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G.WILLIAM CADDELL, CLERK/REGISTER OF DEEDS

STATE OF MICHIGAN
COUNTY OF OAKLAND
CHARTER TOWNSHIP OF OXFORD

GOLF HIGHLANDS #1 *188*

OPEN SPACE MAINTENANCE
AGREEMENT

AGREEMENT, dated 9/10/1, 2004, by and between the Charter Township of Oxford, a Michigan municipal corporation (the "Township"), located at 18 West Burdick Street, P.O. Box 3, Oxford, Michigan 48371, and Selective - Delaware, L.L.C. (the "Developer"), whose address is 27655 Middlebelt Road, Suite 130, Farmington Hills, Michigan 48334, which represents itself, hereby, as the owner of title to the Property (defined below).

04-21107-000ent

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28 photo*

RECITATIONS

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Developer is the sole owner and developer of land located in the Township of Oxford, County of Oakland, State of Michigan, which is described on the attached and incorporated Exhibit "A" (the "Property"). The Property is zoned Central Area Development ("CAD") District and is subject to the Township's CAD District Regulations set forth in Article 4 of Zoning Ordinance No. 67, as amended (the "Ordinance").

Developer has applied for and has received conditional final approval for the preliminary plat for the Property as a proposed development known as Golf Highlands No. 1 (the "Subdivision"). The Subdivision contains commons/open space areas ("Open Spaces") as required by the Ordinance, which are shown on the attached and incorporated Exhibit "B". Pursuant to the Ordinance, the Developer is required to enter into this Open Space Maintenance Agreement with the Township.

NOW THEREFORE, IT IS AGREED AS FOLLOWS:

1. Recording.

This Agreement shall be recorded with the Oakland County Register of Deeds, with the liber and page numbers of its recording to be placed on the final plat and in the Declaration of Covenants, Conditions and Restrictions for Golf Highlands No. 1 (the "Declaration") recorded for the Subdivision.

2. Purpose of Agreement.

O.K. - LG

The Charter Township of Oxford and Developer enter into this Agreement for the purpose of establishing the conditions for assuring that the Open Space will be maintained on a permanent basis.

3. Golf Highlands Homeowners Association.

Within ninety (90) days after recording of the final plat for the Subdivision and prior to the sale of any lots to ultimate residential homeowners, Developer shall organize a homeowners association as a non-profit corporation under the laws of the State of Michigan, to be known as the "Golf Highlands Homeowners Association" (the "Association"). Membership in the Association shall be mandatory for each lot owner and the Association shall be organized and vested with the jurisdiction and fundraising authority to assess all lots in the subdivision, as necessary to preserve and maintain the Open Space in the condition required.

4. Establishing and Allocating Duties and Responsibilities for Developing and Maintaining Open Space.

The Association, by action of its Board of Directors, as governed by and pursuant to, the Bylaws for the Association, and all its amendments, which are attached and incorporated into this agreement as Exhibit A, shall determine the means of implementing, allocating and/or fulfilling the of duties and responsibilities for the development, preservation and maintenance of the Open Space Areas, which duties and responsibilities may include:

- a) To levy, collect and disburse assessments against and from the members of the association and to use the proceeds thereof for the purposes of the Association, to enforce assessments through liens and foreclosure proceedings when appropriate and to impose late charges for nonpayment of said assessments.
- b) To carry insurance and collect and allocate the proceeds thereof.
- c) To rebuild improvements to the Open Space areas after casualty.
- d) To contract for and employ persons, firms, corporations or other agents to assist in the management, operations, maintenance, and administration of the Open Space areas.
- e) To borrow money and issue evidence of indebtedness in furtherance of any or all of the purposes of the Association and to secure the same by mortgage, pledge other lien on property owned by the Association; provided, however, that any such action shall also be approved by affirmative vote of sixty percent (60%) of all of the members of the Association.
- f) To make reasonable rules and regulations governing the use and enjoyment of the Open Space areas by residents and their tenants, guests, employees, invitees, families and pets and to enforce such rules and regulations by all legal methods, including without limitation, imposing funds and late payment charges, or instituting eviction or legal proceedings.
- g) 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 Open Space Areas, and to delegate to such committees any functions or

responsibilities that are not by law or the Declaration required to be performed by the Board.

- h) To levy, collect and disburse fines against and from the members of the Association after notice and hearing thereon and to use the proceeds thereof for the Association.

