified against expenses, including actual and reasonable attorneys' fees, incurred in connection with the action, suit, or proceeding and in any action, suit, or proceeding brought to enforce the mandatory indemnification provided in this subsection.

C. Determination of Indemnification. An indemnification under paragraph A or B, unless ordered by a court, shall be made by the Corporation 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 paragraphs A or B. This determination shall occur within thirty (30) days after a written claim for indemnification has been received by the Corporation and shall be made in any of the following ways:

(1) By a majority vote of a quorum of the board consisting of Directors who were not parties to the action suit, or proceeding.

(2) If the quorum described in subdivision (1) is not obtainable, then by a majority vote of a committee of Directors who are not parties to the action. The committee shall consist of not less that 2 disinterested Directors.

(3) By independent legal counsel in a written opinion.

(4) By the members or Co-owners.

If a person is entitled to indemnification under paragraph A or B for a portion of expenses including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement but not for the total amount thereof, the Corporation shall indemnify the person for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the person is entitled to be indemnified.

D. Payment of Defense Expenses in Advance. Expenses incurred in defending a civil or criminal action, suit, or proceeding described in paragraph A or B shall be paid by the Corporation in advance of the final disposition of the action, suit, or proceeding upon receipt of a written claim for indemnification and upon receipt of an undertaking by or on behalf of the Director or officer to repay the expenses if it is ultimately determined that the person is not entitled to be indemnified by the corporation. The undertaking shall be by unlimited general obligation of the person on whose behalf advances are made but need not be secured.

E. Right of Officer or Director to Bring Suit. If a claim for indemnification is not paid in full by the Corporation within forty-five (45) days after a written claim has been received by the Corporation, the officer or Director who submitted the claim (hereinafter the "indemnitee") may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit or in a suit brought by the Corporation to recover advances, the indemnitee shall be entitled to be paid also the expense of prosecuting or defending such claim. In any action brought by the indemnitee to enforce a right hereunder (other than an action brought to enforce a claim for expenses incurred in defending any proceeding in advance of its final disposition where the required undertaking, if any, has been tendered to the Corporation) it shall be a defense that, and in any action brought by the Corporation to recover advances the Corporation shall be entitled to recover such advances if, the indemnitee has not met

SCHEDULE "A" TO
ARTICLES OF INCORPORATION
OF
VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

the applicable standard of conduct set forth in paragraph A or B. Neither the failure of the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) to have made a determination prior to the commencement of such action that indemnification of the indemnitee is proper in the circumstances because he or she has met the applicable standard of conduct set forth in paragraph A or B, nor an actual determination by the Corporation (including its Board of Directors, independent legal counsel, or its shareholders) that the indemnitee has not met such applicable standard of conduct, shall be a defense to an action brought by the indemnitee or create a presumption that the indemnitee has not met the applicable standard of conduct. In any action brought by the indemnitee to enforce a right hereunder or by the Corporation to recover payments by the Corporation of advances, the burden of proof shall be on the Corporation.

F. Other Indemnification. The indemnification or advancement of expenses provided under paragraphs A through E is not exclusive of other rights to which a person seeking indemnification or advancement of expenses may be entitled under the Corporation's Articles of Incorporation, Bylaws, or a contractual agreement. However, the total amount of expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the person seeking indemnification or advancement of expenses.

The indemnification provided in paragraphs A through F and this section continues as to a person who ceases to be a Director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person.

G. Liability Insurance. The Corporation may purchase and maintain insurance on behalf of any person who is or was a Director, officer, employee, or agent of the Corporation, or is or was serving at the request of the Corporation as a Director, officer, employee, or agent of another corporation, business corporation partnership, joint venture, trust, or other enterprise against any liability asserted against the person and incurred by the person in any such capacity or arising out of the person's status as such, whether or not the Corporation would have power to indemnify the person against such liability under the Michigan Business Corporation Act or paragraphs A through F.

H. Definitions. As used herein, "Corporation" includes all constituent corporations absorbed in a consolidation or merger and the resulting or surviving corporation or business corporation, so that a person who is or was a Director, officer, employee, or agent of the constituent corporation or is or was serving at the request of the constituent corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, business corporation, partnership, joint venture, trust, or other enterprise whether for profit or not shall stand in the same position under the provisions of this Article with respect to the resulting or surviving corporation or business corporation as the person would if the person had served the resulting or surviving corporation or business corporation in the same capacity.

As used herein, "other enterprises" shall include employee benefit plans; "fines" shall include any excise taxes assessed on a person with respect to an employee benefit plan; and "serving at the request of the Corporation" shall include any service as a Director or officer of the Corporation which imposes duties

on, or involves services by, the Director or officer with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he or she reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be considered to have acted in a manner "not opposed to the best interest of the Corporation or its members" as referred to in paragraphs A and B.

SCHEDULE "A" TO
ARTICLES OF INCORPORATION
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VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

CORPORATE BYLAWS

ARTICLE I

ADOPTION OF CORPORATE BYLAWS

The Condominium Bylaws of Verndale at East Bay Condominium (the "Condominium Bylaws"), as attached to the Master Deed and recorded at Document #2005C-00046, Grand Traverse County, Michigan Records, are hereby incorporated by reference and adopted in their entirety as a part of the bylaws of this Corporation. The Corporation is therein and hereinafter referred to as the "Association."

ARTICLE II

MEETINGS

Section 1. Procedure. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Co-owners as may be designated by the Board of Directors. Voting shall be as provided in the Condominium Bylaws. Meetings of the Association shall be conducted in accordance with Roberts Rules of Order or some other generally recognized manual of parliamentary procedure, when not otherwise in conflict with the Articles of Incorporation, these Bylaws, the Condominium Bylaws, the Master Deed or the laws of the State of Michigan.

Section 2. Meetings. The first meeting of Co-owners of the Association shall be held in accordance with Article III, Section 1, of the Condominium Bylaws. The date, time and place of the first 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, annual meetings of Co-owners of the Association shall be held in each succeeding year at such time and place as shall be determined by the Board of Directors. At such meetings there shall be elected by ballot of the Co-owners a Board of Directors in accordance with the requirements of Article III of these Bylaws and Article IV, Section I of the Condominium Bylaws. The Co-owners may also transact at annual meetings such other business of the Association as may properly come before them.

Section 3. Special Meetings. Special meetings of the Co-owners of the Association shall be held in accordance with the provisions of Article III, Section 4, of the Condominium Bylaws.

Section 4. Notice. It shall be the duty of the Secretary (or other Association officer designated by the President in the Secretary's absence) to serve notice of each annual, special or other meeting, stating the purpose thereof as well as the time and place where it is to be held, upon each member of record, at least ten (10) days but not more than sixty (60) days prior to such meeting. The mailing, postage prepaid, of a notice to the representative of each member at the address shown in the notice required to be filed with the Association by Article II, Section 3, of the Condominium Bylaws shall

be deemed notice served. Any Co-owner may, by written waiver of notice signed by such Co-owner, waive such notice, and such waiver, when filed in the records of the Association, shall be deemed due notice.

Section 5. Adjournment. If any meeting of Co-owners cannot be held because a quorum, as defined in the Condominium Bylaws, is not in attendance, the Co-owners who are present may adjourn the meeting for not more than thirty (30) days.

Section 6. Attendance via Conference Telephone or Similar Communications Equipment. A Co-owner may attend and participate in a meeting of Co-owners via a conference telephone or similar communications equipment by which all persons participating in the meeting may hear each other; provided that all participants are advised of the communications equipment and the names of the participants in the conference are divulged to all participants. Such participation by a Co-owner in a meeting shall constitute presence in person at the meeting.

ARTICLE III

BOARD OF DIRECTORS

Section 1. Number. As provided in the Condominium Bylaws, the affairs of the Association shall initially be governed by a board of three (3) Directors, all of whom, except for the first Board of Directors designated in the Articles of Incorporation of the Association and their appointed successors, must be members of (or Directors or officers of Co-owners of the Association. Directors shall serve without compensation.

Section 2. Election; Terms. The first Board of Directors designated in the Articles of Incorporation, and their appointed successors, shall manage the affairs of the Association until a successor Board of Directors is elected at the first meeting of Co-owners of the Association convened at the time required by Article II, Section 2, of these Bylaws. Such successor Board of Directors shall be elected by the Developer and by the non-Developer Co-owners, as provided by Article IV, Section 1, of the Condominium Bylaws. The Directors shall serve one (1) year terms, unless they sooner resign, are removed pursuant hereto or are replaced in accordance with the provisions of the Condominium Bylaws. The Directors shall hold office until their successors have been elected and hold their first meeting.

Section 3. Powers. The Board of Directors shall have the powers and duties set forth in the Condominium Bylaws.

Section 4. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Co-owners of the Association shall be filled by vote of the majority of the remaining Directors. Each person so elected shall be a Director until a successor is elected to fill the remainder of the term at the next meeting of the Association.

Section 5. Removal. At any regular meeting of the Association duly called, and at any special meeting of the Association called in whole or in part for such purpose, and subject to the requirements of Article II hereof, any one or more of the Directors may be removed with or without cause by a vote of those Co-owners entitled to vote in an election of such Director's replacement, unless the votes cast against the Director's removal would be sufficient to elect the Director if then cumulatively voted in an election in which that Director would be standing for election. At that time, a successor shall then and there be elected to fill the vacancy thus created. A successor Director so elected shall serve until the end of the term of the person he was elected to replace. Any Director whose removal has been proposed by the Co-owners shall be given an opportunity to be heard at the meeting.

Section 6. Initial Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days after its election at such place as shall be fixed by the Directors at the meeting at which such Directors were elected, and no notice shall be necessary to the newly elected Directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 7. Regular Meetings. Regular meetings of the Board of Directors may be held at such times and places as shall be determined from time to time by a majority of the Directors, but at least three (3) such meetings shall be held during each fiscal year. Notice of regular meetings of the Board of Directors shall be given to each Director, personally or by mail, telephone or telegraph, at least ten (10) days prior to the date named for such meeting.

Section 8. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each Director, given personally or by mail, telephone or telegraph, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of one Director.

Section 9. Waiver of Notice. Before or at any meeting of the Board of Directors, any Director may, in writing, waive notice of such meeting, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be deemed a waiver of notice by him of the time and place thereof unless his appearance is for the purpose of protesting the holding of such meeting. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 10. Quorum. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the acts of the majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the

minutes thereof shall constitute the presence of such Director for purposes of determining a quorum, but no proxies shall be permitted.

Section 11. Bonding. The Board of Directors shall require that all officers and employees of the Association handling or responsible for Association funds furnish adequate fidelity bonds. The premiums on such bonds shall be expenses of administration.

ARTICLE IV

OFFICERS

Section 1. Designation. The officers of the Association shall be a President, Secretary and a Treasurer, who shall all be members of the Board of Directors.

Section 2. Election. The officers of the Association shall be elected annually by the Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal. Upon affirmative vote of a majority of the Co-owners of the Board of Directors, any officer may be removed either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called in whole or in part for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association. He shall preside at meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the president of a corporation, including, but not limited to, the power to appoint committees from among the Co-owners of the Association from time to time as he may in his discretion deem appropriate to assist in the conduct of the affairs of the Association.

Section 5. Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the Co-owners of the Association; he shall have charge of the corporate seal and of such books and papers as the Board of Directors may direct; and he shall, in general, perform all duties incident to the office of the Secretary.

Section 6. Treasurer. The Treasurer shall have responsibility for the Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements, specifying the operating expenses clearly, in books belonging to the Association. He shall be responsible for the deposit of all moneys and other valuable effects in the name and to the credit of the Association, in such depositories as may, from time to time, be designated by the Board of Directors. He shall ensure that expenditures for the maintenance and repair of common elements and any other expenses incurred by or on behalf of the Condominium are properly recorded. In

accordance with Article V, Section 3, of the Condominium Bylaws, the Treasurer shall prepare and distribute to each Co-owner at least once per year the Association financial statement.

Section 7. Other Duties. The officers shall have such other duties, powers and responsibilities as shall, from time to time, be authorized by the Board of Directors.

ARTICLE V

SEAL

Section 1. Description. If so determined by the Board of Directors, the Association shall have a seal, which shall have inscribed thereon the name of the Corporation, and the words "Corporate Seal" and "Michigan."

ARTICLE VI

FINANCE

Section 1. Handling. The finances of the Association shall be handled in accordance with the Condominium Bylaws.

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. Depository. 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 officers, employees or agents as are designated by resolution of the Board of Directors from time to time.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

The Association shall indemnify every Association Director and officer as provided in Article IV, Section 6, of the Condominium Bylaws.

ARTICLE VIII

AMENDMENTS

Section 1. Method. These Bylaws (but not the Condominium Bylaws) may be amended by the Association, at a duly constituted meeting for such purpose, by an affirmative vote of a two-

thirds (⅔) majority of the Co-owners present in person or by proxy, as provided in the Condominium Bylaws.

Section 2. Proposed. Amendments to these Bylaws 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 or more in number of the Co-owners of the Association, whether meeting as Co-owners or by instrument in writing signed by them.

Section 3. Meeting. Upon any such amendment being proposed, a meeting for consideration of the same shall be duly called in accordance with the provisions of Article II, Section 3, of these Bylaws.

Section 4. Amendments Prior to Initial Meeting. Prior to the first meeting of Co-owners, these Bylaws may be amended only by the Board of Directors of the Association upon the motion of a Director, so long as such amendments shall not increase or decrease the benefits or obligations, or materially affect the rights, of any Co-owner of the Association.

Section 5. Effective Date. Any amendment to these Bylaws shall become effective upon adoption of the same in accordance with Section 1 or 4 of this Article VIII without approval by the State of Michigan and without recording in the office of the Register of Deeds.

Section 6. Distribution. A copy of each amendment to these Bylaws shall be furnished to every Co-owner of the Association after adoption, but failure to make such distribution shall not affect the validity of any amendment otherwise duly adopted.

ARTICLE IX

COMPLIANCE

These Bylaws are set forth to comply with the requirements of the Act, and with the duly recorded Master Deed of the Condominium and Exhibits A and B attached thereto. In case any of these Bylaws conflict with the provisions of the Act, or any other applicable law, or with the provisions of said Master Deed or the Exhibits thereto, the provisions of the Act, law and said Master Deed shall be controlling, as set forth in Article XV of the Condominium Bylaws.

Escrow Agreement

THIS AGREEMENT is entered into this _____ day of July, 2005, between Auto-Owners Insurance Company, a Michigan corporation, whose address is 6101 Anacapri Blvd., Lansing, Michigan 48917-3999 ("Developer") and _____, a _____ corporation, of _____ ("Escrow Agent").

RECITALS:

WHEREAS, Developer is establishing a site Condominium Development known as Verndale at East Bay Condominium, which has been established as a condominium project under the Michigan Condominium Act (Act No. 59, Public Acts of 1978, as amended, hereinafter the "Act"); and

WHEREAS, Developer is selling Units in Verndale at East Bay Condominium and is entering into Preliminary Reservation Agreements and Purchase Agreements (collectively referred to herein as "Agreements") with Purchasers for such units in substantially the form attached hereto, and each Agreement requires that all deposits made under such Agreements be held by Escrow Agent under an Escrow Agreement; and

WHEREAS, the parties hereto desire to enter into such an Escrow Agreement for the benefit of Developer and for the benefit of each purchaser (hereinafter called "Purchaser") who makes deposit under an Agreement.

