

CONDOMINIUM BY-LAWS

BRETON MEADOWS

ARTICLE I

CONDOMINIUM PROJECT

Section 1. Organization. Breton Meadows, a residential condominium project located in the City of Grand Rapids, Kent County, Michigan (the "Project"), is being constructed in successive segments so as to comprise a maximum of 150 living units. Upon the recording of the Master Deed, the management, maintenance, operation and administration of the Project shall be vested in an Association of Co-owners organized as a non-profit corporation under the laws of the State of Michigan (the "Association").

Section 2. Compliance. All present and future Co-Owners, mortgagees, lessees or other persons who may use the facilities of the Condominium in any manner shall be subject to and comply with the provisions of Act No. 59, P.A. 1978, as amended (the "Act"), the Master Deed and all amendments thereto, and the Articles of Incorporation, Association By-Laws and other Condominium documents which pertain to the use and operation of the Condominium property, current copies of which shall be kept by the Association and made available for inspection at reasonable hours to Co-owners, prospective purchasers and prospective mortgagees of Units in the Project; provided, that in the event of a conflict between the provisions of the Act and any other Condominium Documents referred to herein, the provisions of the Act shall govern. The acceptance of a deed or conveyance, the entering into of a lease or the act of occupancy of a Condominium Unit in the Project shall constitute an acceptance of the provisions of these instruments and an agreement to comply therewith.

ARTICLE II

MEMBERSHIP AND VOTING

Section 1. Membership. Each Co-owner of a Unit in the Project, present and future, shall be a member of the Association and no other person or entity shall be entitled to membership. The share of a member in the funds and assets of the Association may be assigned, pledged or transferred only as an appurtenance to his Condominium Unit.

Section 2. Voting Rights. Except as limited in the Master Deed and in these By-Laws, each Co-owner shall be entitled to one vote for each Unit owned when voting by number. Voting shall be by number and no cumulation of votes shall be permitted.

Section 3. Members Entitled to Vote. No Co-owner shall be entitled to vote at any meeting of the Association until he has presented written evidence of ownership of a Condominium Unit in the Project.

The person entitled to cast the vote for the Unit and to receive all notices and other communications from the Association may be designated by a certificate signed by all 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, and the name and address of the person or persons, firm, corporations, partnership, association, trust or other legal entity who is the Co-owner thereof.

Section 4. Proxies. Votes may be cast in person or by proxy. Proxies may be made by any person entitled to vote. They shall be valid only for the particular meeting designated and must be filed with the Association before the appointed time of the meeting.

Section 5. Majority. At any meeting of members at which a quorum is present, 51% of the Co-owners entitled to vote and present in person or by proxy, in accordance with the percentages allocated to each Condominium Unit in the Master Deed for the Project, shall constitute a majority for the approval of the matters presented to the meeting, except as otherwise required herein, by the Master Deed or by law.

ARTICLE III

MEETINGS AND QUORUM

Section 1. Initial Meeting of Members. The initial meeting of the members of the Association shall be convened within 120 days after conveyance of legal or equitable title to non-developer Co-owners of 25% of the Units that may be created, or within 54 months after the first conveyance of legal or equitable title to a non-developer Co-owner of a Unit in the Project, whichever first occurs, at which meeting the eligible Co-owners may vote for the election of directors of the Association. The Developer may call meetings of members of the Association for informational or other appropriate purposes prior to such initial meeting, but no such informational meeting shall be construed as the initial meeting of members.

Section 2. Annual Meeting of Members. Thereafter, an annual meeting of the members shall be held in each year at the time and place specified in the Association By-laws. At least 10 days prior to the date of an annual meeting, written notice of the time, place and purpose of such meeting shall be mailed to each member entitled to vote at the meeting; provided, that not less than 30 days written notice shall be provided to each member of any proposed amendment to these By-laws or to other Condominium Documents.