5. Title of Open Space.

The Developer shall hold the title to the Open Space areas until the Association is sufficiently funded and possesses the resources necessary to maintain and improve the Open Space areas. Once the Association presents proof of adequate funding to the Township, the Developer shall dedicate the Open Space to the Association for use by and benefit of the residents of the "Subdivision". Once the Open Space has been conveyed to the Association, the Association shall assume the duties of maintenance. The Developer shall provide proof of conveyance of the Open Space to the Association, to the Township to remain on file with the Township. Conveyance of the title to the Open Space area by the Developer to the Association shall not relieve the Developer of the responsibility to complete any improvement of the Open Space area including the installation of paved pathways, required trees and landscaping and pedestrian amenities.

6. Payment of Taxes.

The Township shall assess the value of the Open Space area and assign a portion of the total value to each residential lot in the "Subdivision" on an equal pro rata basis, to be placed on the tax roll of the Township to be collected as part of the real property taxes for each individual lot. The Association agrees to pay any additional amount assessed and attributable to the Open Space Area, which is not included in the taxes for each residential lot.

7. Assessment of Funds for Maintenance.

All expenses arising from the management, administration and operation of the Association in pursuance of its authorization and responsibilities as set forth herein may be levied by the Association against the residential lots within the Subdivision per the Declaration

8. Restriction of Use at to Open Space and Related Improvements.

The Open Space Area shall be developed and improved as set forth in accordance with the provisions of the Township's CAD District Regulations and as in the approved plans for the Subdivision. The improvements constructed shall include a system of paved pathways to the Open Space areas, pedestrian amenities, as required under the Ordinance, including but not limited to benches, gazebos, picnic tables, playgrounds and/or tot-lots, all as shown on the approved Landscape Plans for the "Subdivision". All trees and plants shall be placed in accordance with the approved plans at the expense of the Developer.

Areas designated, as permanent Open Space shall not be developed in any manner, which alters the natural vegetation. Except for and subject to the activities which have been expressly authorized in the approved landscape plans, and for routine mowing of the lawn, there shall be no disturbance of the natural vegetation, including altering the topography of; placing fill material, removing or excavating and soil, minerals, or trees, constructing or

placing any structures on; or, otherwise altering and/or constructing, operating, maintaining any use or development

However, except for trees within existing natural trees stands, which the Homeowner's Association shall have no obligation to remove or replace, it shall be the responsibility of the Association to remove and replace dead or decaying trees in the Open Space.

Further restriction on use of the Open Space and related amenities include:

- a) Motor Vehicles. All vehicles propelled by a motor, other than those used for maintenance purposes, including but not limited to snowmobiles, all-terrain vehicles, motorcycles, mopeds, automobiles, trucks and vans, are expressly prohibited from operation or storage in Open Space areas.
 - b) Structures. No wall, building or structure may be constructed nor any development or improvement done in the Open Space areas without the prior written consent and approval of the Architectural Control Committee and all government agencies having jurisdiction.
 - c) Refuse and Storage. The Open Space areas shall not be used as dumping ground for storage or disposal of rubbish, trash, garbage or other materials.
 - d) Pets. No Lot Owner shall allow the Lot Owner's dog or any other pet to run loose in the Open Space areas.
 - e) Passive Use of the Open Space areas. The Open Space areas shall be used only for passive recreation and for no other purposes. Golfing and all other active sports are prohibited. Activities in the Open Space areas shall be carried on in such a manner as to avoid disturbing or otherwise offending other Lot Owners. No firearms, air rifles, pellet or BB guns, bows and arrows, slingshots or other weapons are allowed in the Open Space areas.
 - f) Fertilizer and Pesticide Use. No Lot Owner shall apply fertilizer or pesticides to such Lot Owner's lawn except in strict compliance with guidelines established by the Board of Directors of the Association in consultation with the Township's consulting landscape architect. No Lot Owner shall cause any pollutants or debris to be released in any lakes.
 - g) Wild Life. No Lot Owner shall permit or suffer the molestation or destruction of wild ducks, geese, birds or other wild life in the Open Space areas.
 - h) Liability Insurance. The Association shall maintain liability insurance in sufficient amounts for the purpose of protecting itself as well as the Lot Owners and the Developer from the burden of liability resulting from accidents, which may cause death or injury to anyone while in the Open Space areas or on property under the jurisdiction or control of the Association.
9. Responsibility for Developing and Maintaining Open Space.