NOW, THEREFORE, it is agreed as follows:

1. Developer shall, after receipt, promptly transmit to Escrow Agent all sums deposited with it under an Agreement, together with a fully executed copy of such Agreement.

2. The sums paid to Escrow Agent under the terms of any Preliminary Reservation Agreement shall be held and released upon the following conditions:

(a) If either Developer or Purchaser notifies Escrow Agent at any time prior to the execution of a Purchase Agreement by Purchaser of his intent to withdraw from a Preliminary Reservation Agreement, Escrow Agent shall return within three (3) days the amount held in escrow to the Purchaser. Upon the return of said deposit, the Preliminary Reservation Agreement shall terminate, and all liability of Escrow Agent hereunder with respect thereto shall be discharged.

(b) If Developer and Purchaser enter into a Purchase Agreement superseding a Preliminary Reservation Agreement and direct Escrow Agent to continue to hold the deposit in escrow in accordance with its terms, and if they provide Escrow Agent with a copy of the Purchase Agreement, then Escrow Agent shall continue to hold said deposit in accordance with the terms of this Escrow Agreement that pertain to Purchase Agreements.

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

(a) Except as provided in Paragraphs 2(b) and 5 hereof, amounts required to be retained in escrow in connection with the purchase of a site Condominium Unit shall be released to the Developer pursuant to Paragraph 6 only upon all of the following:

(i) Issuance of a certificate of occupancy for the site Condominium Unit, if required by local ordinance.

(ii) Conveyance of legal or equitable title to the site Condominium Unit to the Purchaser.

(iii) Receipt by Escrow Agent of a certificate signed by a licensed professional engineer or architect either confirming that those portions of the phase of the Project in which the Condominium Unit is located and which on the Condominium Subdivision Plan are labeled "must be built" are substantially complete, or determining the amount necessary for substantial completion thereof.

(iv) Receipt by Escrow Agent of a certificate signed by a licensed professional engineer or architect either confirming that recreational or other facilities which on the Condominium Subdivision Plan (Exhibit B to the Master Deed) are labeled "must be built," whether located within or outside of the phase of the Project in which the Condominium Unit is located, and which are intended for common use, are substantially complete, or determining the amount necessary for substantial completion thereof.

(b) If the Purchaser under a Purchase Agreement shall default in making any payments required by said Agreement or in fulfilling any other obligations thereunder for a period of ten (10) days after written notice by Developer to Purchaser, Escrow Agent shall release sums held pursuant to said Agreement to Developer in accordance with the terms of said Agreement.

(c) If a Purchaser fails to obtain a mortgage if a mortgage contingency is provided in the Purchase Agreement, Escrow Agent shall release all sums held by it pursuant to said Agreement to Purchaser.

(d) If a Purchaser duly withdraws from a Purchase Agreement prior to the time that said Agreement becomes binding under Section 4 of the General Provisions thereof, then Escrow Agent shall release to Purchaser all of Purchaser's deposits held thereunder.

4. Escrow Agent shall be under no obligation to earn interest upon the escrowed sums held pursuant to this Agreement. In the event that interest is earned upon such sums, such interest shall be separately accounted for by Escrow Agent and shall be held in escrow and paid to Developer upon termination of this Escrow Agreement; provided, however, that if this Agreement terminates pursuant to Paragraph 3(c) hereof, then such interest, if any, shall be paid to Purchaser.

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

6. (a) Substantial completion and the estimated cost for substantial completion of the items described in Paragraphs 3(a)(iii) and 3(a)(iv) and in Paragraph 7 shall be determined by a licensed professional engineer or architect, as provided in Paragraph 6(b), subject to the following:

(i) Items referred to in Paragraph 3(a)(iii) shall be substantially complete only after all utility mains and leads, all major structural components of buildings, all building exteriors and all sidewalks, driveways, landscaping and access roads, to the extent such items are designated

on the Condominium Subdivision Plan as "must be built," are substantially complete in accordance with the pertinent plans therefor.

(ii) If the estimated cost of substantial completion of any of the items referred to in Paragraphs 3(a)(iii) and 3(a)(iv) cannot be determined by a licensed professional engineer or architect due to the absence of plans, specifications, or other details that are sufficiently complete to enable such a determination to be made, such cost shall be the minimum expenditure specified in the recorded Master Deed or amendment for completion thereof. To the extent that any item referred to in Paragraphs 3(a)(iii) and 3(a)(iv) is specifically depicted on the Condominium Subdivision Plan, an estimate of the cost of substantial completion prepared by a licensed professional engineer or architect shall be required in place of the minimum expenditure specified in the recorded Master Deed or amendment.

(b) A structure, element, facility or other improvement shall be deemed to be substantially complete when it can be reasonably employed for its intended use and, for purposes of certification under this section, shall not be required to be constructed, installed, or furnished precisely in accordance with the specifications for the Project. A certificate of substantial completion shall not be deemed to be a certification or warranty as to the quality of the items to which it relates.

7. Upon receipt of a certificate issued pursuant to Paragraphs 3(a)(iii) and 3(a)(iv) determining the amounts necessary for substantial completion, Escrow Agent may release to the Developer all funds in escrow in excess of the amounts determined by the issuer of such certificate to be necessary for substantial completion. In addition, upon receipt by Escrow Agent of a certificate signed by a licensed professional engineer or architect confirming substantial completion in accordance with the pertinent plans of an item for which funds have been deposited in escrow, Escrow Agent shall release to the Developer the amount of such funds specified by the issuer of the certificate as being attributable to such substantially completed item. However, if the amounts remaining in escrow after such partial release would be insufficient in the opinion of the issuer of such certificate for substantial completion of any remaining incomplete items for which funds have been deposited in escrow, only the amount in escrow in excess of such estimated cost to substantially complete shall be released by Escrow Agent to the Developer. Notwithstanding a release of escrowed funds that is authorized or required by this section, Escrow Agent may refuse to release funds from an escrow account if Escrow Agent, in its judgment, has sufficient cause to believe the certificate confirming substantial completion or determining the amount necessary for substantial completion is fraudulent or without factual basis.

8. Not earlier than nine (9) months after closing the sale of the first Unit in a phase of the Condominium Project for which escrowed funds have been retained under Paragraph 3(a)(iii) or for which security has been provided under Paragraph 5, Escrow Agent, upon the request of the Association or any interested Co-owner, shall notify the Developer of the amount of funds deposited under Paragraph 3(a)(iii) or security provided under Paragraph 5 for such purpose that remains, and of the date determined under this subsection upon which those funds can be released. In the case of a facility intended for general common use, not earlier than nine (9) months after the date on which the facility was promised in the Condominium Documents to be completed by the Developer, Escrow Agent, upon the request of the Association or any interested Co-owner, shall notify the Developer of the amount of funds deposited under Paragraph 3(a)(iv) or security provided under Paragraph 5 for such purpose that remains, and of the date determined under this Paragraph upon which those funds can be released. Three (3) months after receipt of a request pertaining to funds described in Paragraph 3(a)(iii) or 3(a)(iv), funds that have not yet been released to the Developer may be released by Escrow Agent for the purpose of completing incomplete improvements for which the funds were originally retained, or for a purpose specified in a written agreement between the Association and the Developer entered into after the Transitional Control Date. The agreement may

specify that issues relating to the use of the funds be submitted to arbitration. Escrow Agent may release funds in the manner provided in such an agreement or may initiate an interpleader action and deposit retained funds with a court of competent jurisdiction. In any interpleader action, the circuit court shall be empowered, in its discretion, to appoint a receiver to administer the application of the funds. Any notice or request provided for in this Paragraph shall be in writing.

9. Escrow Agent in the performance of its duties under this Paragraph shall be deemed an independent party not acting as the agent of the Developer, any Purchaser, Co-owner, or other interested party. So long as Escrow Agent relies upon any certificate, cost estimate, or determination made by a licensed professional engineer or architect, as described in the Act, Escrow Agent shall have no liability whatever to the Developer or to any Purchaser, Co-owner, or other interested party for any error in such certificate, cost estimate, or determination, or for any act or omission by Escrow Agent in reliance thereon. Escrow Agent shall be relieved of all liability upon release, in accordance with this Paragraph, of all amounts deposited with it pursuant to the Act.

10. Escrow Agent may require reasonable proof of occurrence of any of the events, actions, or conditions stated herein before releasing any sums held by it pursuant to any Purchase Agreement to a Purchaser thereunder, or to Developer.

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

12. Developer hereby agrees to indemnify and hold harmless Escrow Agent for any loss or damage sustained by Escrow Agent, including, but not limited to, attorneys' fees resulting from any litigation arising from the performance of Escrow Agent's obligations and services, provided such litigation is not a result of Escrow Agent's wrongful act or negligence.

13. All notices required or permitted hereunder and all notices of change of address shall be deemed sufficient if personally delivered or sent by registered mail, postage prepaid and return receipt requested, addressed to the recipient party at the address shown above. For purposes of calculating time periods under the provisions of this Agreement, notice shall be deemed effective upon mailing or personal delivery, whichever is applicable.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers on the date set forth at the outset hereof.

Developer:

AUTO-OWNERS INSURANCE COMPANY, a Michigan corporation

By: S.R. Birn
Its: Senior Vice President, Secretary and General Counsel

By: Gwendoline A. Maisch,
Its: Assistant General Counsel

Escrow Agent:

_____,
a Michigan corporation

By:
Its:

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VERNDALE AT EAST BAY CONDOMINIUM
PURCHASE AGREEMENT

Auto-Owners Insurance Company, a Michigan corporation, whose address is 6101 Anacapri Blvd., Lansing, Michigan 48917-3999 (the "Developer"), hereby agrees to sell, and _____ ("Purchaser"), hereby agrees to purchase, on the terms and subject to the conditions set forth in this Agreement, Unit Number ____ (the "Unit") at Verndale at East Bay Condominium ("Verndale"), a condominium located in East Bay Township, Grand Traverse County, Michigan.

1. *Purchase Price.* The purchase price for Unit Number ____, located as indicated on the site plan for Verndale, which Purchaser acknowledges he has examined, together with an undivided interest in the common elements appertaining thereto, shall be _____ Dollars ($_____), payable in full upon execution and delivery of a Warranty Deed.

To evidence his good faith, Purchaser has deposited with Developer the sum of _____ Dollars ($_____), which shall be held in escrow as provided in Paragraph 2 below and applied to the purchase price at closing.

Purchaser agrees that, in addition to the purchase price above mentioned, he will be liable for his proportionate share of the Association assessments for maintenance, repair, replacement and other expenses of administration as outlined in the Condominium Bylaws of Verndale.

2. *Escrow of Funds.* Developer and Purchaser hereby agree that all amounts received by Developer under this Agreement shall be deposited in an escrow account with _____ ("Escrow Agent") in accordance with the Michigan Condominium Act, and pursuant to the terms of an Escrow Agreement between Developer and Escrow Agent, a copy of which is attached hereto and incorporated by reference herein. If Purchaser withdraws from this Agreement in accordance with Paragraph 4 below, all amounts deposited with Escrow Agent under this Agreement shall be returned to Purchaser within three (3) business days in full satisfaction of all rights of Purchaser, and thereupon this Agreement, and all rights and liabilities of Purchaser and Developer hereunder, shall be terminated. After the expiration of the withdrawal period described in Paragraph 4 below, Developer is required to retain sufficient funds in escrow or other sufficient security to assure completion of only those uncompleted structures and improvements labeled in the Condominium Documents "must be built."

3. *Plan and Purpose.* The Verndale at East Bay Condominium Association has been established by the Developer as a Michigan nonprofit corporation for the purpose of operating and maintaining the Common Elements of the Condominium. Each co-owner will be a member of the Association and will be subject to the Bylaws and regulations thereof. A representative of the person or persons owning each Unit will be entitled to one (1) vote in the affairs of the Association, the value of which shall equal the percentage allocated to the Unit owned by such co-owner in the Master Deed. Purchaser hereby agrees to abide by the terms, provisions, declarations, covenants and restrictions contained in the Master Deed, Bylaws and Condominium Subdivision Plan of Verndale, and the Articles of Incorporation, Bylaws, and Rules and Regulations of the Verndale at East Bay Condominium Association (hereinafter collectively called the "Condominium Documents"), the contents of which are as Developer, in its sole discretion, has determined appropriate, but which are in compliance with the Michigan Condominium Act.

4. *Receipt of Documents; Withdrawal.* On the date set forth in the Acknowledgment which is attached hereto and incorporated by reference herein (the "Document Receipt Date"), Purchaser received from Developer:

(a) Copies of the Condominium Documents, including the recorded Master Deed;

(b) A copy of this Agreement in a form which was complete and ready for signature by Purchaser together with a copy of the Escrow Agreement;

(c) A Condominium Buyers Handbook published by the Michigan Department of Commerce, together with an insert thereto describing changes instituted by the 1983 amendments to the Condominium Act;

(d) An explanation form pursuant to Section 84a of the Condominium Act; and

(e) A Disclosure Statement for Verndale at East Bay Condominium.

Purchaser may withdraw from this Agreement without cause and without penalty if the withdrawal is made by written notice to Developer before the conveyance of title to the Unit as described in Paragraph 2 above, and within nine (9) business days after the Document Receipt Date. Immediately after Purchaser's withdrawal from this Agreement, Purchaser shall execute and mail or deliver to Escrow Agent a Certificate in the form attached hereto as Exhibit "A." For purposes of any release of funds held by Escrow Agent, Purchaser's withdrawal shall not be effective until such Certificate has been received by Escrow Agent at the following address:

_____

_____

_____

For all other purposes, Purchaser's withdrawal shall be effective upon mailing or personal delivery of a written notice to Developer. If Purchaser does not withdraw, this Agreement shall become binding upon the elapse of nine (9) business days after the Document Receipt Date. The calculation of the nine (9) business-day withdrawal period shall include the Document Receipt Date if such date is a business day. The term "business day" as used in this Agreement means a day other than a Saturday, Sunday or legal holiday.

5. *Conveyance of Title.* Developer agrees to convey to Purchaser good and marketable title by warranty deed to the Unit subject to: (a) easements, covenants and restrictions of record; (b) all governmental limitations, acts of Purchaser and the Condominium Documents; and (c) all installments of any special or supplemental assessment that are not at the time of the conveyance due and payable. Purchaser agrees to consummate the purchase of the Unit from Developer within ten (10) days after Developer has notified Purchaser in writing that it is prepared to tender title and possession. It is understood that Purchaser will, at the time title is conveyed to him, pay all mortgage costs and such other closing costs as are customarily paid by the purchasers of comparable real estate in this jurisdiction. Insurance charges, if any, will be prorated to the date of closing. There shall be no proration of real estate taxes. Developer shall be responsible for paying all taxes which become due and payable prior to the date of this Agreement, and Purchaser shall be responsible for all taxes which become due and payable on or after the date of this Agreement. Purchaser shall also be responsible for paying any special taxes or assessments, or any installments thereof, for improvements not completed as of the date of this Agreement. If the real property tax bills relative to the condominium property have not yet been split into separate tax bills for each unit by the local tax assessor, Developer may require Purchaser to pay into an escrow account to be maintained by the Association an amount equal to Purchaser's estimated share of real estate taxes with respect to the Condominium Project which will next fall due.