Section 3. Advisory Committee. Not later than 120 days after conveyance of legal or equitable title to non-developer Co-owners of one-third of the Units that may be created, or one year after the initial conveyance of legal or equitable title to a non-developer Co-owner of a Unit in the project, whichever first occurs,

three persons shall be selected from among the non-developer Co-owners to serve as an Advisory Committee to the Board of Directors. The purpose of the Advisory Committee shall be to facilitate communication between the Board of Directors and the non-developer Co-owners and to aid in the ultimate transition of control to the Association. The members of the Advisory Committee shall serve for one (1) year, or until their successors are selected, and the Advisory Committee shall automatically cease to exist at the Transitional Control date. The Board of Directors and the Advisory Committee shall meet with each other at such times as may be requested by the Advisory Committee; provided, however, that there shall be not more than two such meetings each year unless both parties agree.

Section 4. Composition of Board. Not later than 120 days after conveyance of legal or equitable title to non-developer Co-owners of 25% of the Units that may be created, at least 1 Director and not less than one-fourth of the Board of Directors of the Association shall be elected by non-developer Co-owners. Not later than 120 days after conveyance of legal or equitable title to non-developer Co-owners of 50% of the Units that may be created, not less than one-third of the Board of Directors shall be elected by non-developer Co-owners. Not later than 120 days after conveyance of legal or equitable title to non-developer Co-owners of 75% of the Units that may be created, and before conveyance of 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 director as long as the developer owns and offers for sale at least 10% of the Units in the Project or as long as 10% of the Units remain that may be created.

Section 5. Quorum of Members. The presence in person or by proxy of forty (40%) percent in number of the Co-owners entitled to vote shall constitute a quorum of members. 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.

ARTICLE IV

ADMINISTRATION

Section 1. Board of Directors. The business, property and affairs of the Association shall be managed and administered by a Board of Directors to be elected in the manner set forth in the Association By-laws; provided that the directors designated in the Articles of Incorporation shall serve until such time as their successors have been duly elected and qualified at the initial meeting of members. All actions of the first Board of Directors of the Association named in its Articles of Incorporation or any successors thereto elected by the Developer, before the initial meeting of members shall be binding upon the Association in the same manner

as though such actions had been authorized by a Board of Directors duly elected by the members of the Association at the initial meeting or at any subsequent meeting, so long as such actions are within the scope of the powers and duties which may be exercised by a Board of Directors as provided in the Condominium Documents. A service contract or management contract entered into between the Association and the Developer or affiliates of the Developer shall be voidable by the Board of Directors on the Transitional Control Date or within ninety (90) days thereafter, and on thirty (30) days notice at any time thereafter for cause.

Section 2. Powers and Duties. The Board shall have all powers and duties necessary for the administration of the affairs of the Association. The powers and duties to be exercised by the Board shall include, but shall not be limited to, the following:

- (a) Care, upkeep and maintenance of the common elements;
- (b) Development of an annual budget, and the determination, assessment and collection of amounts required for the operation and other affairs of the Condominium;
- (c) Employment and dismissal of personnel as necessary for the efficient management and operation of the Condominium;
- (d) Adoption and amendment of rules and regulations covering the details of the use of Condominium property;
- (e) Opening bank accounts, borrowing money and issuing evidences of indebtedness in furtherance of the purposes of the Condominium, and designating signatories required therefor;
- (f) Obtaining insurance for Condominium property, the premiums of which shall be an expense of administration;
- (g) Leasing or purchasing premises suitable for use by a managing agent and/or custodial personnel, upon such terms as the Board may approve;
- (h) Granting concessions and licenses for the use of portions of the common elements for purposes not inconsistent with the provisions of the Act or of the Condominium Documents;
- (i) Authorizing the execution of contracts, deeds and easements affecting the Common Elements on behalf of the Co-owners;
- (j) Making repairs, additions and improvements to, or alterations of, the Condominium property, and repairs to and restoration of the property in accordance with the other provisions of these By-laws after damage, or destruction by fire or other casualty, or as a result of condemnation or eminent domain proceedings;

(k) Asserting, defending or settling claims on behalf of all Co-owners, in connection with the common elements of the Project and, upon written notice to all Co-owners, instituting actions on behalf of and against the Co-owners in the name of the Association; and

(1) Such further duties as may be imposed by resolution of the members of the Association or which may be set forth in the Condominium Documents.