The Developer prior to dedication of the Open Space and the Association thereafter, shall have the authority and responsibility, at its expense, to preserve and maintain all lakes, if any, trees, buffers and landscape located in the open space areas; all pedestrian amenities including, but not limited to benches, gazebos and picnic tables; all paved pathways and

walkways constructed and dedicated for access to the Open Space, and; storm drainage, detention and retention facilities. to ensure that the same continue to function as intended.

10. Township Enforcement of Preservation and Maintenance of Open Space.

In the event that the Developer and/or Association shall at any time fail to carry out the specified responsibilities and/or in the event of a failure to preserve and/or maintain such areas or facilities in reasonable order and condition, the township may serve written notice upon the Developer and/or Association setting forth the deficiencies in maintenance and/or preservation. Notice shall also set forth a demand that the deficiencies be cured within a stated reasonable time period, and the date, time and place of the hearing before the Township Board, or such other board, body or official delegated by the Township Board, for the purpose of allowing the Developer and/or Association to be heard as to why the Township should not proceed with the maintenance and/or preservation which has not been undertaken. At the hearing, the time for curing the deficiencies and the hearing itself may be extended and/or continued to a date certain. If, following the hearing, the Township Board, or other body or official, designated to conduct the hearing, shall determine that maintenance and/or preservation have not been undertaken within the time specified in the notice, the Township shall thereupon have the power and authority, but not obligation, to enter upon the property, or cause its agents or contractors to enter upon the property and perform such maintenance and/or preservation as reasonably found by the Township to be appropriate. The cost and expense of making and financing such maintenance and/or preservation, including the cost of notices by the Township and reasonable legal fees incurred by the Township, plus an administrative fee in the amount of 25% of the total of all costs and expenses incurred, shall be paid by the Developer and/or Association, and such amount shall constitute a lien on an equal pro rata basis as to all of the residential lots on the property. The Township may require the payment of such monies prior to the commencement of work. If such costs and expenses have not been paid within 30 days of a billing to the Developer or Association, all unpaid amounts may be placed on the delinquent tax roll of the Township, pro rata, as to each lot, and shall accrue interest and penalties, and shall be collected as, and shall be deemed delinquent real property taxes, according to the laws made and provided for the collection of delinquent real property taxes. In the discretion of the Township, such costs and expenses may be collected by suit initiated against the Developer or Association, and, in such event, the Developer and/or Association shall pay all court costs and reasonable attorney fees incurred by the Township in connection with such suit.

11. Declaration of Covenants, Conditions and Restrictions.

The Declaration has been conditionally approved by the Township. Any provision of the Declaration, or this document, which effects the rights and/or duties of the Township may not be amended by the Developer and/or the Association without the prior, written approval by the Township. In any event, the provisions of the Declaration shall not be amended to conflict with this Agreement.

The Declaration, recorded with the Oakland County Register of Deed at Liber 28938 Page 268, as it may be amended from time to time, and the Restated Master Declaration of Restriction for Waterstone and all Amendments thereto, as recorded with the Oakland County Register of Deeds, located at Liber 20693 Page 395, are hereby incorporated into this document by reference.

12. Delays in Enforcement; Severability.

Any failure or delay by the Township to enforce any provision herein contained shall in no event be deemed, construed or relied upon as a waiver or estoppel of the right to eventually do so thereafter. Each provision and obligation contained herein shall be considered to be an independent and separate covenant and agreement, and in the event one or more of the provisions and/or obligations shall for any reason be held to be invalid or unenforceable by a court of competent jurisdiction, all remaining provisions and/or obligations shall nevertheless remain in full force and effect.

13. Access to Property.

In all instances in which the Township utilizes the proceeds of a financial assurance given to ensure completion or maintenance of Open Space and related improvements throughout the period of development and construction of any part of the Subdivision, the Township, and its contractors and agents, shall be permitted, and are hereby granted authority, to enter upon all or any portion of the Property for the purpose of inspecting and/or completing the respective improvements, and for purposes of inspecting for compliance with and enforcing this Agreement.

14. Agreement Jointly Drafted.

Developer has negotiated with the Township the terms of this Agreement and as such, it represents the product of the joint efforts and mutual agreements of Developer and the Township. Developer fully accepts and agrees on behalf of itself, the Association and all successors, assigns and transferees obtaining any interest in the subject property, to the final terms, conditions, requirements and obligations of this document. Developer shall not be permitted in the future to claim that the effect of this Agreement results in an unreasonable limitation upon uses of all or a portion of the Property, or claim that enforcement of the Agreement causes an inverse condemnation, other condemnation or taking of all or any portion of the Property. Furthermore, it is agreed that the duties, rights and responsibilities described in this Agreement are necessary and roughly proportional to the burden imposed on available resources by this Subdivision. All requirements for preservation, maintenance and/or improvement are clearly and substantially related to the burdens to be created by the development of the Property, and all such improvements without exception are clearly and substantially related to the Township's legitimate interests in protecting the public health, safety and general welfare.