A prorated annual assessment equal to the annual assessment for the budget year of the Association then in effect, times the percentage of the budget year remaining between the date of closing and the end of the budget year, shall be paid by Purchaser to the Association at the time of closing. Purchaser shall also, if required by Developer, make a proportionate contribution to the Association's insurance reserve at the time of closing. Within a reasonable time after closing, Developer, at its expense, will furnish Purchaser with an owner's title insurance policy issued by Lawyer's Title Insurance Corporation in a face amount equal to the purchase price of the Unit, subject to the general printed exceptions contained in the policy and the permissible title exceptions hereinabove stated. A commitment to issue this title insurance policy will be delivered by Developer to Purchaser at or before closing. This commitment shall be conclusive evidence that good and merchantable title is being conveyed to Purchaser. If the commitment shows a defect in Developer's title, Developer shall have sixty (60) days to cure said defect. If Developer fails to clear its title within sixty (60) days, then, at the option of Purchaser, this Agreement shall become null and void and all amounts deposited with Escrow Agent under this Agreement shall be returned to Purchaser.

6. *Cancellation Rights of Developer.* It is understood that Purchaser's credit is subject to approval by Developer and by any proposed mortgagee. In the event Developer or such mortgagee determines that Purchaser does not have adequate credit for participation in this Project, then all amounts deposited with Escrow Agent under this Agreement shall be returned to Purchaser in full satisfaction of any rights of Purchaser, and thereupon this Agreement and all rights and liabilities of Purchaser and Developer hereunder shall be terminated.

If the Unit is located in a portion of the Condominium Project which is labeled "need not be built" in the Condominium Documents, then Developer may at any time in its sole discretion, by written notice to Purchaser, elect not to build the Unit. In such event, all amounts deposited with Escrow Agent under this Agreement shall be returned to Purchaser in full satisfaction of any rights of Purchaser, and thereupon this Agreement and all rights and liabilities of Purchaser and Developer hereunder shall be terminated.

7. *Assignment.* Developer may, in its sole discretion, release the obligations of Purchaser under this Agreement in the event Purchaser shall secure another purchaser who is satisfactory to Developer. This Agreement is not otherwise assignable by Purchaser.

8. *Default; Extras.* If the Purchaser shall default in any of his obligations under this Agreement and such default shall continue for ten (10) days following written notice from Developer, then, at the option of the Developer, all rights of Purchaser under this Agreement shall immediately terminate. If Purchaser's rights are terminated after this Agreement becomes binding in accordance with Paragraph 4 above, any amount paid toward the purchase price shall be retained by the Developer as liquidated damages; provided, however, that such liquidated damages shall in no event exceed ten percent (10%) of the purchase price specified in Paragraph 1 hereof. In lieu of accepting such liquidated damages, Developer may pursue such other legal and equitable remedies as may be available to it, including the right (which is hereby granted) to have this Agreement specifically enforced. If Purchaser's rights terminate before this Agreement becomes binding in accordance with Paragraph 4 above, all sums paid by Purchaser shall be returned to him and all rights and liabilities of Purchaser and Developer under this Agreement shall be terminated.

9. *Arbitration of Claims.* At the exclusive option of Purchaser, any claim which might be the subject of a civil action against Developer which involves an amount less than $2,500, and arises out of or relates to this Purchase Agreement or the Unit or the Project to which this Agreement relates, shall be settled by binding arbitration conducted by the American Arbitration Association. The arbitration shall be conducted in accordance with applicable law and the currently applicable rules of the American Arbitration Association. Judgment upon the award rendered by arbitration may be entered in a circuit court of appropriate jurisdiction.

10. *Oral Representation Not to Be Relied Upon.* This Agreement constitutes the entire agreement between the parties, and there are no other agreements, oral or written, relating to this transaction. No oral representations or statements shall be considered a part hereof. This Agreement may not be amended, modified or changed except by written agreement signed by both Developer and Purchaser.

11. *Notices.* All notices required or permitted hereunder and all notices of change of address shall be in writing and shall be deemed sufficient if personally delivered or sent by ordinary first-class mail or by registered or certified mail, postage prepaid, addressed to the Developer at the address set forth above, or to the Purchaser at the address shown below such party's signature to this Agreement. For purposes of calculating time periods under the provisions of this Agreement, notice shall be deemed effective upon mailing or personal delivery, whichever is applicable.

12. *Usage of Terms.* The pronouns and relative words herein used are written in the masculine and singular only. If the purchase is joint or by a woman or a business entity, such words shall be read as if written in plural or as appropriate in the circumstances.

13. *Partial Invalidity.* The invalidation of any portion of this Purchase Agreement shall not affect the validity of the remainder.

14. *Binding Effect.* This Agreement shall supersede any and all previous agreements between Developer and Purchaser with respect to the Unit and bind Developer and Purchaser, and their respective heirs, personal representatives, administrators, executors, assigns and successors.

This Agreement is executed by the parties on the _____ day of _____, 2005.

Developer:

AUTO-OWNERS INSURANCE
COMPANY, a Michigan corporation

_____
By:
Its:

_____
By:
Its:

Purchaser:

_____

_____

Address:

_____

_____

Telephone: _____

VERNDALE AT EAST BAY CONDOMINIUM

EXHIBIT A

PURCHASE AGREEMENT

PURCHASER'S CERTIFICATE

WHEREAS, _____ ("Purchaser"), on _____, 20___, entered into a Preliminary Reservation Agreement and/or Purchase Agreement ("Agreement") with Auto-Owners Insurance Company ("Developer"), in respect of Unit No. ____ of Verndale at East Bay Condominium, a condominium project located in East Bay Township, Grand Traverse County, Michigan; and

WHEREAS, all amounts received by Developer under such Agreement have been deposited in an escrow account with _____ ("Escrow Agent") in accordance with the Michigan Condominium Act, and pursuant to the terms of an Escrow Agreement between Developer and Escrow Agent; and

WHEREAS, such Escrow Agreement provides that the funds held by Escrow Agent with respect to Purchaser shall be released to Purchaser only upon satisfaction of certain specified conditions; and

WHEREAS, Purchaser, by executing and delivering this Certificate, desires to certify that one of such specified conditions has occurred;

ACCORDINGLY, Purchaser hereby certifies to Escrow Agent that all of the conditions indicated by an "X" below have occurred, and Purchaser therefore requests that Escrow Agent release to Purchaser all funds held in escrow pursuant to the Agreement:

☐ *CANCELLATION OF PRELIMINARY RESERVATION AGREEMENT.* Purchaser has executed a Preliminary Reservation Agreement, but has not executed a Purchase Agreement, and Purchaser has canceled such Agreement.

☐ *WITHDRAWAL FROM PURCHASE AGREEMENT.* Purchaser has executed a Purchase Agreement, and has withdrawn from such Agreement within the withdrawal period described therein.

☐ *MORTGAGE CONTINGENCY.* A mortgage contingency is provided for in the Agreement, and Purchaser has failed or has been unable to obtain a mortgage within the period described therein.

☐ *FAILURE TO CONVEY TITLE.* Developer has failed to convey good and merchantable title to Purchaser within sixty (60) days after the issuance of a title commitment in respect of the unit to be sold to Purchaser.

[SIGNATURE PAGE FOLLOWS]

This Certificate has been signed by Purchaser on this _____ day of _____, 20___.

Purchaser:

_____

_____

STATE OF MICHIGAN)
: ss.
COUNTY OF _____)

The foregoing Certificate was subscribed and sworn to before me this _____ day of _____, 20___, by _____ and _____.

_____

Notary Public
_____ County, Michigan

My commission expires:

1-071405-7442-auto owners
verndale\docs\purchase_agmt_v2

VERNDALE AT EAST BAY CONDOMINIUM
PRELIMINARY RESERVATION AGREEMENT

WHEREAS, Auto-Owners Insurance Company, a Michigan corporation, whose address is 6101 Anacapri Blvd., Lansing, Michigan 48917-3999 (the "Developer"), proposes to develop a condominium project to be known as VERNDALE AT EAST BAY CONDOMINIUM, to consist of up to One hundred thirty (130) Units to be located in the Township of East Bay, Grand Traverse County, Michigan; and

WHEREAS, _____ (hereinafter known as "Depositor") wishes to reserve a Unit in the proposed condominium project for purchase;

IT IS AGREED as follows:

1. Developer agrees to reserve Unit No. ____ (located as indicated on the site plan for the Condominium Project, which Depositor acknowledges he has examined) in the proposed Condominium Project for purchase by Depositor at a purchase price of _____ Dollars ($_____).

2. In consideration of such reservation, Depositor agrees to deposit the sum of _____ Dollars ($_____) (the "Deposit") pursuant to the terms of the Escrow Agreement existing between Developer and _____ for the purpose of holding such deposits.

3. Subject to the provisions of Paragraphs 5 and 6 below, Depositor agrees that, upon notice from Developer so requesting, he will execute and deliver to Developer a formal purchase agreement with respect to said unit in the standard form of Purchase Agreement employed by Developer for the condominium project. The form and contents of all documents of any nature by which the condominium may be established shall be within the sole discretion of Developer, subject only to the applicable laws of the State of Michigan. Any additional deposits required by the Purchase Agreement shall be made as specified therein.

4. Depositor agrees to submit promptly, upon request by Developer, such personal and financial information as Developer may, in its discretion, require to determine whether Depositor will be preliminarily accepted or rejected for participation in the project. In the event that Depositor is rejected for participation, this Agreement shall immediately terminate, and the Deposit shall be refunded without further liability on the part of either party. Preliminary acceptance by Developer shall not be deemed (a) final approval for purchase, or (b) final credit approval for mortgage financing purposes, which right of final approval is reserved as specified in the Purchase Agreement referred to above.

5. If Depositor fails or refuses, for a period of five (5) days after notice to Depositor by Developer requesting either (a) execution and delivery of said Purchase Agreement, or (b) delivery of such personal or financial information as Developer may require, to comply with either of such requests, then this Agreement shall, at Developer's option, terminate and the Deposit shall be refunded in full without further liability on the part of either party.

6. If Depositor desires to withdraw his reservation at any time prior to execution by him of the formal documents of purchase referred to above, then this Agreement shall terminate immediately upon notice to Developer by Depositor, and the Deposit hereunder shall be refunded in full within three (3) business days without further liability on the part of either party.

7. If Developer elects not to proceed with the project as a condominium, or if Depositor's unit is eliminated therefrom by Developer, then this Preliminary Reservation Agreement shall immediately terminate, and the Deposit shall be refunded in full without further liability on the part of either party.

8. The location, design and layout of the unit to which this Preliminary Reservation Agreement applies and of all other improvements in Condominium are to be determined by Developer in its sole discretion.

9. This Preliminary Reservation Agreement is not a purchase agreement. No lien of any sort is acquired by Depositor hereunder either upon the condominium unit covered hereby or upon the condominium project site.

10. The liability of Developer hereunder is at all times limited to the return of the Deposit without interest.

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

IN WITNESS WHEREOF, the parties hereto have executed this Preliminary Reservation Agreement as of the _____ day of _____, 20___.

Developer:

AUTO-OWNERS INSURANCE COMPANY,
a Michigan corporation

_____

By: S.R. Birn
Its: Senior Vice President, Secretary
and General Counsel

_____

By:
Its:

Depositor:

_____

_____

Address:

_____

_____

Verndale at East Bay Condominium Association
RULES AND REGULATIONS

As a group of persons who have chosen to live in close proximity to each other, you have by that decision recognized that such a close association will necessitate some limitations upon individual action for the good of the group. These Rules and Regulations have been developed to achieve maximum enjoyment of Verndale at East Bay for its residents with a minimum of limitations. Your support and compliance are in the best interest of all.

THESE RULES AND REGULATIONS WILL BE ENFORCED

Penalties for Violations

Any breach or violation of the conditions set forth in the Condominium Documents or these Rules and Regulations, will result in a fine being assessed against the unit owner. These fines may not exceed $50.00 for the first violation, $100.00 for the second violation, $150.00 for the third violation and $250.00 for each subsequent violation. Such fines may be assessed repeatedly upon failure of the owner or occupant to correct the infraction and shall be collected in the same manner as common expenses or maintenance fees of the Association.

Infractions or Violations

Co-owner should submit in writing a notice of alleged violations to the Board of Directors and/or managing agent. Date, time, and nature of infraction must be noted.

I. ANTENNAS

1. Plans for installation of antennas designed for video reception must be approved by the Board of Directors. Such plans shall include color, size, location, anchoring and assurance of damage insurance.

2. A Co-owner may install and/or erect a video antenna in or on areas that are limited to the use of the Co-owner.

3. The antenna shall be no larger than one meter in diameter and shall blend in color with the background setting.

4. Antennas other than those designed for video reception will not be allowed.

II. AWNINGS - Require Board Approval

1. Plans for installation must be approved by the Board of Directors. Such plans shall include color, location, mounting design and drawings, and specifications which shall be equal to or better than Sunflexx awning assembly.

2. Awnings will be permitted only over patios or decks and only attached to sidewall.

3. Awning must be of solid color which blends with siding color.

4. The Co-owner shall be responsible for maintenance, repair, replacement and the return to original condition of the mounting area should the awning be removed.

5. The Board may, at the Board's sole discretion, require that the awning assembly be immediately repaired, removed, or replaced if the assembly is not properly maintained, constitutes a hazard, constitutes a nuisance, or its appearance is deemed detrimental to the overall appearance of the Condominium.

III. DECORATIONS

1. Seasonal or other holiday decorations may be displayed for a period not to exceed two weeks prior to the event and removed no later than ten days after the event.

2. Christmas decorations may be displayed no sooner than the day after Thanksgiving and must be removed by January 10, of each year.

3. All decorations are the responsibility of the Co-owner.

4. United States flags may be displayed at any time. Flag etiquette should be observed.

IV. FLOWERS AND VINES

1. Flowers and vines shall be permitted in limited areas only.

2. Plantings around mailboxes should not be allowed to grow higher than the newspaper box.

3. Vines such as euonymous should not be allowed to grow or climb on the Unit structure.

V. LEASES

1. All leases must be submitted to the Association for its approval, prior to use. All leases must state that the lessee shall comply with all the conditions of the Condominium Documents and any Rules and Regulations of the Association.

2. Once a Condominium unit has been leased, the Owner of that Unit must relinquish all rights to the use of the Condominium Common Elements, in favor of the lessee, for the duration of the lease term.

VI. PARKING

1. Primary parking for three (3) vehicles per unit is provided in the garage space for each unit, with the expection of Units 17-20 and Units 32-38 which will have primary parking for two (2) vehicles provided in the garage space.

2. Secondary parking is provided in the assigned driveway area immediately adjoining each garage.

3. Additional guest and visitor parking is available on the roadway.

4. No house trailers, motorhomes, Commercial Vehicles, boats, boat trailers, camping vehicles, camping trailers, snowmobiles or snowmobile trailers, or any other trailers may be parked or stored upon any area of the Condominium, without the prior written approval of the Association. A Commercial Vehicle means any vehicle which is designed for, licensed for or displays lettering/logo for commercial purposes. The Association may allow the storage of a boat, boat trailer, camping vehicle or trailer, snowmobile or snowmobile trailer in the garage of a Unit, provided at least one of the owner's personal motor vehicles is parked in one bay of the garage.

5. No servicing or repairing of the vehicle (including oil changes) shall be allowed upon any part of the Condominium, except in case of emergency.

6. Washing of vehicles shall be permitted in the driveway space assigned to each Unit and shall be done in such a manner so as not to damage the Condominium Common Elements or disturb the property of any other resident or Co-owner.