Section 3. Books of Account. The Association shall keep books and records containing a detailed account of the expenditures and receipts affecting the administration of the Condominium, which shall specify the maintenance and repair expenses of the common elements and any other expenses incurred by or on behalf of the Association and its Co-owners. Such accounts shall be open for inspection by the Co-owners during reasonable working hours at a place to be designated by the Association, and the Association shall prepare therefrom, and distribute to all Co-owners at least once per year, a financial statement, the contents of which shall be defined by the Association. The books and records shall be audited annually by qualified independent auditors (who need not be certified public accountants), and the cost of such audit shall be an expense of administration.

Section 4. Maintenance and Repair. All maintenance of and repair to a Condominium Unit, other than maintenance of and repair to any general common element contained therein, shall be made by the Co-owner of such Unit. Any Co-owner who desires to make repairs to a common element or structural modifications to his Unit must first obtain the written consent of the Association, and shall be responsible for all damages to any other Units or to the common elements resulting from such repairs or from his failure to effect such maintenance and repairs.

All maintenance of and repair to the general common elements, whether located inside or outside the Units, and to limited common elements to the extent set forth in the Master Deed, shall be made by the Association and be charged to all the Co-owners as a common expense unless necessitated by the negligence, misuse or neglect of a Co-owner, in which case such expense shall be charged to such Co-owner. The Association or its agent shall have access to each Unit 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 common elements located therein or accessible therefrom. The Association or its agents shall also have access to each Unit at all times without notice for making emergency repairs necessary to prevent damage to other Units, the common elements or both. To cover any problem that might develop, the Co-owner should provide a key to one of the board members or with someone who will be responsible during an extended absence.

Section 5. Reserve Fund. The Association shall maintain a reserve fund, to be used only for major repairs and replacement of the common elements, as required by Section 105 of the Act. Such fund shall be established in the minimum amount hereinafter set forth on or before the Transitional Control Date, and shall, to the extent possible, be maintained at a level which is equal to or greater than 10% of the then current annual budget of the Association on a noncumulative basis. The minimum reserve standard required by this Section may prove to be inadequate, and the Board shall carefully analyze the Project from time to time in order to determine if a greater amount should be set aside or if additional reserve funds shall be established for other purposes.

Section 6. Mechanics Liens. A mechanics lien arising as a result of work performed upon a Condominium Unit or limited common element shall attach only to the Unit upon which the work was performed. A mechanics lien for work authorized by the Association shall attach to each Unit only to the proportionate extent that the Co-owner of such Unit is required to contribute to the expenses of administration. No mechanics lien shall arise or attach to a Condominium Unit for work performed on the common elements not contracted by the Association.

Section 7. Managing Agent. The Board may employ for the Association a Managing Agent at a compensation established by the Board to perform such duties and services as the Board shall authorize, including, but not limited to, the powers and duties listed in Section 2 of this Article.

Section 8. Officers. The Association By-Laws shall provide the designation, number, terms of office, qualifications, manner of election, duties, removal and replacement of officers of the Association and may contain any other provisions pertinent to officers of the Association not inconsistent herewith. Officers may be compensated, but only upon the affirmative vote of more than sixty (60%) percent of all Co-owners in number and in value.

Section 9. Indemnification. All directors and officers of the Association shall be entitled to indemnification against costs and expenses incurred as a result of actions (other than wilful or wanton misconduct or gross negligence) taken or failed to be taken on behalf of the Association upon 10 days notice to all Co-owners, in the manner and to the extent provided by the Association By-Laws. In the event that no judicial determination as to indemnification has been made, an opinion of independent counsel as to the propriety of indemnification shall be obtained if a majority of Co-owners vote to procure such an opinion.

ARTICLE V

ASSESSMENTS

Section 1. Administrative Expenses. The Association shall be assessed as the entity in possession of any tangible personal

property of the Condominium owned or possessed in common by the Co-owners, and personal property taxes based thereon shall be treated as expenses of administration. All costs incurred by the Association in satisfaction of any liability arising within, caused by or connected with the common elements or the administration of the Project shall be expenses of administration, and all sums received as proceeds of, or pursuant to any policy of insurance securing the interests of the Co-owners against liabilities or losses arising within, caused by or connected with the common elements or the administration thereof shall be receipts of administration.