15. Ambiguities and Inconsistencies.

Where there is a question with regard to application or definition of terms or regulations, and there are no apparent express provisions within this Agreement which apply, the Township, in the reasonable exercise of its discretion, shall determine the regulations of the Township's Zoning Ordinance. In the event of a conflict or inconsistency between two or more provisions of the Agreement and applicable Township ordinances, the more restrictive provision, as determined in the reasonable discretion of the Township, shall apply.

16. Warranty of Ownership.

Developer hereby warrants that it is the owner in fee simple of the Property at the time of execution of this Agreement. This representation may be relied upon and enforced by the Charter Township of Oxford.

17. Running with the Land; Governing Law.

This Agreement shall run with the land constituting the Property, and shall be binding

upon and inure to the benefit of the Developer, all future owners, developers and builders of any part of the Subdivision, all undersigned parties, and all of their respective heirs, successors, assigns and transferees.

18. Applicable Law

This Agreement shall be interpreted and construed in accordance with Michigan law, and shall be subject to enforcement only in Michigan courts. The parties understand and agree that this Development Agreement is consistent with the intent and provisions of the Michigan and U.S. Constitutions and all applicable law.

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"DEVELOPER"

SELECTIVE - DELAWARE, L.L.C.
a Delaware limited liability company

By: **CENTEX HOMES**, a Nevada general partnership, its sole Member

By: **CENTEX REAL ESTATE CORPORATION**, a Nevada corporation, its Managing Partner

By: W. T. Stapleton
William T. Stapleton,
Division President

STATE OF MICHIGAN)
COUNTY OF Oakland) SS

The foregoing instrument was acknowledged before me this 14th day of June, 2004 by William T. Stapleton, Division President of Centex Real Estate Corporation, a Nevada corporation, the Managing Partner of Centex Homes, a Nevada general partnership, the sole Member of Selective - Delaware, L.L.C., a Delaware limited liability company, on behalf of the company.

[Signature]
Notary Public
Macomb County, Michigan
My commission expires: 7-14-2008
Acting in County of Oakland

Christina Jessop
Notary Public, Macomb County, MI
My Commission Expires 07-14-2008

"TOWNSHIP"
CHARTER TOWNSHIP OF OXFORD
a Michigan municipal corporation

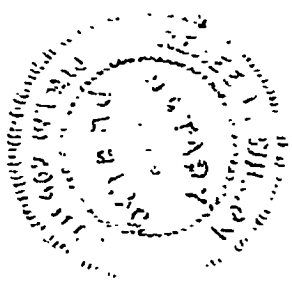
BY: William Dunn
William Dunn, Supervisor

BY: Clara J. Sanderson
Clara J. Sanderson, Clerk

STATE OF MICHIGAN)
) SS
COUNTY OF OAKLAND)

The foregoing Agreement was acknowledged, signed and sworn to before me on this 10th day September, 2004, by William Dunn, Supervisor and Clara J. Sanderson, Clerk of the Charter Township of Oxford.

Renee M
Notary Public
Oakland County, Michigan
My Commission Expires: 12/22/2006
Acting in County of Oakland



RENEE L. WILSON
NOTARY PUBLIC OAKLAND CO. MI
MY COMMISSION EXPIRES Dec 22, 2006

GOLF HIGHLANDS HOMEOWNERS ASSOCIATION
BYLAWS

ARTICLE I
DEFINITIONS

All capitalized terms not defined in these Bylaws shall have the meaning set forth in the Declaration of Covenants, Conditions, and Restrictions Golf Highlands No. 1 dated February 19, 2003 and recorded in Liber 206526 Page 268, Oakland County Records, as the same may be amended from time to time (the "Declaration").

ARTICLE II
MEMBERSHIP

Membership in the Association is governed by Article III of the Declaration.

ARTICLE III
VOTING

Section 1. Eligibility to Vote; Voting Rights. Eligibility to vote and voting rights shall be as provided in Article III of the Declaration.