7. Any vehicle which leaks or is leaking any fluid or oils upon any Common Element must be removed by the owner or it may be towed away by the Association at the owner's expense. The residue must be removed by Co-owner.

VII. PETS

1. No pets of any kind are allowed upon the Condominium, without the prior written consent of the Association.

2. All pet approvals require the filing of a written Application for Pet Approval, a copy of which is attached to these Rules and Regulations and incorporated herein by reference. (Attachment A).

3. No more than two (2) cats, no more than one (1) dog or no more than one (1) cat and one (1) dog shall be approved per Unit unless special circumstances are established to the satisfaction of the Board of Directors.

4. Approval shall be contingent upon compliance with all East Bay Charter Township and Grand Traverse County ordinances.

5. All pets must be under the control of the owner when out-of-doors. No pets shall be allowed to run freely.

6. Pet owners shall clean up and properly dispose of any matter left by their pets.

7. The pet owner must comply with the restrictions set forth in Article VII, Section 8 of the Condominium Bylaws.

8. Any excessive noise or other disturbance by a pet which becomes a nuisance to other residents may be cause for an order by the Association for the owner to remove the pet from the Condominium in addition to any other remedies available to the Association.

VIII. SIGNS

1. Open House real estate signs may be placed on the common grounds during an open house. Open house signs may be displayed only on weekend (Saturday - Sunday) afternoons (12 noon to 5:00 p.m.), and not more than two weekday (Monday - Friday) evenings (4:00 p.m. to 8:00 p.m.).

2. Security or Emergency Service signs (not larger than 6-inch square) may be placed in the interior of a Unit so they are visible from the exterior of said unit.

3. Any other signs require written permission from the Association in accordance with Article VII, Section 14 of the Condominium Bylaws.

IX. SNOW REMOVAL

1. Snow shall be removed from the driveways, parking areas and sidewalks, whenever a snowfall accumulation exceeds two-inches in depth.

X. TRASH REMOVAL

1. All garbage and trash shall be placed in sturdy, tightly closed plastic bags or a sealed container.

2. Trash bags shall be placed by the curb next to the driveway of the unit, before 7:30 a.m., on the morning of the scheduled pickup and not sooner than 6:00 p.m. of the previous day.

3. Special arrangements must be made in advance for the pickup of oversized or unusual items.

XI. TREES/SHRUBS

1. Trees and shrubs shall be pruned, removed or replaced so as to maintain uniformity and aesthetics.

2. Co-owners are responsible for shrubs and trees located on their Site.

XII. VARIOUS GENERAL CONDITIONS

1. Each Co-owner shall maintain their unit, together with the adjacent Limited Common Elements in good condition and repair.

2. Common areas shall be used only for the purposes intended, consistent with the use of residential property.

3. A Unit may not be used for any purpose which violates any East Bay Township Ordinance. No business may be conducted within a Unit, unless written approval is first obtained by the Board of Directors.

4. All notices, newsletters, meeting agendas, meeting minutes of the Association shall be considered delivered if by hand delivery, U. S. Postal Service and/or by a commercial delivery service to the lot/unit mailbox, or the Owner of Records last known address.

5. No drying or airing of laundry shall be permitted outside of the Unit.

6. Alteration or repair of the Common Elements shall be the responsibility of the Association. No alteration of any Limited or General Common Element shall be allowed without the Associations prior written approval.

7. No occupant of any Unit may make or permit any noise or activity which would interfere with the rights, comforts or other conveniences of any other occupant.

8. Owners are responsible for damage to any Common Areas which is caused by themselves, their guests, lessees, movers, or delivery personnel.

9. No Co-owner or occupant is authorized to reprimand or give orders to any other Co-owner's guest or employee of the Condominium. Any criticism of employees, guests or other owners shall be made in writing to the Board of Directors.

10. Annual maintenance fees are due and payable on the first day of February each year.

11. All firewood shall be stored in the garage.

12. Any and all draperies or curtains used in any Unit which may affect the exterior appearance of the Condominium, shall be of a kind and nature which will not detract from the overall exterior appearance of the condominium.

13. No unsightly condition shall be maintained upon any deck, patio or balcony and only furniture and equipment consistent with ordinary patio use shall be permitted to remain there during seasons when patios are reasonably in use. Barbecue grills must not be used in any manner which could damage any Common Element or disturb any other occupants of the Condominium by way of fire, smoke or odors, for any other reason.

14. The Board of Directors and the Condominium Associations Managing Agent, if any, shall be advised of intentions to sell a Unit and the name of the listing agent.

These Rules and Regulations shall be effective as of _____.

_____

Verndale at East Bay Condominium Association

"ATTACHMENT A"

VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

APPLICATION FOR PET APPROVAL

This Application is submitted to the Verndale at East Bay Condominium Association (the "Association") by the Co-owner for the purpose of obtaining written consent to have a pet at Verndale at East Bay Condominiums (the "Condominium"). The Co-owner represents, warrants and agrees as follows:

1. The pet for which Association approval is requested is:

Type of pet: _____

Description: _____

License number (if any): _____

Other characteristics: _____

2. The Co-owner has no reason to believe that the pet for which approval is requested will be dangerous or destructive to any person or property located on or about the Condominium.

3. The Co-owner has read and understands the provisions of Article VII, Section 8 of the Condominium Bylaws and agrees to abide by those terms. The provisions of Article VII, Section 8 are as follows:

> **"No savage, wild or dangerous animal shall be kept on the Condominium Premises, and any Co-owners who causes any animal to be brought or kept upon the Condominium Premises shall indemnify and hold harmless the Association for any loss, damage or liability which the Association may sustain as a result of the presence or any activity of such animal on the Condominium Premises, whether or not the Association has given its permission therefor."**

4. The Co-owner acknowledges, understands and agrees that: (a) neither the Association nor Auto-Owners Insurance Company (the "Developer") are or shall be responsible in any way to any person for any injury, damage or destruction caused by the pet for which approval is requested; (b) Co-owner shall be solely liable for any injury or damage caused by the pet for which approval is requested; (c) the Association shall have no liability whatever to the Co-owner or to any other persons for any mistake in judgment in approving the request for the pet described above; and (d) Co-owner shall indemnify both the Developer and the Association for any costs, damages or liabilities which either or both may incur as a result of maintenance of the pet described above at the Condominium, including, without limitation, any attorney's fees or court costs incurred. Any monetary liability of the Co-owner to the Association or Developer arising under this Application shall be collectible by the Association from the Co-owner in the same manner as any assessment may be collected under the Condominium Bylaws.

Date: _____ _____

Co-owner

_____

Co-owner

Note: This document shall be completed, executed and submitted by the Co-owner applicant in duplicate and shall be returned to the pet applicant with the Association's written approval together with a signed copy of the resolution of approval by the Board of Directors attached.

The undersigned approves the maintenance of the pet described above pursuant to Article VII, Section 8 or the Condominium Bylaws.

VERNDALE AT EAST BAY CONDOMINIUM ASSOCIATION

By: _____

2005R-16427

STATE OF MICHIGAN
GRAND TRAVERSE COUNTY
RECORD

07/25/2005 12:00:55PM

PAGE 1 OF 11
TXID 26435

PEGGY HAINES
REGISTER OF DEEDS

DECLARATION OF RESTRICTIONS

DEVELOPER: AUTO-OWNERS INSURANCE COMPANY, a Michigan Corporation
6101 Anacapri Blvd.
Lansing, MI 48917-3999

RECITALS

A. Auto-Owners Insurance Company, a Michigan corporation, of 6101 Anacapri Boulevard, Lansing, MI 48917-3999 ("Developer") is the owner of the following real property:

That part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as: Commencing at the North quarter corner of said Section 30; thence South 00°15'05" West, 489.54 feet along the North and South quarter line of said section to the Point of Beginning; thence South 00°15'05" West, 2147.71 feet continuing along the North and South quarter line to the East and West quarter line of said section; thence North 89°26'13" East, 1522.71 feet along said East and West quarter line; thence North 09°25'31" West, 251.94 feet; thence North 27°50'50" East, 135.05 feet; thence North 09°13'33" West, 297.73 feet; thence North 85°33'46" East, 202.98 feet; thence North 03°40'17" East, 636.79 feet; thence North 30°38'12" East, 176.49 feet; thence North 01°40'56" West, 320.83 feet; thence South 88°45'28" West, 196.96 feet; thence South 26°08'28" West, 261.35 feet; thence South 81°15'59" West, 346.01 feet; thence Northwesterly, 361.16 feet, along the arc of a 376.00 foot radius curve to the left, the central angle of which is 55°02'04" and the long chord of which bears North 61°20'36" West, 347.44 feet; thence North 88°51'38" West, 623.55 feet; thence Northwesterly, 38.88 feet, along the arc of a 25.00 foot radius curve to the right, the central angle of which is 89°06'44" and the long chord of which bears North 44°18'16" West, 35.08 feet; thence North 00°15'05" East, 177.52 feet; thence Northwesterly, 96.10 feet, along the arc of a 333.00 foot radius curve to the left, the central angle of which is 16°32'04" and the long chord of which bears North 08°00'56" West, 95.76 feet; thence North 65°02'06" West, 116.79 feet; thence Northwesterly, 27.62 feet along the arc of a 257.00 foot radius curve to the left, the central angle of which is 06°09'30", and the long chord of which bears North 36°47'44" West, 27.61 feet; thence North 39°52'26" West, 56.65 feet; thence Northwesterly, 57.59 feet along the arc of a 322.89 foot radius curve to the right, the central angle of which is 10°13'07" and the long chord of which bears North 34°45'55" West, 57.51 feet to said North and South quarter line and the Point of Beginning. Said parcel contains 64.12 acres of land, more or less. Subject to easements or restrictions, if any.

(the "Development Property").

B. Developer is also the owner of additional property comprising:

Part of the North Half of the Northwest Quarter, of the Northeast Quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan more fully described as: BEGINNING at the North Quarter Corner of said Section 30; thence North 88°45'28" East, 1311.40 feet, along the North line of said Section 30; thence South 01°14'32" East, 584.53 feet; thence South 88°44'22" West, 99.83 feet; thence South 01°15'38" East, 69.36 feet; thence South 88°44'22" West, 65.18 feet; thence South 62°02'25" West,

124.22 feet; thence South 27°57'35" East, 20.00 feet; thence South 52°45'43" West, 106.58 feet; thence North 89°40'05" West, 148.95 feet; thence North 01°08'22" East, 20.00 feet; thence North 89°40'05" West, 228.44 feet; thence North 84°47'57" West, 210.67 feet; thence North 65°02'06" West, 311.61 feet; thence Northwesterly 27.62 feet along the arc of a 257.00 foot radius curve to the left, the central angle of which is 06°09'30", and the long chord of which bears North 36°47'44" West, 27.61 feet; thence North 39°52'26" West, 56.65 feet; thence Northwesterly 57.59 feet along the arc of a 322.89 foot radius curve to the right, the central angle of which is 10°13'07", and the long chord of which bears North 34°45'55" West, 57.51 feet; thence North 00°15'06" East, 489.54 feet, to the POINT OF BEGINNING. Said parcel contains 21.41 acres, more or less.

(the "Office Project"); and

Part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as: Commencing at the North quarter corner of said Section 30; thence South 00°15'05" West, 489.54 feet, along the North and South one-quarter line of said Section 30; thence Southeasterly, 57.59 feet, along the arc of a 322.89 foot radius curve to the left, the central angle of which is 10°13'07" and the long chord of which bears South 34°45'55" East, 57.51 feet; thence South 39°52'26" East, 56.65 feet; thence Southeasterly, 27.62 feet, along the arc of a 257.00 foot radius curve to the right, the central angle of which is 06°09'30" and the long chord of which bears South 36°47'44" East, 27.61 feet; thence South 65°02'06" East, 116.79 feet, to the Point of Beginning; thence South 65°02'06" East, 194.82 feet; thence South 84°47'57" East, 210.67 feet; thence South 89°40'05" East, 228.44 feet; thence South 01°08'22" West, 20.00 feet; thence South 89°40'05" East, 148.95 feet; thence North 52°45'43" East, 106.58 feet; thence North 27°57'35" West, 20.00 feet; thence North 62°02'25" East, 124.22 feet; thence Northeasterly, 23.30 feet, along the arc of a 50.00 foot radius curve to the right, the central angle of which is 26°42'00" and the long chord of which bears North 75°23'23" East, 23.09 feet; thence North 88°44'22" East, 65.18 feet; thence North 01°15'38" West, 69.36 feet; thence North 88°44'22" East, 99.83 feet; thence North 88°45'28" East, 282.09 feet; thence South 01°14'32" East, 291.18 feet; thence South 26°08'28" West, 261.35 feet; thence South 81°15'59" West, 346.01 feet; thence Northwesterly, 361.16 feet, along the arc of a 376.00 foot radius curve to the left, the central angle of which is 55°02'04" and the long chord of which bears North 61°20'36" West, 347.44 feet; thence North 88°51'38' West, 623.55 feet; thence Northwesterly, 38.88 feet, along the arc of a 25.00 foot radius curve to the right, the central angle of which is 89°06'44" and the long chord of which bears North 44°18'16" West, 35.08 feet; thence North 00°15'05" East, 177.52 feet; thence Northwesterly, 96.10 feet, along the arc of a 333.00 foot radius curve to the left, the central angle of which is 16°32'04" and the long chord of which bears North 08°00'56" West, 95.76 feet, to the Point of Beginning. Said parcel contains 10.52 acres.

(the "Expansion Parcel"). The Office Project Parcel and the Expansion parcel are collectively referred to as the "Adjacent Property."

C. The terms, covenants and restrictions of this Declaration shall apply solely to and restrict only the Development Property. The Development Property may also be referred to herein as the "Condominium Project." The same shall not apply to restrict or create a servitude on any other property owned by Developer, including but not limited to the Adjacent Property, and Developer may develop, improve, or impose covenants and restrictions upon the Adjacent Property in any manner as it deems appropriate without reference to and unrestricted by the terms, covenants or restrictions of this Declaration.

D. A Condominium Master Deed will be recorded with the Grand Traverse County Register of Deeds reflecting the establishment of Verndale at East Bay Condominium (the "Condominium"), a site condominium, on the Development Property. Developer intends that the restrictions contained in this Declaration of Restrictions and the Condominium Master Deed be read and interpreted harmoniously and that in the event of any dispute between the restrictions contained within this Declaration of Restrictions and Article VII of the Master Deed, these Declaration of Restrictions shall govern and control. The Declaration of Restrictions shall continue in force and effect after the recording of the Master Deed and shall apply after Developer is no longer the owner or Developer of the Condominium.

E. Developer desires and intends that the Development Property be subject to certain land and building use restrictions as set forth below, for the common benefit of all Condominium Unit owners subject to this Declaration, and for the benefit of the Adjacent Property. The desire and intent of Developer is to develop a site condominium of quality single family residences, on the Development Property, which are aesthetically pleasing and neat in appearance, and to provide for appropriate maintenance of land and buildings located in such Condominium so as to preserve and enhance their value and to insure compliance with applicable laws and ordinances.

F. To effectuate the desire and intent described above, Developer has intentionally reserved in this Declaration of Restrictions broad powers to Developer and its assigns, to direct and control the development and use of the Development Property. Any ambiguity as to the extent of Developer's authority, or that of its assignees, is to be construed and resolved in favor of Developer and its assignees. Each successor in title to Developer, including each owner of a condominium Unit and the condominium association, contractually agrees to this principle.