Section 2. Determination of Assessments. The Board shall from time to time, and at least annually, adopt a budget for the Condominium which shall include the estimated funds required to defray common expenses for which the Association has responsibility for the ensuing year, including a reasonable allowance for contingencies and reserves, and shall allocate and assess such common charges against all Co-owners according to their respective common interests on a monthly basis. Absent Co-owner approval as herein provided, such assessment shall be increased only in accordance with the following:

- (a) If the Board shall find the budget as originally adopted is insufficient to pay the costs of operation and maintenance of the common elements;
- (b) To provide for the replacement of existing common elements;
- (c) To provide for the purchase of additions to the common elements in an amount not exceeding \$2,000 or \$50 per unit annually, whichever is less; or
- (d) In the event of emergency or unforeseen development.

Any increase in assessments other than or in addition to the foregoing, including assessments for the purchase or lease of a Unit for use of a resident manager shall be considered as a special assessment requiring approval by a vote of 60% or more of the Co-owners in number.

Section 3. Levy of Assessments. All assessments levied against the Co-owners to cover expenses of administration shall be apportioned among and paid by the Co-owners on an equal basis, without increase or decrease for the existence of any rights to the use of limited common elements appurtenant thereto. The common expenses shall consist, among other things, of such amounts as the Board may deem proper for the operation and maintenance of the Condominium property under the powers and duties delegated to it hereunder, and may include, without limitation, amounts to be set aside for working capital of the Condominium, for a general operating reserve, for a reserve for replacement and for meeting any deficit in the common expense for any prior year; provided, that any reserves established by the Board

prior to the initial meeting of members shall be subject to approval by such members at the initial meeting thereof. The Board shall advise each 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.

Section 4. Collection of Assessments. Each Co-owner shall be obligated for the payment of all assessments levied with regard to his Unit during the time that he is the Owner thereof, and no Co-Owner may exempt himself from liability for his contribution toward the expenses of administration by waiver of the use or enjoyment of any of the common elements, or by the abandonment of his Unit. In the event of default by any Co-owner in paying the assessed common charges, the Board may impose reasonable fines or charge interest at the legal rate on such assessment from the due date thereof. Unpaid assessments shall constitute a lien on the Unit prior to all other liens except tax liens in favor of any state or federal taxing authority and sums unpaid upon a first mortgage of record recorded prior to the recording of any notice of lien by the Association, and the Association may enforce the collection thereof by suit at law for a money judgment or by foreclosure of the liens securing payment in the manner provided by Section 108 of the Act. In an action for foreclosure, a receiver may be appointed and reasonable rental for the Unit may be collected from the Co-owner thereof or anyone claiming under him, and all expenses incurred in collection, including interest, costs and actual attorney's fees, and any advances for taxes or other liens paid by the Association to protect its lien, shall be chargeable to the Co-owner in default.

Upon the sale or conveyance of a Condominium Unit, all unpaid assessments against the Unit shall be paid out of the sale price by the purchaser in preference over any other assessment or charge except as otherwise provided by the Condominium Documents or by the Act. A purchaser or grantee shall be entitled to a written statement from the Association setting forth the amount of unpaid assessments against the Seller or Grantor and such purchaser or grantee shall not be liable for, nor shall the Unit conveyed or granted be subject to a lien for any unpaid assessments against the seller or grantor in excess of the amount set forth in such written statement. Unless the purchaser or grantee requests a written statement from the Association at least 5 days before sale as provided in the Act, the purchaser or grantee shall be liable for any unpaid assessments against the Unit together with interest, costs, and attorneys fees incurred in the collection thereof.

The Association may also enter upon the common elements, limited or general, to remove and abate any condition, or may discontinue the furnishing of any services to a Co-owner in default under any of the provisions of the Condominium Documents upon 7 days written notice to such Co-owner of its intent to do so. A Co-owner in default shall not be entitled to vote at any meeting of the Association so long as such default continues.