Section 2. Quorum. Except as provided in the Declaration for the first meeting, the presence in person or by proxy of 50% of the Lot Owners qualified to vote shall constitute a quorum for holding a meeting of the members of the Association, except for voting on questions specifically required by the Declaration, Articles of Incorporation or these Bylaws to require a greater quorum. The written vote of any person furnished at or prior to any duly called meeting at which meeting said person is not otherwise present in person or by proxy shall be counted in determining the presence of a quorum with respect to the question upon which the vote is cast.

Section 3. Voting. Votes may be cast only in person or by a writing duly signed by the Lot Owner entitled to vote not present at a given meeting in person or by proxy. Proxies and any written votes must be filed with the secretary of the Association at or before the appointed time of each meeting of the members of the Association. Cumulative voting shall not be permitted.

Section 4. Majority. A majority, except where otherwise provided herein, shall consist of more than 50% of those qualified to vote and present in person or by proxy (or written vote, if applicable) at a given meeting of the members of the Association. Whenever provided specifically herein, a majority may be required to exceed the simple majority hereinabove set forth.

ARTICLE IV
MEETINGS

Section 1. Place of Meeting. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Lot Owners as may be designated by the Board of Directors. Meetings of the Association shall be conducted in accordance with Sturgis Code of Parliamentary Procedure, Roberts Rules of Order or some other generally recognized manual of parliamentary procedure, when not otherwise in conflict with the Declaration or the laws of the State of Michigan.

Section 2. First Annual Meeting. The First Annual Meeting of members of the Association may be convened only by the Declarant and may be called at any time after more than fifty (50%) percent of the total number of Lots that may be created in the Subdivision have been sold. In no event, however, shall such meeting be called later than thirty (30) days after the conveyance of legal or equitable title to non-developer Lot Owners of one hundred (100%) percent of the total number of Lots that may be created in the Subdivision. Declarant may call meetings of members for informative or other appropriate purposes prior to the First Annual Meeting of members and no such meeting shall be construed as the First Annual Meeting of members. The date, time and place of such meeting shall be set by the Board of Directors, and at least ten (10) days' written notice thereof shall be given to each Lot Owner.

Section 3. Annual Meetings. Annual meetings of members of the Association shall be held on a date chosen by the Board of Directors of the Association in each succeeding year after the year in which the First Annual Meeting is held, at such time and place as shall be determined by the Board of Directors; provided, however, that the second annual meeting shall not be held sooner than eight (8) months after the date of the First Annual Meeting. At such meetings there shall be elected by ballot of the Lot Owners a Board of Directors in accordance with the requirements of Article V of these By-Laws. The Lot Owners may also transact at annual meetings such other business of the Association as may properly come before them.

Section 4. Special Meetings. It shall be the duty of the President to call a special meeting of the Lot Owners as directed by resolution of the Board of Directors or upon a petition signed by one third (1/3) of the Lot Owners presented to the Secretary of the Association. Notice of any special meeting shall state the time and place of such meeting and the purposes thereof. No business shall be transacted at a special meeting except as stated in the notice.

Section 5. Notice of Meetings. It shall be the duty of the Secretary (or other Association officer in the Secretary's absence) to serve a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, upon each Lot Owner of record, at least twenty (20) days but not more than sixty (60) days prior to such meeting. The mailing, postage prepaid, of a notice to the representative of each Lot Owner at the address of the Lot or such alternate address provided to the Association in writing shall be deemed notice served. Any member may, by written waiver of notice signed by such member, waive such notice, and such waiver, when filed in the records of the Association, shall be deemed due notice.

Section 6. Adjournment. If any meeting of Lot Owners cannot be held because a quorum is not in attendance, the Lot Owners who are present may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

Section 7. Order of Business. The order of business at all meetings of the members shall be as follows: (a) roll call to determine the voting power represented at the meeting; (b) proof of notice of meeting or waiver of notice; (c) reading of minutes of preceding meeting; (d) reports of officers; (e) reports of committees; (f) appointment of inspectors of election (at annual meetings or special meetings held for the purpose of electing Directors or officers); (g) election of Directors (at annual meeting or special meetings held for such purpose); (h) unfinished business; and (i) new business. Meetings of members shall be chaired by the most senior officer of the Association present at such meeting. For purposes of this Section, the order of seniority of officers shall be President, Vice President, Secretary and Treasurer.