RESTRICTIVE COVENANTS OF VERNDALE AT EAST BAY

Section 1. Property Subject to These Restrictions. The Development Property is subject to these restrictions. Developer, or its successors or assigns, has the right to develop the Adjacent Property in any lawful manner, but any such development shall not be subject to these restrictions unless Developer shall expressly so provide in a subsequently recorded instrument.

Section 2. Residential Use. The Development Property shall be used only for single-family residential purposes and for purposes consistent with single-family residential use. No business, trade or enterprise of any kind or nature shall be conducted or carried on upon the Development Property. All uses shall conform to all applicable requirements of the ordinances of the Charter Township of East Bay and Grand Traverse County, Michigan.

Section 3. Architectural Control. No building, structure or other improvement (including but not limited to antennas, satellite dishes, fences, swimming pools, lights, aerials, awnings, doors, shutters, newspaper holders, mailboxes, basketball backboards, and swing sets, shall be constructed on the Development Property, nor shall any material exterior modification be made to any existing buildings, structures or improvements, unless plans and specifications therefor, containing such detail as the Developer may reasonably request, have first been approved in writing by the Developer, or Developer's designee. The following is the approval procedure:

(a) The property owner shall submit a complete set of preliminary sketches showing floor plans, exterior elevations, and an outline specification for materials and finishes to the Developer.

(b) The Developer shall approve or disapprove, with comments, the preliminary sketches.

(c) Upon approval of preliminary sketches, the property owner shall submit to the Developer one complete set of plans and specifications therefor, in form satisfactory to the Developer, showing insofar as is appropriate:

(i) The size and dimensions of all proposed improvements;

(ii) The exterior design;

(iii) The exterior color scheme;

(iv) The exact location of all proposed improvements on the property; and

(v) The location of the driveways, parking areas and landscaping.

(vi) If at any time a property owner shall have submitted to the Developer plans and specifications in accordance with this section for a structure or alteration, and the Developer has neither approved such

plans and specifications in writing within 30 days from the date of submission nor notified the property owner of its objection within such 30-day period, then such plans and specifications shall be deemed to have been approved by the Developer. In the event that a property owner shall file revised plans and specifications for a structure or alteration with the Developer after receiving objections from the Developer with respect to original plans and specifications, and the Developer has neither approved them nor notified the property owner of further objections in writing within thirty (30) days from the date of submission, then such revised plans and specifications shall be deemed to have been approved by the Developer.

Construction or modification of any building, structure, or other improvements must also receive any necessary approvals from the local public authorities. The Developer, in the Developer's sole discretion, shall have the right to refuse to approve any such plans, specifications, location of buildings, grading, or landscaping plans, which are not suitable or desirable in the Developer's opinion for aesthetic or other reasons; and in passing upon such plans and specifications Developer shall have the right to take into consideration the suitability of the proposed structure, improvement or modification, the site upon which it is proposed to be constructed and the degree of harmony thereof with the Condominium Project as a whole. It is of particular necessity that any changes in existing buildings and structures as regards paint or stain colors or the type, texture or color of building materials be approved pursuant to these provisions. Developer intends that there be a high degree of developmental compatibility in the Verndale at East Bay Condominium community and deems it essential that deviations therefrom not be permitted to spoil the appearance of the Condominium Project and/or the adjacent Office Project.

The foregoing notwithstanding, Developer may construct any improvements upon the Development Property that it may, in Developer's sole discretion, elect to make, without the necessity of obtaining the prior written consent from any other person or entity, subject only to express limitations contained in this Declaration.

Section 4. Construction Standards.

(a) *Floor Area.* Each single story dwelling shall contain a minimum of one thousand seven hundred (1,700) square feet of finished living space above grade, exclusive of basements, lower-level walk-outs, garages, porches, decks, and terraces, unless otherwise approved in writing by the Developer. Each multi-story dwelling shall contain a minimum of one thousand nine hundred (1,900) square feet of finished living space above grade, exclusive of basements, lower-level walk-outs, garages, porches, decks, and terraces, unless otherwise approved in writing by the Developer. Each multi-story dwelling shall contain a minimum of one thousand (1,000) square feet of finished living space on the first story or first level above grade, exclusive of basements, lower-level walk-outs, garages, porches, decks, and terraces, unless otherwise approved in writing by the Developer. No dwelling shall contain less floor area or finished living space than required by the Charter Township of East Bay Zoning Ordinance of 2003, as amended, or applicable ordinances of Grand Traverse County, if any.

(b) *Height, Garages and Off-Street Parking.* No dwelling or other building erected on the Development Property shall be more than two (2) stories in height exclusive of basement and lower level walkout. No dwelling or other building erected on the Development Property shall be higher than thirty-five (35) feet from grade level of the land on which it is constructed. Split level, bi-level, tri-level and quad-level dwellings may be permitted and are considered to be multi-story dwellings, however final interpretation and approval of such dwellings shall be vested in the Developer. Each single family dwelling and duplex dwelling shall have an attached garage sized proportionately to the dwelling, arranged to contain not less than three (3) automobiles, except that Units 17 through 20, inclusive, and Units 32 through 38, inclusive, shall have an attached garage arranged to contain not less than two (2) automobiles, unless otherwise approved by the Developer. Vehicular entry to all garages shall be from the end of the garage. No carports, detached garages or similar structures will be permitted.

(c) *Materials.* All dwellings and buildings shall be of new construction. Prefabricated buildings shall not be erected upon any Unit and no dwellings or buildings shall be moved onto any Unit. The exterior of all dwellings, buildings and other approved structures placed, erected or maintained on any Unit in the Condominium shall contain a minimum of ten (10%) percent of masonry product on the front elevation, and shall otherwise be composed predominately of wood, brick, high quality vinyl or aluminum siding, stone, or an exterior insulation finishing system

(EIFS) which provide the look of a natural material and is approved in writing by Developer, unless otherwise approved in writing by the Developer; no plywood or T-111 siding shall be permitted on any exterior. Not less than twenty five percent (25%) of the front exterior elevation of all dwellings shall be composed of brick or stone, unless otherwise approved in writing by Developer. All exposed foundations with over sixteen (16) inches in height of exposure shall be covered with wood, brick, vinyl siding, stone or stucco. Sheds, pole barns, barns, tree houses, play houses, dog houses, and similar structures shall not be permitted on any Unit unless otherwise approved in writing by the Developer. No chimney exterior shall be composed of any material other than wood, brick, stone, and/or high-quality vinyl siding unless otherwise approved in writing by the Developer. Garage doors shall be constructed of wood or steel. No dwellings or other buildings shall be moved onto any Unit. Energy Heel roof trusses are required. Each home shall have a common mailbox in front of each Unit. Each home shall have a photo eye wired to a coach light on the face of the garage and shall utilize and maintain the uniform mailbox and house number provided by the Builder or successor developer.

(d) *Completion of Construction.* All buildings, dwellings and attached garages, and the sidewalks and landscaping on the Development Property shall be substantially completed in accordance with the approved plans for such improvements within twelve (12) months from the date of beginning of excavation. Excavation shall be commenced within six (6) months after written approval by the Developer, or within such extension period as has been granted in writing by the Developer. During the period of construction the premises shall be kept and maintained in a sightly and orderly condition, consistent with the high standards of this Declaration.

(e) *Fences.* No fence, wall or hedge shall be allowed within ten (10) feet of any individual Unit boundary line, and no fence, wall or hedge shall be permitted in the front or side yard of any Unit in the Condominium. No fence, wall, or hedge shall exceed four (4) feet in height, unless required by law to insure the adequate safeguard of swimming pools and other permitted "attractive nuisances," or unless permitted in writing by the Developer. Only fences constructed primarily, from wood, brick, stone, or other materials approved in writing by Developer shall, be permitted on the Development Property, unless such fence is constructed by or at the direction of the Developer. No fence, wall or hedge shall be constructed on the Development Property without the prior written approval of the Developer as to location, height, setback, construction and materials.

(f) *Earth Removal.* Any gravel, stone, soil or earth removed in grading or excavating on any Unit by any party other than Developer shall be deposited at such place as shall be approved in writing by the Developer. All appropriate soil erosion measures shall be used during construction.

(g) *Restoration.* Any dwelling, attached garage, or approved structure on the Development Property which may in whole or in part be destroyed by fire, windstorm or for any other reason, must be rebuilt or all debris removed and the Unit restored to a sightly condition with reasonable promptness. In no case shall this time for removal or restoration exceed six (6) months from the date of the destruction, unless otherwise approved in writing by the Developer.

(h) *Driveways and Sidewalks.* Except as otherwise authorized in writing by the Developer, driveways shall be located at least five (5) feet from either sideline of an individual Unit. The driveway approach and driveway leading from a public road to the dwelling shall be made of concrete or asphalt, unless otherwise approved by the Developer. No parking exclusive of the driveway or other paved surfaces shall be permitted, provided however that the Association may permit parking on only one side of any street in the Condominium and the Association shall post all streets accordingly.

(i) *Swimming Pools, Tennis Courts, Racquetball Courts, Basketball Backboards and Courts, Trampolines, Gazebos, Decks, and other Similar Structures.* All swimming pools and fences shall comply with all applicable ordinances and permit requirements of the Charter Township of East Bay and Grand Traverse County. In addition, all swimming pools shall be completely in-ground and approved in writing by the Developer as to size, materials, location and enclosure, and in no case shall any portion of any swimming pool (including the surrounding deck or patio) be located within fifteen (15) feet of any Unit line. Basketball backboards shall not be erected or affixed to any structure unless first approved by the Developer in writing. The location, size, and composition of tennis, basketball and racquetball courts, gazebos, trampolines, decks, and other similar structures on any Unit shall be of a size and character

so as to exist in harmony with the surrounding structures and topography. Any tennis courts constructed on the Development Property shall not contain spotlights or other artificial lighting for night play. All basketball backboards and courts, tennis courts, racquetball courts, gazebos, trampolines, decks, and other similar structures on any Unit must be approved in writing by the Developer as to location, size, and composition, prior to construction. No structure listed in this paragraph shall be used in such a manner so as to create a nuisance to adjoining Unit owners.

(j) *Building Lines and Wetlands.*

(i) No part of any dwelling, building or structure erected on the Development Property shall be closer than thirty (30) feet to any private or public road in the Development Property or front Unit line, without the prior written approval of the Developer. No part of any building or structure erected on the Development Property shall be closer than ten (10) feet to the side Unit line of the Unit on which it is constructed, or thirty-five (35) feet to the rear Unit line of the Unit, without the prior written approval of the Developer. In the event that Charter Township of East Bay Zoning Ordinance of 2003, as amended, and/or applicable ordinances of Grand Traverse County, Michigan imposes a greater front, side, or rear setback, said greater setback in the Charter Township of East Bay Zoning Ordinance and/or Grand Traverse County ordinance shall be deemed required hereunder.

(ii) No part of any dwelling, building, structure or other improvement shall be erected or placed in any wetland, wetland setback area, or conservation/flooding easement area, and no fill shall be placed in any wetland, wetland setback area, or conservation/flooding easement area without all necessary governmental permits and required approvals having first been obtained, including any written approvals required herein.

Section 5. Maintenance of Yards and Plantings. Each Unit, including the area between the front Unit line (or in the case of a corner Unit also between the side Unit lines) and any road, shall be landscaped by the owner of said Unit in a neat, orderly, and aesthetically pleasing manner while taking into account native species of plants and vegetation, within one (1) year after the start of construction, consistent with the original building plans and specifications submitted for the Developer's written approval, prior to construction. Each Unit shall have a minimum of one (1) hardwood tree with a trunk of not less than two inches in diameter and a height of five (5) feet, installed and maintained by the owner of the Unit within the front yard setback. Each Unit shall have a minimum of four (4) decorative shrubs in front of the dwelling Unit, installed and maintained by the owner of the Unit. All Units, once conveyed to a non-Developer owner, shall be maintained at all times, in a neat, orderly, and aesthetically pleasant manner, causing grass, shrubs, and other growth to be regularly cut and trimmed. Any tree required to be planted or maintained on a Unit by the Charter Township of East Bay as a condition to receiving condominium, zoning, site plan, or other approvals shall be planted and maintained by the Unit owner as directed by the Charter Township of East Bay and/or Grand Traverse County Road Commission. Any trees required to be planted or maintained along the roads in front of any Unit between the side Unit lines of any Unit (or in the case of a corner Unit, between the side and rear Unit lines of such corner Unit), if extended to the road surface, shall be planted and maintained by the owner of said Unit.

Section 6. Tree Preservation. No living tree located on the Development Property, which has a diameter of four (4) inches or more measured at ground level, shall be cut down or trimmed without the prior written approval of Developer. Developer may remove any tree upon the Development Property, except upon such Units which have been conveyed to a non-Developer owner, without the necessity of obtaining the prior written consent from any person or entity.

Section 7. Alterations and Modifications. No alterations in exterior appearance of any building or structure, or structural modifications to any building or structure which are visible from the exterior, including without limitation changes to the color of exterior painting and staining, or the erection of antennas, satellite dishes, fences, swimming pools, lights, aerials, awnings, doors, shutters, newspaper holders, mailboxes, basketball backboards, swing sets, or other exterior attachments or modifications, shall be made without the prior written approval of Developer. Any satellite dishes shall be required to be approved in writing by Developer, and shall not be mounted on any residence or structure, but must be located on the ground if possible, and appropriately screened as directed in Developer's written

approval. No modification to the storm water drainage facilities or to the storm water detention areas on the Development Property shall be made without approval of the Charter Township of East Bay or other public agency having jurisdiction or without the prior written approval of Developer. Notwithstanding the foregoing, improvements or modifications may be made if the purpose of the improvement of modification is to facilitate access to or movement within the Unit for persons with disabilities who reside in or regularly visit a Unit within the Development Property, or to alleviate conditions that could be hazardous to persons with disabilities who reside in or regularly visit such a Unit.

Section 8. Animals. No animal other than normal domesticated household pets shall be maintained on the Development Property. No animal may be kept or bred for any commercial purpose on the Development Property, and every animal on the Development Property shall have such care and restraint so as not to be obnoxious or offensive on account of noise, odor or unsanitary conditions. No animal may be permitted to run loose at any time upon the Development Property and all animals kept or brought onto the Development Property shall at all times be leashed and attended by some responsible person while on the Development Property. [No savage, wild or dangerous animal shall be kept on the Development Property, and any person who causes any animal to be brought or kept upon the Development Property shall indemnify and hold harmless the Developer for any loss, damage or liability which the Developer may sustain as the result of the presence of such animal on the premises, whether or not the Developer has given its permission therefor.] Each person shall be responsible for the immediate collection and disposition of all fecal matter deposited anywhere on the Development Property by any pet maintained by such person. No dog which barks and can be heard on any frequent or continuing basis shall be kept on the Development Property. The Developer may, without liability to the owner thereof, remove or cause to be removed any animal from the Development Property which it determines to violate the restrictions imposed by this Section.