ARTICLE VI

TAXES, INSURANCE AND REPAIR

Section 1. Taxes. Subsequent to the year in which construction of the building containing a Unit is completed, all special assessments and property taxes shall be assessed against the individual Units and not against the total property of the Project or any part thereof, except for the year in which the Project, or any phase thereof, was established subsequent to the tax day. Taxes and special assessments which become a lien against the property in any such year shall be expenses of administration and shall be assessed against the Units in proportion to the number of votes in the Association appertaining to each Unit. Special assessments and property taxes in any year in which the property existed as an established Project on the tax day shall be assessed against the individual Units notwithstanding any subsequent vacation of the Project.

Assessments for subsequent real property improvements to a specific Unit shall be assessed to that Unit description only, and each Unit shall be treated as a separate, single unit of real property for purposes of property tax and special assessment, and shall not be combined with any other Unit or Units, and no assessment of any fraction of any Unit or combination of any Unit with other units or fractions thereof shall be made, nor shall any division or split of the assessment or taxes of a single Unit be made notwithstanding separate or common ownership thereof.

Section 2. Insurance. The Association shall be appointed as Attorney-in-Fact for each Co-owner to act in connection with insurance matters and shall be required to obtain and maintain, to the extent available and/or applicable, fire and extended coverage, vandalism and malicious mischief, liability insurance and workmen's compensation insurance pertinent to the Ownership, use and maintenance of the common elements of the Project. Such insurance, other than title insurance, shall be carried and administered in accordance with the following provisions:

(a) All such insurance shall be purchased by the Board of Directors for the benefit of the Association, the Co-Owners, the mortgagees and the developer, as their interests may appear, and provision shall be made for the issuance of certificates of mortgagee endorsements to all mortgagees. Each Co-owner shall be responsible for obtaining insurance coverage at his own expense for the interior of his Unit, including interior walls, wall coverings, fixtures, appliances, floor coverings, sliders, windows and screens, and it shall be each Co-owner's responsibility to obtain insurance coverage for the fixtures and personal property located within his Unit or elsewhere in the Project and for personal liability for occurrences within his Unit or upon limited common elements appurtenant to his Unit, and the Association shall have no responsibility for obtaining such coverages. The Association and all Co-owners shall use their best efforts

to see that all property and liability insurance carried by the Association or any Co-owner shall contain appropriate provisions whereby the insurer waives its right of subrogation, as to any claims against any Co-owner or the Association.

(b) All common elements of the Project except for sliders, windows and screens shall be insured against fire and other perils covered by a standard extended coverage endorsement, in an amount equal to the maximum insurable replacement value, excluding land, foundation and excavation costs, as determined annually by the Board of Directors of the Association. Such coverage may also include interior walls within any unit and the pipes, wires, conduits and ducts contained therein and may further include the fixtures, equipment and trim within a Unit which were furnished with the Unit as standard items in accordance with plans and specifications thereof on file with the Association (or such replacements thereof as do not exceed the costs of such standard items).

(c) The Association shall maintain, if required, adequate fidelity coverage to protect against dishonest acts by its officers, directors, trustees and employees and all others who are responsible for handling funds of the Association. Such fidelity bonds shall meet the following requirements:

(i) The Association shall be named as an obligee;

(ii) The policy shall be written in such amount as may be required by any lending institution or other agency requesting the same, based upon the estimated annual operating expenses of the Condominium Project including reserves;

(iii) The policy shall contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of "an employee" or similar expression;

(iv) The policy shall provide that it may not be cancelled or substantially modified, including cancellation for non-payment of premium, without at least thirty (30) days' prior written notice.

(d) The Board of Directors is hereby irrevocably appointed the agent for each Co-owner, each mortgagee, other named insureds and their beneficiaries and any other holder of a lien or other interest in the Condominium or the Property, to adjust and settle all claims arising under insurance policies purchased by the Board and to execute and deliver releases upon the payment of claims.

(e) Except as otherwise set forth herein, all premiums upon insurance purchased by the Association pursuant to these By-laws shall be expenses of administration.

Section 3. Reconstruction and Repair. If the Condominium Project or any of its general common elements are destroyed or damaged, in whole or in part, and the proceeds of any policy insuring the same and payable by reason thereof are sufficient to reconstruct the Project, then such proceeds shall be applied to such reconstruction. As used herein, reconstruction means restoration of the Project to substantially the same condition in which it existed prior to the fire or other disaster, with each Unit and the Common Elements having the same vertical and horizontal boundaries as prior thereto.