Section 8. Action Without Meeting. Any action which may be taken at a meeting of the members (except for the election or removal of Directors) may be taken without a meeting by written ballot of the members. Ballots shall be solicited in the same manner as provided in Section 5 for the giving of notice of meetings of members. Such solicitations shall specify (a) the number of responses needed to meet the quorum requirements; (b) the percentage of approvals necessary to approve the action; and (c) the time by which ballots must be received in order to be counted. The form of written ballot shall afford an opportunity to specify a choice between approval and disapproval of each matter and shall provide that, where the member specifies a choice, the vote shall be cast in accordance therewith. Approval by written ballot shall be constituted by receipt, within the time period specified in the solicitation, of (i) a number of ballots which equals or exceeds the quorum which would be required if the action were taken at a meeting; and (ii) a number of approvals which equals or exceeds the number of votes which would be required for approval if the action were taken at a meeting at which the total number of votes cast was the same as the total number of ballots cast.

Section 9. Consent of Absentees. The transactions at any meeting of members, either annual or special, however called and noticed, shall be as valid as though made at a meeting duly held after regular call and notice, if a quorum is present either in person or by proxy; and if, either before or after the meeting, each of the members not present in person or by proxy, signs a written waiver of notice, or a consent to the holding of such meeting, or an approval of the minutes thereof. All such waivers, consents or approvals shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 10. Minutes, Presumption of Notice. Minutes or a similar record of the proceedings of meetings of members, when signed by the President or Secretary, shall be presumed truthfully to evidence the matters set forth therein. A recitation in the minutes of any such meeting that notice of the meeting was properly given shall be prima facie evidence that such notice was given.

ARTICLE V BOARD OF DIRECTORS

Section 1. Number and Qualification of Directors. The Board of Directors shall be comprised of five (5) persons, all of whom must be members of the Association or officers, partners,

trustees, employees or agents of members of the Association, except for the first Board of Directors. Directors shall serve without compensation.

Section 2. Election of Directors. Prior to such time as Declarant has conveyed legal and equitable title to not less than one hundred percent (100%) of the total Lots in the Subdivision the Board of Directors shall be appointed by the Declarant. Subsequent to such time as Declarant has conveyed legal and equitable title to not less than one hundred percent (100%) of the total Lots in the Subdivision the Board of Directors shall be elected by the Lot Owners.

Section 3. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Association and may do all acts and things as are not prohibited by the Declaration, Articles of Incorporation or these Bylaws or required thereby or hereby to be exercised and done by the Lot Owners.

Section 4. Other Duties. In addition to the foregoing duties imposed by these Bylaws or any further duties which may be imposed by resolution of the members of the Association, the Board of Directors shall have those duties identified in Article V.J of the Declaration.

Section 5. Vacancies. Prior to such time as Declarant has conveyed legal and equitable title to not less than one hundred percent (100%) of the total of the Lots in the Subdivision, vacancies in the Board of Directors shall be filled by the Declarant. Subsequent to such time as Declarant has conveyed legal and equitable title to not less than one hundred percent (100%) of the total Lots in the Subdivision, vacancies in the Board of Directors shall be filled by a vote of the majority of the remaining Directors, even though they may constitute less than a quorum. Each person so elected shall be a Director until a successor is elected at the next annual meeting of the members of the Association.

Section 6. Removal. Prior to such time as Declarant has conveyed legal and equitable title to not less than one hundred percent (100%) of the total of the Lots in the Subdivision one or more of the Directors may be removed with or without cause by the Declarant. Subsequent to such time as Declarant has conveyed legal and equitable title to not less than one hundred percent (100%) of the total of the Lots in the Subdivision, at any regular or special meeting of the Association duly called with due notice of the removal action proposed to be taken, any one or more of the Directors may be removed with or without cause by the affirmative vote of more than fifty (50%) percent of all of the Lot Owners qualified to vote and a successor may then and there be elected to fill any vacancy thus created. The quorum requirement for the purpose of filling such vacancy shall be the normal fifty (50%) percent requirement set forth in Article III, Section 4. Any Director whose removal has been proposed by the Lot Owners shall be given an opportunity to be heard at the meeting. The Declarant may remove and replace any or all of the Directors selected by it at any time or from time to time in its sole discretion.

Section 7. First Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of 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 to legally constitute such meeting, providing a majority of the whole Board shall be present.

Section 8. 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 two (2) 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, by mail, telephone or telegraph, at least ten (10) days prior to the date named for such meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each given personally, 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 two (2) Directors.

Section 10. 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 meetings of the Board shall be deemed a waiver of notice by him of the time and place thereof. 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 11. Fidelity Bonds. The Board of Directors may require that all officers and employees of the Association handling or responsible for Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be expenses of administration.