Section 9. Aesthetics. No outside clotheslines shall be placed or maintained on the Development Property. No tank for the storage of fuel shall be placed or maintained on the Development Property. Garage doors shall be kept closed at all times except as may be reasonably necessary to gain access to or from any garage. Outside wood piles shall be neatly stacked in the side or rear yard of an individual Unit, in an aesthetically pleasing manner, and shall not exceed two (2) face cords. No unsightly condition shall be maintained on any patio, porch or deck and only furniture and equipment consistent with the normal and reasonable use of such areas shall be permitted to remain there during seasons when such areas are reasonably in use and no furniture or equipment of any kind shall be stored thereon during seasons when such areas are not reasonably in use. No vegetable gardens shall be permitted in any front or side yard in the Development Property. Any permitted vegetable garden shall be limited to a reasonable size no larger than three hundred (300) square feet, and shall not be maintained within fifteen (15) feet of any Unit line. No swing set, playground equipment, exercise equipment, or other recreational equipment shall be permitted or maintained in the front or side yard in the Development Property, and any such equipment maintained on any Unit shall be made of treated lumber or such other materials and colors that blend in with the natural surroundings and character of the Condominium Project, and must be approved in writing by the Developer prior to construction. Any mailbox installed in front of a dwelling must be of a design and materials approved by the Developer and must be maintained in good condition and repair by its owner. No common area or common element on the Development Property shall be used for storage of supplies, materials, personal property or trash or refuse of any kind, nor shall they be used in any way for the drying, shaking or airing of clothing, rugs, or other fabrics. In general, no activity shall be carried on nor condition maintained on the Development Property which is detrimental to the appearance of the Condominium Project.

Section 10. Trash. All dwellings constructed in the Condominium Project shall maintain garbage or refuse disposal services. All trash, refuse, and solid waste shall be properly disposed of on a weekly basis, off the Development Property, utilizing a private refuse or waste hauling contractor. No trash, garbage or rubbish of any kind shall be kept on the Development Property, except in sanitary containers for removal. Trash receptacles shall be maintained in the garages of individual Units at all times and shall not be permitted to remain elsewhere on the Development Property except for such short periods of time as may be reasonably necessary to permit periodic collection of trash.

Section 11. Recreational and Commercial Vehicles. No house trailers, commercial vehicles, boat trailers, boats, camping vehicles, camping trailers, motorcycles, tractors, all-terrain vehicles, snowmobile trailers or vehicles other than automobiles or vehicles used primarily for general personal transportation use may be parked or

stored on the Development Property unless parked in a garage with the door completely closed or unless present for temporary loading or unloading purposes for a period not to exceed three (3) calendar days. No inoperable vehicles of any type may be brought or stored on the Development Property, either temporarily or permanently, unless within a garage with the door completely closed. Commercial vehicles shall not be parked on the Development Property (unless fully inside a garage with the door completely closed) except while making deliveries or pick-ups in the normal course of business or for construction purposes. No commercial vehicles of any nature will be parked overnight on the Development Property, except in a completely closed garage, without the prior written consent of the Developer. Any truck over ¾-ton and any vehicle with a company name or other advertising or commercial designation will be considered a commercial vehicle. No vehicle may be parked overnight except in a driveway of an individual Unit, except as permitted by the Verndale at East Bay Condominium Association in accordance with any rules or regulations adopted by the Association.

Section 12. Activities. No immoral, improper, unlawful or offensive activity shall be carried on the Development Property nor shall anything be done which may be or become an annoyance or a nuisance to an owner of an individual Unit on the Development Property. No unreasonably noisy activity shall occur in or on the Development Property at any time. Activities which are deemed offensive and are expressly prohibited include, but are not limited to, the following: Any activity involving the use of firearms, air rifles, pellet guns, B-B guns, slingshots, crossbow, bows and arrows, fireworks (other than legal fireworks on July 4 of each year), or other similar dangerous weapons, projectiles or devices. No exploration, mining, removal or drilling for oil, gas, sand, gravel, dirt or other minerals shall be permitted on the Development Property, other than as permitted by the Developer.

Section 13. Antennae. No exterior television, radio or other antenna, or satellite dish, shall be erected, altered, placed, or maintained which has not received the prior written approval of the Developer as to height, placement, design and size, and appropriate screening.

Section 14. Signs. Except for billboards or signs constructed, permitted, or maintained by Developer or the Association, no billboards or advertising signs of any character shall be erected, placed, permitted, or maintained on the Development Property except as expressly permitted in this Declaration. A name and address sign of reasonable size and material not to exceed six (6) square feet in area, political signs not to exceed six (6) square feet in area, and one "for sale" sign referring only to the premises on which displayed not exceeding six (6) square feet in area shall be permitted. This restrictive provision shall not apply to the Developer or to any successor developer, during the period when Developer, or such successor developer, still owns any Unit within Verndale at East Bay Condominium. Any other sign must be of a design, material, and size approved by the Developer.

Section 15. Owner Maintenance. Each owner of any portion of the Development Property, including owners of individual condominium Units, shall maintain such portion in a safe, clean, sanitary and aesthetically satisfactory condition.

Section 16. General Provisions.

(a) *Zoning.* All restrictions imposed by the Charter Township of East Bay Zoning Ordinance, as it applies to LDR residential districts, and any applicable ordinances of Grand Traverse County, Michigan shall apply to the Development Property, except that if the Developer or the Association has imposed more stringent restrictions, those restrictions shall apply in place of the Charter Township of East Bay's restrictions.

(b) *No Gift or Dedication.* Nothing herein contained will be deemed to be a gift or dedication of any portion of the Development Property to the general public or for any public purposes whatsoever, it being the intention of the Developer that these restrictions will be strictly limited to the purposes herein specifically expressed.

(c) *No Third-Party Beneficiaries.* No third party, except grantees, heirs, representatives, successors and assigns of the Developer, as provided herein, will be a beneficiary of any provision set forth herein.

(d) *Handicapped Persons.* Reasonable accommodations in the rules, policies and practices of the Development Property will be made as required by the Federal Fair Housing Act and the Michigan Condominium Act, as amended to accommodate handicapped persons, if applicable.

Section 17. Reserved Rights of Developer. None of the restrictions contained in this Declaration shall apply to the commercial activities or signs or billboards of the Developer or successor developer so long as the Developer or successor developer owns any portion of the Development Property. Notwithstanding anything to the contrary elsewhere herein contained, Developer or any entity to which it may assign this right, shall have the right to maintain sales offices, business offices, construction offices, model homes, storage areas, other facilities, and reasonable parking incident to the foregoing and such access to, from, and over the Development Property as may be reasonable to enable development and sale of the entire Condominium Project, and may continue to do so until all Units have been sold by Developer or by any successor developer.

Section 18. Enforcement of Restrictions. The Development Property shall at all times be maintained in a manner consistent with the highest standards of a beautiful, serene, private, residential community for the benefit of the individual Unit owners, all persons interested in the Development Property and for the benefit of the Adjacent Property. If at any time the Association and/or the Owner of the Unit fails or refuses to carry out its obligation to maintain, repair, replace and landscape in a manner consistent with the maintenance of such high standards, then Developer, or any entity to which it may assign this right, at its option, may elect to abate such violation. Unless Developer has affirmatively assigned or expressly terminated in writing all of its rights hereunder, the Developer shall have the right to enforce these Restrictive Covenants so long as it owns any portion of the Development Property or any portion of the Adjacent Property. Developer (and any successor in interest to Developer) and the Verndale at East Bay Condominium Association shall be jointly and severally responsible for the enforcement of these Restrictive Covenants. Developer shall be entitled to recover all of its costs incurred to abate any violation or to enforce any Restrictive Covenant hereunder, including reasonable attorney fees, from any person or entity violating such Restrictive Covenant, and from any successor developer of Verndale at East Bay Condominium or the Verndale at East Bay Condominium Association if either of them fails to act diligently to enforce such Restrictive Covenant. Developer may impose a lien on any Co-owner's Unit(s) and/or Verndale at East Bay's real or personal property for such expenses and costs, including Developer's reasonable attorney's fees incurred by Developer in enforcing any Restrictive Covenant, including interest at the rate of ten percent (10%) per annum (or the maximum amount permitted by law) until paid, which lien may be foreclosed by Developer in the same manner as foreclosure of mortgages by advertisement or by judicial action at Developer's discretion under applicable law, or may be enforced by other lawful remedy. Failure of any Unit owner or the Association to pay any liability incurred hereunder shall constitute a violation of these Restrictive Covenants. Each individual Unit owner and every other person who from time to time has any interest in the Development Property, shall be deemed to have granted to the Developer the unqualified right to elect to foreclose on such lien either by judicial action or by advertisement. The provisions of Michigan law pertaining to the foreclosure of mortgages by judicial action and by advertisement ("Power of Sale"), as the same may be amended from time to time, are incorporated herein by reference for the purposes of establishing the alternative procedures to be followed in lien foreclosure actions and the rights and obligations of the parties to such actions. Any individual Unit owner acquiring any interest in the Development Property shall be deemed to have empowered the Developer to sell or cause to be sold that Unit owner's interest in the Development Property for which monies are owed to Developer and to receive, hold and distribute the proceeds of such sale in accordance with the priorities established by applicable law. Each individual Unit owner acknowledges that at the time of acquiring title to his interest in the Development Property, he was notified of the provisions of this section and that he voluntarily, intelligently and knowingly waived notice of any proceedings brought by Developer to foreclose by advertisement the lien for nonpayment of any sums owing to Developer, and a hearing on the same, prior to the sale of his interest in the Development Property. Any person or entity having an ownership interest in any portion of the Development Property shall have the right to enforce these Restrictive Covenants, except that matters which require the approval of Developer hereunder may only be approved or disapproved by Developer. Any person or entity, including Developer, having the right to enforce these Restrictive Covenants may seek injunctive relief from any court of proper jurisdiction to abate any violation hereof.

Section 19. Partial Invalidity. Should any provision of these Covenants and Restrictions, or portion of them, be deemed invalid, the validity of the remainder of these conditions, easements and restrictions shall not be affected.

Section 20. Assignment. Developer may at any time assign all or part of its rights, privileges and duties to the Verndale at East Bay Condominium Association or to any other person, firm, entity or corporation and upon the execution and recording of appropriate instruments of Assignment and Conveyance, the Assignee shall have and exercise all the same rights as Developer and Developer shall be fully released and discharged from further obligations and responsibilities with reference to these Restrictive Covenants. The foregoing notwithstanding, Developer's rights under this Declaration are separate and independent from any rights of Developer as Developer of Verndale at East Bay Condominium under any Condominium Documents, and any assignment of any of Developer's rights as the Developer of Verndale at East Bay Condominium; any assignment to a successor developer of the Condominium, to the Verndale at East Bay Condominium Association, or to an individual Unit owner, whether by separate written instrument, by operation of the Condominium Documents, or by operation of law, will not be construed to assign any rights of Developer pursuant to this Declaration. Developer's rights under this Declaration may only be assigned by an express instrument referring to, and assigning, Developer's rights hereunder. In the absence of such an express assignment, Developer's rights hereunder shall only terminate upon the complete conveyance by Developer of all of Developer's interest in the Adjacent Property, or upon the termination of these Restrictive Covenants pursuant to the terms of this Declaration.

Section 21. Amendment. In the event any of these Restrictive Covenants violate any township ordinance, county ordinance or other law, Developer may waive, in writing, any such restrictions and conditions or modify and amend same to conform with applicable law. Before transfer of any interest in the Development Property to any other person or entity, Developer reserves the right to revoke or amend and modify these Restrictive Covenants in any manner. Upon creation of a condominium on the Development Property, these Restrictive Covenants may be changed, modified, amended or eliminated upon written consent of this Developer and of the owners of at least 2/3 of the Units created on the Development Property, and recordation of a Certificate of Termination of this Declaration of Restrictions.

Section 22. Termination. The covenants and restrictions in this Declaration run with the land, bind the land, and shall inure to the benefit of the Development Property and the Adjacent Property, and be enforceable for a term of twenty-five (25) years from the date that this Declaration is recorded. The Covenants and Restrictions shall be automatically extended for successive periods of ten (10) years unless an instrument signed by Developer and the then-owners of two-thirds (2/3) of the Units in the Verndale at East Bay Condominium subject to this Declaration has been recorded, agreeing to change the covenants and restrictions in whole or in part. However, no such agreement to change these Covenants and Restrictions shall be effective unless made and recorded with the Grand Traverse County Register of Deeds one (1) year in advance of the effective date of such change, and unless preceded by written notice of the proposed change being sent to every owner of a Unit in the Verndale at East Bay Condominium subject to this Declaration at least ninety (90) days in advance of any action taken on the proposed change and providing that such change is approved in writing by the then-owners of two-thirds (2/3) of the Units in the Condominium subject to this Declaration and the Developer.

This Declaration of Restrictive Covenants is dated the 20TH day of July, 2005.

AUTO-OWNERS INSURANCE COMPANY,
a Michigan corporation

By: S.R. Birn
Its: Senior Vice President, Secretary
and General Counsel

By: Gwendoline A. Maisch,
Its: Assistant General Counsel

STATE OF MICHIGAN)
)ss.
COUNTY OF EATON)

The foregoing instrument was acknowledged before me this 20th day of July, 2005, by S.R. Birn and Gwendoline A. Maisch, the Senior Vice President, Secretary and General Counsel and Assistant General Counsel respectively of Auto-Owners Insurance Company, a Michigan corporation, as their free act and deed on behalf of said corporation.

Corie L Kiegk

Notary Public

CORIE L. KIEGK
Notary Public, Ingham Co., MI
Acting in Eaton County, Michigan
My Comm. Expires Sept. 14, 2007

Acting in _____ County, Michigan
My commission expires: _____

THIS INSTRUMENT WAS PREPARED BY:

Kurt M. Bowden
Bowerman, Bowden & Moothart, P.C.
620-A Woodmere
Traverse City, Michigan 49686
231.941.8048

WHEN RECORDED, RETURN TO PREPARER

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2005R-16428

STATE OF MICHIGAN
GRAND TRAVERSE COUNTY
RECORD

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PAGE 1 OF 6
TXID 26435

PEGGY HAINES
REGISTER OF DEEDS

SHARED ENTRANCEWAY AND DRIVE EASEMENT AND MAINTENANCE AGREEMENT

Shared Entranceway and Drive Easement and Maintenance Agreement made this 20th day of July, 2005, between Auto-Owners Insurance Company, a Michigan corporation, of 6101 Anacapri Boulevard, Lansing, MI 48917-3999 ("Developer") and Verndale at East Bay Condominium Association, a not for profit Michigan corporation, of 6101 Anacapri Boulevard, Lansing, MI 48917-3999 (the "Association").

RECITALS

A. Developer is the owner of the following described real property located in East Bay Township, Grand Traverse County, Michigan:

> Part of the North Half of the Northwest Quarter, of the Northeast Quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan more fully described as: BEGINNING at the North Quarter Corner of said Section 30; thence North 88°45'28" East, 1311.40 feet, along the North line of said Section 30; thence South 01°14'32" East, 584.53 feet; thence South 88°44'22" West, 99.83 feet; thence South 01°15'38" East, 69.36 feet; thence South 88°44'22" West, 65.18 feet; thence South 62°02'25" West, 124.22 feet; thence South 27°57'35" East, 20.00 feet; thence South 52°45'43" West, 106.58 feet; thence North 89°40'05" West, 148.95 feet; thence North 01°08'22" East, 20.00 feet; thence North 89°40'05" West, 228.44 feet; thence North 84°47'57" West, 210.67 feet; thence North 65°02'06" West, 311.61 feet; thence Northwesterly 27.62 feet along the arc of a 257.00 foot radius curve to the left, the central angle of which is 06°09'30", and the long chord of which bears North 36°47'44" West, 27.61 feet; thence North 39°52'26" West, 56.65 feet; thence Northwesterly 57.59 feet along the arc of a 322.89 foot radius curve to the right, the central angle of which is 10°13'07", and the long chord of which bears North 34°45'55" West, 57.51 feet; thence North 00°15'06" East, 489.54 feet, to the POINT OF BEGINNING. Said parcel contains 21.41 acres, more or less.

(the "Office Project Parcel"), and

> Part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as: Commencing at the North quarter corner of said Section 30; thence South 00°15'05" West, 489.54 feet, along the North and South one-quarter line of said Section 30; thence Southeasterly, 57.59 feet, along the arc of a 322.89 foot radius curve to the left, the central angle of which is 10°13'07" and the long chord of which bears South 34°45'55" East, 57.51 feet; thence South 39°52'26" East, 56.65 feet; thence Southeasterly, 27.62 feet, along the arc of a 257.00 foot radius curve to the right, the central angle of which is 06°09'30" and the long chord of which bears South 36°47'44" East, 27.61 feet; thence South 65°02'06" East, 116.79 feet, to the Point of Beginning; thence South 65°02'06" East, 194.82 feet; thence South 84°47'57" East, 210.67 feet; thence South 89°40'05" East, 228.44 feet; thence South 01°08'22" West, 20.00 feet; thence South 89°40'05" East, 148.95 feet; thence North 52°45'43" East, 106.58 feet; thence North 27°57'35" West, 20.00 feet; thence North 62°02'25" East, 124.22 feet; thence Northeasterly, 23.30 feet, along the arc of a 50.00 foot radius curve to the right, the central angle of which is 26°42'00" and the long chord of which bears North 75°23'23" East, 23.09 feet; thence North 88°44'22" East, 65.18 feet; thence North 01°15'38" West, 69.36 feet; thence North 88°44'22" East, 99.83 feet; thence North 88°45'28" East, 282.09 feet; thence

South 01°14'32" East, 291.18 feet; thence South 26°08'28" West, 261.35 feet; thence South 81°15'59" West, 346.01 feet; thence Northwesterly, 361.16 feet, along the arc of a 376.00 foot radius curve to the left, the central angle of which is 55°02'04" and the long chord of which bears North 61°20'36" West, 347.44 feet; thence North 88°51'38' West, 623.55 feet; thence Northwesterly, 38.88 feet, along the arc of a 25.00 foot radius curve to the right, the central angle of which is 89°06'44" and the long chord of which bears North 44°18'16" West, 35.08 feet; thence North 00°15'05" East, 177.52 feet; thence Northwesterly, 96.10 feet, along the arc of a 333.00 foot radius curve to the left, the central angle of which is 16°32'04" and the long chord of which bears North 08°00'56" West, 95.76 feet, to the Point of Beginning. Said parcel contains 10.52 acres.

(the "Expansion Parcel"). The Office Parcel and the Expansion Parcel being the land which is burdened by the Easements described in this Agreement.

B. Verndale at East Bay Condominium (the "Condominium") is a condominium, adjoining the Office Project Parcel and the Expansion Parcel, established pursuant to Master Deed recorded at Document #2005C-00046, Grand Traverse County Register of Deeds (the "Condominium Premises"). The Master Deed describes the land which is benefitted by the Easements described in this Agreement.

C. The Association is a condominium association organized for the purpose of administering the Condominium.

D. The parties wish to provide access to the Condominium Premises, from Hammond Road to the North, over the following real property known as Burgenstock Drive:

A 66 foot wide easement for ingress, egress, together with easements for the installation and maintenance of public and private utilities over 10 foot wide strips of land to Easterly and Westerly sides of said 66 foot wide easement, described collectively as being in part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as:

Commencing at the North quarter corner of said Section 30; thence North 88°45'28" East, 1074.61 feet, along the North line of said Section 30 and centerline of Hammond Road to the Point of Beginning; thence continuing North 88°45'28" East, 166.00 feet, along said North line and centerline of Hammond Road; thence South 01°14'32" East, 85.00 feet; thence Southwesterly, 63.28 feet, along the arc of a 40.00 foot radius curve to the left, the central angle of which is 90°38'14" and the long chord of which bears South 43°25'49" West, 56.88 feet; thence Southeasterly, 65.89 feet, along the arc of a 168.00 foot radius curve to the left, the central angle of which is 22°37'01" and the long chord of which bears South 13°11'48" East, 65.89 feet; thence South 24°30'17" East, 167.96 feet; thence Southeasterly, 84.46 feet, along the arc of a 208.00 foot radius curve to the right, the central angle of which is 23°16'00" and the long chord of which bears South 12°52'20" East, 83.89 feet; thence South 01°15'38" East, 220.75 feet; thence Southwesterly, 240.46 feet, along the arc of a 343.03 foot radius curve to the right, the central angle of which is 40°09'50" and the long chord of which bears South 17°41'32" West, 235.57 feet; thence South 37°46'16" West, 233.80 feet; thence Southeasterly, 22.58 feet, along the arc of a 15.00 foot radius curve to the left, the central angle of which is 86°14'03" and the long chord of which bears South 05°20'45" East, 20.50 feet; thence South 41°32'13" West, 10.00 feet, to a point on the Northerly right-of-way line of Vienna Way; thence Northwesterly, 109.50 feet, along said Northerly right-of-way line and the arc of a 376.00 foot radius curve to the left, the central angle of which is 16°41'11" and the long chord of which bears North 56°48'22" West, 109.12 feet; thence North 24°51'03" East, 10.00 feet; thence Northeasterly, 20.18 feet, along the arc of a 15.00 foot radius curve to the left, the central angle of which is 77°04'47" and the long chord of which bears North 76°18'39" East, 18.69 feet; thence North 37°46'16" East, 243.08 feet; thence Northeasterly, 180.96 feet, along the arc of a 257.03 foot radius curve to the left, the central angle of which is 40°20'23" and the long chord of which bears North 17°36'19" East, 177.25 feet; thence North 01°15'38" West, 221.74 feet; thence Northwesterly, 49.50 feet, along the arc of 122.00 foot radius

curve to the left, the central angle of which is 23°14'47" and the long chord of which bears North 12°52'57" West, 49.16 feet; thence North 24°30'17" West, 167.96 feet; thence Northwesterly, 101.88 feet, along the arc of a 254.00 foot radius curve to the right, the central angle of which is 22°58'54" and the long chord of which bears North 13°00'52" West, 101.20 feet; thence Northwesterly, 62.64 feet, along the arc of a 40.00 foot radius curve to the left, the central angle of which is 89°43'15" and the long chord of which bears North 46°23'02" West, 56.43 feet; thence North 01°14'32" West, 85.00 feet, to the Point of Beginning. Said easement parcel contains 2.42 acres. Subject to other easements or restrictions, if any.

(the "Easement Premises").

E. The parties wish to provide for the use, maintenance and repair of the Easement Premises, as well as the use of the entrance to Burgenstock Drive at Hammond Road (the "Entranceway") to the Association.

EASEMENT GRANT AND MAINTENANCE AGREEMENT

Section 1 - Grant of Roadway Easement

1.1 Developer hereby grants Association, for the benefit of its members, successors and assigns, as well as their guests and invitees, a perpetual nonexclusive easement (the "Roadway Easement") over the Easement Premises for the purpose of ingress to and egress from the Condominium Premises and for the construction, maintenance and repair (including reconstruction) of utilities.

1.2 The Roadway Easement shall burden the land it passes across, be appurtenant to and benefit the Condominium Premises, and shall run with the land.

1.3 The Roadway Easement shall also benefit any utility company or municipality providing utility services in the vicinity where it is located.

Section 2. Repair and Maintenance of Roadway Easement.

2.1 The Roadway Easement shall be constructed and paved by Developer for use as a vehicular road and shall thereafter be maintained in a good and useful condition.

2.2 When repairs appear to be necessary, the owner or owners of the Office Project Parcel may undertake such repairs anywhere along the Easement Premises, but shall not be required to make or perform any such repairs, in its sole discretion. Maintenance shall include, by way of example, rather than limitation, the following: patching, striping, resurfacing, rebuilding, crack repairs, sealing, replacement, and all snow plowing, salting, ice removal or other required repair or maintenance of the Easement Premises.

Section 3. Grant of Entranceway Easement.

3.1 Developer hereby grants Association, for the benefit of its members, successors and assigns, as well as their guests and invitees, a perpetual nonexclusive easement to place a sign at a place in the Easement Premises, near its intersection with Hammond Road, as designated by Developer in Developer's sole discretion (the "Entranceway Easement"). The sign must be of a design, material, and size approved in advance by Developer in writing. The Association shall also be responsible for arranging for and paying all costs associated with the installation of the Association's sign.

3.2 Developer shall landscape the Entranceway with the appropriate trees, shrubs, flowers, and sod, as Developer deems appropriate and the cost for these initial improvements shall be Developer's sole responsibility. Thereafter, the cost of all landscaping and maintenance of the Entranceway and sign shall be paid as provided herein.

Section 4. Repair and Maintenance of Easements.

4.1 The owner of the Office Project shall for five (5) years from the date of this Agreement contract for and initially pay all reasonable costs associated with repairs and maintenance of the Roadway Easement and of the Entranceway, with the exception of the Association's sign. Thereafter, the Association shall share equally in all such costs and shall promptly pay the statement rendered reflecting such costs. The Association shall at all times maintain in good repair its sign located at the Entranceway. In the event the Expansion Parcel is subsequently sold or transferred by Developer (to a party not related to Developer), the reasonable costs and expenses associated with all repairs and maintenance of the Roadway and the Entranceway shall be allocated as follows: Owner of the Office Project Parcel shall pay 20%; owner of the Expansion Parcel shall pay 50%; and the Association shall pay 30% of all such related costs and expenses.

4.2 If the Association shall fail to pay any such statement within thirty (30) days after receipt thereof, the amount of such statement, together with interest thereon at the rate of ten (10%) percent per annum from the date when payment was due, plus attorney's fees necessary to collection, shall automatically become a continuing lien upon the Condominium Premises, which lien shall be superior to all claims to such parcel except purchase money first mortgages, as well as an enforceable personal obligation of the Association. Upon failure of the Association to pay its share, the owner of the Office Project Parcel may record notice of a claim of lien against the Condominium Premises and thereafter pursue a judicial action to foreclose said lien, subject only to any purchase money first mortgage, in any manner now or in the future permitted by law or equity with respect to mortgage liens. Proceeds received at such sale shall be distributed first to pay the lien being foreclosed upon, plus all costs and expenses, interest, and attorney's fees, and any surplus shall be distributed in accordance with the priorities established by applicable law. The unpaid owner of the Office Parcel may, in addition to, or instead of, foreclosure, obtain a personal judgment against the party(ies) responsible for the unpaid costs and expenses.

4.3 Sections 4.1 and 4.2 notwithstanding, (a) any damage to the Easement Premises or entranceway caused by the Association, its members, or their guests or invitees shall promptly be repaired by the Association at its sole expenses and (b) the Association shall not be liable to contribute to the cost of repair of any damage to the Easement Premises or Entranceway caused by the owner of the Office Project Parcel, or its guests or invitees.

Section 5. Assignment of Rights.

5.1 All rights hereunder shall not be further assignable except as an appurtenance to and in conjunction with the sale of the land burdened or benefited hereby.

Section 6. Amendment.

6.1 The Easement, rights and responsibilities set forth in this instrument shall be perpetual and shall run with the land. The provisions of this instrument may be amended, but only with the consent of the owner of the Office Project Parcel, the Expansion Parcel, the Association, or their successors in interest.

IN WITNESS WHEREOF, the undersigned have executed this Easement Agreement as of the day first written above.

DEVELOPER:

Auto-Owners Insurance Company,
a Michigan corporation

By: S.R. Birn
Its: Senior Vice President, Secretary,
and General Counsel

By: Gwendoline A. Maisch,
Its: Assistant General Counsel

ASSOCIATION:

Verndale at East Bay Condominium Association

By: B. L. Hiesrodt
Its: President

STATE OF MICHIGAN)
)ss.
COUNTY OF EATON)

The foregoing instrument was acknowledged before me this 20th day of July, 2005, by S.R. Birn and Gwendoline A. Maisch, the Senior Vice President, Secretary and General Counsel and Assistant General Counsel respectively of Auto-Owners Insurance Company, a Michigan corporation, as their free act and deed on behalf of said corporation.

Notary Public
CORIE L. KECK
Notary Public, Ingham Co., MI
Acting In Eaton County, Michigan
My Comm. Expires Sept. 14, 2007
County, Michigan
Acting in _____ County, Michigan
My commission expires: _____

STATE OF MICHIGAN)
)ss.
COUNTY OF EATON)

The foregoing instrument was acknowledged before me this 20th day of July, 2005, by B. L. Hiesrodt the President of Verndale at East Bay Condominium Association a Michigan corporation, as **[his/her]** free act and deed on behalf of said corporation.

Notary Public
CORIE L. KECK
Notary Public, Ingham Co., MI
Acting In Eaton County, Michigan
My Comm. Expires Sept. 14, 2007
County, Michigan
Acting in _____ County, Michigan
My commission expires: _____

THIS INSTRUMENT WAS PREPARED BY:

Kurt M. Bowden
Bowerman, Bowden & Moothart, P.C.
620-A Woodmere
Traverse City, Michigan 49686
231.941.8048

WHEN RECORDED, RETURN TO PREPARER

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2005R-16429

STATE OF MICHIGAN
GRAND TRAVERSE COUNTY
RECORD

07/25/2005 12:00:58PM

PAGE 1 OF 6
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PEGGY HAINES
REGISTER OF DEEDS

4/4

DRAINAGE EASEMENT AND MAINTENANCE AGREEMENT

Drainage Easement and Maintenance Agreement made this 20th day of July, 2005, between Auto-Owners Insurance Company, a Michigan corporation, of 6101 Anacapri Boulevard, Lansing, MI 48917-3999 ("Developer") and Verndale at East Bay Condominium Association, a not for profit Michigan corporation, of 6101 Anacapri Boulevard, Lansing, MI 48917-3999 (the "Association").

RECITALS

A. Developer is the owner of the following described real property located in East Bay Township, Grand Traverse County, Michigan:

> Part of the North Half of the Northwest Quarter, of the Northeast Quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan more fully described as: BEGINNING at the North Quarter Corner of said Section 30; thence North 88°45'28" East, 1311.40 feet, along the North line of said Section 30; thence South 01°14'32" East, 584.53 feet; thence South 88°44'22" West, 99.83 feet; thence South 01°15'38" East, 69.36 feet; thence South 88°44'22" West, 65.18 feet; thence South 62°02'25" West, 124.22 feet; thence South 27°57'35" East, 20.00 feet; thence South 52°45'43" West, 106.58 feet; thence North 89°40'05" West, 148.95 feet; thence North 01°08'22" East, 20.00 feet; thence North 89°40'05" West, 228.44 feet; thence North 84°47'57" West, 210.67 feet; thence North 65°02'06" West, 311.61 feet; thence Northwesterly 27.62 feet along the arc of a 257.00 foot radius curve to the left, the central angle of which is 06°09'30", and the long chord of which bears North 36°47'44" West, 27.61 feet; thence North 39°52'26" West, 56.65 feet; thence Northwesterly 57.59 feet along the arc of a 322.89 foot radius curve to the right, the central angle of which is 10°13'07", and the long chord of which bears North 34°45'55" West, 57.51 feet; thence North 00°15'06" East, 489.54 feet, to the POINT OF BEGINNING. Said parcel contains 21.41 acres, more or less.