ARTICLE VI OFFICERS

Section 1. Officers. The principal officers of the Association shall be a President, who shall be a member of the Board of Directors, a Vice President, a Secretary and a Treasurer. The Directors may appoint an Assistant Treasurer, and an Assistant Secretary, and such other officers as in their judgment may be necessary. Any two offices except that of President and Vice President may be held by one (1) person.

(a) President. The President shall be the chief executive officer of the Association. The President shall preside at all meetings of the Association and of the Board of Directors. The President shall have all of the general powers and duties which are usually vested in the office of the President of an association, including, but not limited to, the power to appoint committees from among the members of the Association from time to time as he may in his or her discretion deem appropriate to assist in the conduct of the affairs of the Association.

(b) Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other member of the Board to do so on an interim basis. The Vice President shall also

perform such other duties as shall from time to time be imposed upon him or her by the Board of Directors.

(c) Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors and the minutes of all meetings of the members of the Association; he or she shall have charge of the corporate seal, if any, 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.

(d) Treasurer. The Treasurer shall have responsibility for the Association's funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. The Treasurer shall be responsible for the deposit of all monies and other valuable effects in the name and to the credit of the Association, and in such depositories as may, from time to time, be designated by 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 members 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 for such purpose. No such removal action may be taken, however, unless the matter shall have been included in the notice of such meeting. The officer who is proposed to be removed shall be given an opportunity to be heard at the meeting.

Section 4. 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 VII FINANCES

Section 1. Records. The Association shall keep detailed books of accounts showing all expenditures and receipts of the Association. Such accounts and all other Association records shall be open for inspection by the Lot Owners and their mortgagees during normal business hours.

Section 2. Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 3. Bank. Funds of the Association shall be initially deposited in such bank or savings association as may be designated by the Directors and shall be withdrawn only upon the check or order of such officers, employees or agents as are designated by resolution of the Board of Directors from time to time. The funds may be invested from time to time in accounts or deposit certificates of such bank or savings association as are insured by the Federal Deposit Insurance

Corporation or the Federal Savings and Loan Insurance Corporation or their current statutory successors and may also be invested in interest bearing obligations of the United States Government.

ARTICLE VIII
INDEMNIFICATION OF OFFICERS AND DIRECTORS

Every Director and officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with any proceeding to which he may be a party or in which he may become involved by reason of his being or having been a Director or officer of the Association, whether or not he is a Director or officer at the time such expenses are incurred, except in such cases wherein the Director or officer is adjudged guilty of willful and wanton misconduct or gross negligence in the performance of his duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the Director or officer seeking such reimbursement or indemnification, the indemnification herein shall apply only if the Board of Directors (with the Director seeking reimbursement abstaining) approves such settlement and reimbursement as being in the best interests of the Association. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such Director or officer may be entitled. At least 10 days prior to payment of any indemnification which it has approved, the Board of Directors shall notify all Lot Owners thereof.

ARTICLE IX
JUDICIAL ACTIONS AND CLAIMS

Subject to the express limitations on actions in these By-Laws and in the Association's Articles of Incorporation, the Association may assert, defend or settle claims on behalf of all Lot Owners in connection with the Areas of Responsibility. The commencement of any civil action (other than one to enforce these By-Laws or collect delinquent assessments) by the Association shall require the approval of a majority in number and in value of the Lot Owners, and shall be governed by the requirements of this Article. The requirements of this Article will ensure that the Lot Owners are fully informed regarding the prospects and likely costs of any civil actions actually filed by the Association. These requirements are imposed in order to reduce both the cost of litigation and the risk of improvident litigation, and in order to avoid the waste of the Association's assets in litigation where reasonable and prudent alternatives to the litigation exist. Each Lot Owner shall have standing to sue to enforce the requirements of this Article. The following procedures and requirements apply to the Association's commencement of any civil action other than an action to enforce these By-Laws or to collect delinquent assessments:

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

Section 2. Litigation Evaluation Meeting. Before an attorney is engaged for purposes of filing a civil action on behalf of the Association, the Board of Directors shall call a special meeting of the Lot Owners ("Litigation Evaluation Meeting") for the express purpose of evaluating the merits

of the proposed civil action. The written notice to the Lot Owners of the date, time and place of the Litigation Evaluation Meeting shall be sent to all Lot Owners not less than twenty (20) days before the date of the meeting and shall include the following information copied onto 8-1/2" x 11" paper:

(a) A certified resolution of the Board of Directors setting forth in detail the concerns of the Board of Directors giving rise to the need to file a civil action and further certifying that:

(i) it is in the best interests of the Association to file a lawsuit;

(ii) that at least one member of the Board of Directors has personally made a good faith effort to negotiate a settlement with the putative defendant(s) on behalf of the Association, without success,

(iii) litigation is the only prudent, feasible and reasonable alternative; and

(iv) the Board of Directors' proposed attorney for the civil action is of the written opinion that litigation is the Association's most reasonable and prudent alternative.