(the "Office Project Parcel") and the owner of the following described real property located in East Bay Township, Grand Traverse County, Michigan:

> Part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as: Commencing at the North quarter corner of said Section 30; thence South 00°15'05" West, 489.54 feet, along the North and South one-quarter line of said Section 30; thence Southeasterly, 57.59 feet, along the arc of a 322.89 foot radius curve to the left, the central angle of which is 10°13'07" and the long chord of which bears South 34°45'55" East, 57.51 feet; thence South 39°52'26" East, 56.65 feet; thence Southeasterly, 27.62 feet, along the arc of a 257.00 foot radius curve to the right, the central angle of which is 06°09'30" and the long chord of which bears South 36°47'44" East, 27.61 feet; thence South 65°02'06" East, 116.79 feet, to the Point of Beginning; thence South 65°02'06" East, 194.82 feet; thence South 84°47'57" East, 210.67 feet; thence South 89°40'05" East, 228.44 feet; thence South 01°08'22" West, 20.00 feet; thence South 89°40'05" East, 148.95 feet; thence North 52°45'43" East, 106.58 feet; thence North 27°57'35" West, 20.00 feet; thence North 62°02'25" East, 124.22 feet; thence Northeasterly, 23.30 feet, along the arc of a 50.00 foot radius curve to the right, the central angle of which is 26°42'00" and the long chord of

which bears North 75°23'23" East, 23.09 feet; thence North 88°44'22" East, 65.18 feet; thence North 01°15'38" West, 69.36 feet; thence North 88°44'22" East, 99.83 feet; thence North 88°45'28" East, 282.09 feet; thence South 01°14'32" East, 291.18 feet; thence South 26°08'28" West, 261.35 feet; thence South 81°15'59" West, 346.01 feet; thence Northwesterly, 361.16 feet, along the arc of a 376.00 foot radius curve to the left, the central angle of which is 55°02'04" and the long chord of which bears North 61°20'36" West, 347.44 feet; thence North 88°51'38' West, 623.55 feet; thence Northwesterly, 38.88 feet, along the arc of a 25.00 foot radius curve to the right, the central angle of which is 89°06'44" and the long chord of which bears North 44°18'16" West, 35.08 feet; thence North 00°15'05" East, 177.52 feet; thence Northwesterly, 96.10 feet, along the arc of a 333.00 foot radius curve to the left, the central angle of which is 16°32'04" and the long chord of which bears North 08°00'56" West, 95.76 feet, to the Point of Beginning. Said parcel contains 10.52 acres.

(the "Expansion Parcel"), the Office Project Parcel and the Expansion Parcel being land which is burdened by the Easements described in this Agreement.

B. Verndale at East Bay Condominium (the "Condominium") is a condominium established pursuant to Master Deed recorded at Document # 2005C-00046 Grand Traverse County Register of Deeds (the "Condominium Premises"). The Master Deed describes the land which is benefitted by the Easements described in this Agreement (the "Condominium Premises"). The Condominium adjoins the Expansion Parcel which adjoins the Office Project Parcel.

C. The Association is a nonprofit condominium association organized for the purpose of administering the Condominium.

D. The parties wish to provide water drainage from the Condominium Premises over the following real property:

An Easement for a storm water drainage and retention system in part of the Northeast one-quarter of Section 30, Town 27 North, Range 10 West, East Bay Township, Grand Traverse County, Michigan, more fully described as: Commencing at the North one-quarter corner of said Section 30; thence North 88°45'28" East, 1074.61 feet, along the North line of said Section 30; thence South 01°14'32" East, 50.01 feet, to a point on the South right-of-way line of Hammond Road and to the Point of Beginning; thence continuing South 01°14'32" East, 34.99 feet; thence Southeasterly, 62.64 feet, along the arc of a 40.00 foot radius curve to the right, the central angle of which is 89°43'15" and the long chord of which bears South 46°23'02" East, 56.43 feet; thence Southeasterly, 87.19 feet, along the arc of a 254.00 foot radius curve to the left, the central angle of which bears South 11°21'26" East, 86.76 feet; thence South 68°49'51" West, 16.74 feet; thence South 10°48'37" East, 79.48 feet; thence South 81°38'11" West, 136.86 feet; thence South 07°14'13" East, 33.43 feet; thence South 00°37'27" East, 125.70 feet; thence South 10°25'00" West, 149.56 feet; thence South 27°57'35" East, 130.26 feet; thence South 52°45'43" West, 106.58 feet; thence North 89°40'05" West, 138.95 feet; thence South 01°08'22" West, 186.26 feet; thence North 88°51'38" West, 20.00 feet, along the Northerly right-of-way line of Vienna Way; thence North 01°08'22" East, 306.36 feet; thence South 89°40'05" East, 65.78 feet; thence Northeasterly, 98.76 feet, along the arc of a 200.00 foot radius curve to the left, the central angle of which is 28°17'30" and the long chord of which bears North 76°11'10" East, 97.76 feet; thence North 62°02'25" East, 13.96 feet; thence North 29°11'50" West, 28.30 feet; thence North 10°25'00" East, 155.58 feet; thence North 00°37'27" West, 122.61 feet; thence North 07°14'13" West, 51.88 feet; thence North 81°38'11" East, 125.59 feet; thence North 10°48'37" West, 75.30 feet; thence North 71°03'56" West, 140.20 feet; thence South 73°26'24" West, 109.96 feet; thence South 87°45'11" West, 174.37 feet; thence North 01°14'32" West, 137.75 feet, to a point on said South right-of-way line of Hammond Road; thence North 88°45'28" East, 404.92 feet, along said South right-of-way line to the Point of Beginning. Subject to other easements or restrictions, if any.

(the "Easement Premises").

E. The parties wish to provide for the use, maintenance and repair of the Easement Premises.

EASEMENT GRANT AND MAINTENANCE AGREEMENT

Section 1 - Grant of Drainage Easement

1.1 Developer hereby grants Association, for the benefit of its members, successors and assigns, as well as their guests and invitees, a perpetual nonexclusive easement (the "Drainage Easement") over the Easement Premises for the purpose of draining water which has accumulated naturally upon the Condominium Premises.

1.2 The Drainage Easement shall burden the Office Parcel and the Expansion Parcel, be appurtenant to, and benefit the Condominium Premises, and shall run with the land.

1.3 The Drainage Easement shall also benefit the Office Project Parcel and the Expansion Parcel, and burden the Condominium Premises, to the extent that owner of the Office Project Parcel and the Expansion Parcel shall have the right to enter the Condominium Premises to construct, replace, repair and maintain drainage ditches, ponds and pipes which are not reasonably maintained by the Association, or to otherwise protect the Office Project Parcel and the Expansion Parcel from damage occurring by reason of the Association's use or misuse of the Drainage Easement.

Section 2. Repair and Maintenance of Drainage Easement.

2.1 The drainage ditches, ponds and pipes in the Easement Premises and Drainage Easement shall be constructed by Developer and shall thereafter be repaired, replaced and maintained by the owner of the Office Project Parcel in a good and useful condition as provided herein.

2.2 When repairs, replacement and maintenance appear to be necessary, the owner of the Office Project Parcel may undertake such repairs, replacement and maintenance anywhere along the Easement Premises.

2.3 The owner of the Office Project Parcel shall contract for and initially pay all reasonable costs associated with repairs, replacement and maintenance of the Easement Premises and Drainage Easement. However, the Association shall share in all such costs and expenses and shall promptly pay within thirty (30) days all statements for services rendered reflecting such costs and expenses. The owner of the Office Project Parcel shall pay twenty-five (25%) percent of all such costs and expenses. The owner of the Expansion Parcel shall pay twenty-five (25%) percent of all such costs and expenses. The Association shall pay fifty (50%) percent of all such costs and expenses.

2.4 The Association shall contract for and pay all reasonable costs associated with repairs, replacement or maintenance of all drainage ditches, ponds and pipes located on the Condominium Premises. If the Association fails to properly repair, replace or maintain such drainage ditches, ponds and pipes, the owner of the Office Project Parcel shall have the right to enter the Condominium Premises to repair, replace and maintain such drainage ditches, ponds and pipes which are not reasonably maintained by the Association. However, the Association shall fully be responsible for such costs and expenses, and shall promptly pay within thirty (30) days the statement rendered reflecting such costs and expenses.

2.5 If the Association shall fail to pay any statement rendered to it pursuant to Section 2.3 or 2.4 above within thirty (30) days after receipt thereof, the amount of such statement, together with interest thereon at the rate of ten (10%) percent per annum from the date of when payment was due, plus attorneys' fees necessary to collection, shall automatically become a continuing lien upon the Condominium Premises, which lien shall be superior to all claims to such Condominium Premises except purchase money first mortgages, as well as an enforceable personal obligation of the Association. Upon failure of the Association to pay its share, the owner of the Office Project Parcel may record notice of a claim of lien against the Condominium Premises and thereafter pursue a judicial action to foreclose said lien, subject only to any purchase money first mortgage, in any manner now or in the future permitted by law or equity with respect to mortgage liens. Proceeds received at such sale shall be distributed first to pay the lien being foreclosed upon, plus all costs and expenses, interest, and attorneys' fees, and any surplus shall be distributed in accordance with the

priorities established by applicable law. The unpaid owner of the Office Project Parcel may, in addition to, or instead of, foreclosure, obtain a monetary judgment against the Association.

2.6 Sections 2.3 and 2.4 notwithstanding, (a) any damage to the Easement Premises or Drainage Easement caused by the Association, its members, or their guests or invitees shall promptly be repaired by the Association at the Association's sole expenses and (b) the Association shall not be liable to contribute to the cost of repair of any damage to the Easement Premises solely caused by the owner of the Office Project Parcel or the owner of the Expansion Parcel, or its guests or invitees.

Section 3. Covenants and Indemnification.

3.1 The Association will not make any change in the size, shape, capacity, rate of flow, rate of outflow, or in any other characteristic of the drainage ditches, ponds and pipes located on the Condominium Premises without the prior written approval of the owner of the Office Project Parcel, which approval may only be given by way of written amendment to this instrument, properly recorded.

3.2 The Association will properly maintain the drainage ditches, ponds and pipes located on the Condominium Premises so that they will function in such a manner which will not have an adverse impact on the Easement Premises or Drainage Easements into which they flow, or upon the Office Project Parcel or upon the Expansion Parcel.

3.3 The owner of the Office Project Parcel and of the Expansion Parcel shall not be liable for any damages, costs, expenses or Attorney's fees which may accrue as a result of the existence, operation or maintenance of the drainage ditches, ponds or pipes located on the Condominium Premises.

3.4 The Association shall indemnify, defend, and hold harmless Developer and the owner of the Office Project Parcel and the owner of the Expansion Parcel, including the payment of attorney's fees, against (a) any claim asserted by any third party under any legal or equitable theory and (b) any damages whatsoever to the Easement Premises, Drainage Easement or to the Office Project Parcel or Expansion Parcel arising from the violation by the Association of any of the agreements, covenants or responsibilities of the Association contained in this Agreement, including but not limited to claims or damages arising from the use or misuse by the Association, its co-owners, their agents, guests or invitees, of the Drainage Easement and the Easement Premises.

3.5 The term "misuse," as used in Section 3.4 above, includes but is not limited to the release of any substance into the Drainage Easement other than water which has accumulated from naturally occurring precipitation or from the rise in the level of groundwater as a result of naturally occurring precipitation, whether or not such substance is listed as a hazardous substance or pollutant by any federal, state or local law, regulation or ordinance.

Section 4. Assignment of Rights.

4.1 All rights hereunder granted shall not be further assignable except as an appurtenance to and in conjunction with the sale of the land burdened or benefitted hereby, to wit, the Office Project Parcel, the Expansion Parcel and/or the Condominium Premises.

Section 5. Amendment.

5.1 This Drainage Easement, and the rights and responsibilities set forth in this written instrument, shall be perpetual and shall run with the land, and shall benefit and burden the Office Project Parcel, the Expansion Parcel and the Condominium Premises. The provisions of this instrument may be amended only with the written consent of the owner of the Office Project Parcel and the Association, or their successors in interest.

Section 6. Grand Traverse County Drain Commissioner's Rights.

6.1 The Association shall conduct routine maintenance of the storm water retention areas and other storm water management facilities within the development to continually meet the specifications of the storm water plan approved by the Grand Traverse County Drain Commissioner's Office. If the Association fails to do the required maintenance on the storm water facilities, the Drain Commissioner's Office reserves the right to request in writing that this maintenance be done. The Association shall conduct routine maintenance of the storm water retention areas and other storm water management facilities within thirty (30) days of receipt of written notification that action is required, unless other acceptable arrangements are made with the Grand Traverse County Drain Commissioner, and shall conduct emergency maintenance within thirty-six (36) hours of written notification; in the event that the Association shall fail to act within these time frames, the Grand Traverse County Drain Commissioner may perform the needed maintenance and assess the costs therefor against the Association. All costs associated with the maintenance of the system, including such items as engineering or surveying, will be included in the assessment costs against the Association. The Drain Commissioner is hereby granted and provided access around any and all retention basins for inspection and maintenance to be performed as specified above. In the event the retention basins within the Condominium Premises become part of a county drain, that the rights, obligations, and duties and easements herein may be assigned to the pertinent agency or county officer.

IN WITNESS WHEREOF, the undersigned have executed this Drainage Easement and Maintenance Agreement as of the day and year first written above.

DEVELOPER:

Auto-Owners Insurance Company,
a Michigan corporation

By: S.R. Birn
Its: Senior Vice President, Secretary
and General Counsel

By: Gwendoline A. Maisch,
Its: Assistant General Counsel

ASSOCIATION:

Verndale at East Bay Condominium
Association

By: B. L. Hiesrodt
Its: President

STATE OF MICHIGAN)
)ss.
COUNTY OF EATON)

The foregoing instrument was acknowledged before me this 20th day of July, 2005, by S.R. Birn and Gwendoline A. Maisch, the Senior Vice President, Secretary and General Counsel and Assistant General Counsel respectively of Auto-Owners Insurance Company, a Michigan corporation, as their free act and deed on behalf of said corporation.

Notary Public

CORIE L. KECK
Notary Public, Ingham Co., MI
Acting in Eaton County, Michigan
My Comm. Expires Sept. 14, 2007

Acting in _____ County, Michigan
My commission expires: _____

STATE OF MICHIGAN)
)ss.
COUNTY OF EATON)

The foregoing instrument was acknowledged before me this 20th day of July, 2005, by B. L. Hiesrodt the President of Verndale at East Bay Condominium Association a Michigan corporation, as **[his/her]** free act and deed on behalf of said corporation.

Notary Public

CORIE L. KECK
Notary Public, Ingham Co., MI
Acting in Eaton County, Michigan
My Comm. Expires Sept. 14, 2007

Acting in _____ County, Michigan
My commission expires: _____

THIS INSTRUMENT WAS PREPARED BY:

Kurt M. Bowden
Bowerman, Bowden & Moothart, P.C.
620-A Woodmere
Traverse City, Michigan 49686
231.941.8048

WHEN RECORDED, RETURN TO PREPARER

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