(b) A written summary of the relevant experience of the attorney ("Litigation Attorney") the Board of Directors recommends be retained to represent the Association in the proposed civil action, including the following information: (i) the number of years the Litigation Attorney has practiced law; and (ii) the name and address of every Subdivision and homeowner association for which the Litigation Attorney has filed a civil action in any court, together with the case number, county and court in which each civil action was filed.

(c) The Litigation Attorney's written estimate of the amount of the Association's likely recovery in the proposed lawsuit, net of legal fees, court costs, expert witness fees and all other expenses expected to be incurred in the litigation.

(d) The Litigation Attorney's written estimate of the cost of the civil action through a trial on the merits of the case ("Total Estimated Cost"). The Total Estimated Cost of the civil action shall including the Litigation Attorney's expected fees, court costs, expert witness fees, and all other expenses expected to be incurred in the civil action.

(e) The Litigation Attorney's proposed written fee agreement.

(f) The amount to be specially assessed against each Lot in the Subdivision to fund the estimated cost of the civil action both in total and on a monthly per Lot basis, as required by Section 6 of this Article.

Section 3. Independent Expert Opinion. If the lawsuit relates to the condition of any of the Open Spaces of the Subdivision, the Board of Directors shall obtain a written independent expert opinion as to reasonable and practical alternative approaches to repairing the problems with the Open

Spaces, which shall set forth the estimated costs and expected viability of each alternative. In obtaining the independent expert opinion required by the preceding sentence, the Board of Directors shall conduct its own investigation as to the qualifications of any expert and shall not retain any expert recommended by the Litigation Attorney or any other attorney with whom the Board of Directors consults. The purpose of the independent expert opinion is to avoid any potential confusion regarding the condition of the Open Spaces that might be created by a report prepared as an instrument of advocacy for use in a civil action. The independent expert opinion will ensure that the Lot Owners have a realistic appraisal of the condition of the Open Spaces, the likely cost of repairs to or replacement of the same, and the reasonable and prudent repair and replacement alternatives. The independent expert opinion shall be sent to all Lot Owners with the written notice of the Litigation Evaluation Meeting.

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

Section 5. Lot Owner Vote Required. At the Litigation Evaluation Meeting the Lot Owners shall vote on whether to authorize the Board of Directors to proceed with the proposed civil action and whether the matter should be handled by the Litigation Attorney. The commencement of any civil action by the Association (other than a suit to enforce these By-Laws or collect delinquent assessments) shall require the approval of a majority in number and in value of the Lot Owners. Any proxies to be voted at the Litigation Evaluation Meeting must be signed at least seven (7) days prior to the Litigation Evaluation Meeting. Notwithstanding any other provision of the Subdivision Documents, no litigation shall be initiated by the Association against the Declarant until such litigation has been approved by an affirmative vote of seventy-five (75%) percent of all members of the Association in number and value attained after a Litigation Evaluation Meeting held specifically for the purpose of approving such action.

Section 6. Litigation Special Assessment. All legal fees incurred in pursuit of any civil action that is subject to Sections 1 through 10 of this Article shall be paid by special assessment of the Lot Owners ("Litigation Special Assessment"). The Litigation Special Assessment shall be approved at the Litigation Evaluation Meeting (or any subsequent duly called and noticed meeting) by a majority in number and in value of all Lot Owners in the amount of the estimated total cost of the civil action. If the Litigation Attorney proposed by the Board of Directors is not retained, the Litigation Special Assessment shall in an amount equal to the estimated total cost of the civil action, as estimated by the attorney actually retained by the Association. The Litigation Special Assessment shall be apportioned to the Lot Owners in accordance with their respective percentage of value interests in the Subdivision and shall be collected from the Lot Owners on a monthly basis. The total amount of the Litigation Special Assessment shall be collected monthly over a period not to exceed twenty four (24) months.

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

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

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

- (a) the status of the litigation;
- (b) the status of settlement efforts, if any; and
- (c) the Attorney's Written Report.

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

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