(a) If the property is not insured against the peril causing the loss or the proceeds of the policy or policies insuring the Project and payable by reason thereof are insufficient to reconstruct the same, and fewer than 50% of the Units in any building are rendered uninhabitable by such fire or other disaster, provision for reconstruction may be made by the affirmative vote of not fewer than 75% of the Co-owners voting at a meeting called for such purpose. Any such meeting shall be held within 30 days following the final adjustment of insurance claims, if any, or within 90 days after such fire or other disaster, whichever first occurs. At any such meeting, the Board or its representative shall present to the Co-owners present an estimate of the cost of the reconstruction and the estimated amount of necessary special assessments against each Unit in order to pay therefor. If the property is reconstructed, any such insurance proceeds shall be applied thereto, and special assessments may be made against the Units in order to pay the balance of the cost thereof.

(b) If the property is not insured against the peril causing the loss or the proceeds of the policy or policies insuring the Project and payable by reason thereof are insufficient to reconstruct the same, and if provision for reconstruction is not made pursuant to subparagraph (a) above, then provision for withdrawal of any portion of the property from the provisions of the Act may be made by the affirmative vote of not fewer than 75% of the Co-owners voting at a meeting called for such purpose. Any such meeting shall be held within 30 days following the final adjustment of insurance claims, if any, or within 90 days after such fire or other disaster, whichever first occurs. Upon any such withdrawal of any Unit or portion thereof, the percentage of ownership in the common elements appurtenant thereto shall be reallocated among the remaining Units not so withdrawn on the basis of the relative percentages of ownership in the common elements appurtenant to each such remaining unit. If only a portion of a Unit is withdrawn, the percentage of ownership in the common elements appurtenant to such Unit shall be reduced accordingly, upon the basis of the diminution in market value of such Unit, as determined by the Board. Any insurance proceeds shall be allocated, on

the basis of square footage withdrawn or such other equitable basis as the Board may determine, among the Units or portions thereof, and the portions of the common elements withdrawn. As compensation for such withdrawals: (1) any such insurance proceeds allocated to withdrawn Units or portions thereof shall be applied in payment to the Owners thereof in proportion to their relative percentages of ownership in the common elements appurtenant to such withdrawn Units, or portions thereof; (2) any such insurance proceeds allocated to withdrawn portions of the limited common elements shall be applied in payment to the Unit owners entitled to their use in proportion to their relative percentages of ownership in the common elements appurtenant to the Units served by such limited common elements; and (3) any such insurance proceeds allocated to withdrawn portions of the general common elements shall be applied in payment to all Unit owners in proportion to their relative percentages of ownership in the common elements. Upon withdrawal of any Unit or portion thereof, the Owner thereof shall be relieved of any further responsibility or liability for the payment of any assessments therefor, if the entire Unit is withdrawn, or for the payment of a portion of such assessments proportional to the diminution in square footage of such Unit, if only a portion of the Unit is withdrawn.

(c) If the property is not insured against the peril causing the loss or the proceeds of the policy or policies insuring the Project and payable by reason thereof are insufficient to reconstruct the same, and if provision for neither reconstruction nor withdrawal is made pursuant to subparagraphs (a) or (b) above, then the provisions of the Act shall apply.

(d) Prompt written notice of any and all damage or destruction to the Unit or any part of the common elements shall be given to the holder of a first mortgage lien on any Unit affected thereby.

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

(a) If any portion of the common elements is taken by eminent domain, the award therefore shall be allocated to the Co-Owners in proportion to their respective undivided interests in the common elements. The Association, acting through its Board of Directors, may negotiate on behalf of all Co-owners for any taking of common elements and any negotiated settlement approved by more than two-thirds of Co-owners based upon assigned voting rights shall be binding on all Co-owners.

(b) If a Unit is taken by eminent domain, the 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 court shall enter a decree reflecting the re-allocation of undivided interests produced thereby, and the award shall include, without limitation, just compensation to the Co-Owner of the Unit taken for his undivided interest in the common elements, as well as for the Units.

(c) If portions of a Unit are taken by eminent domain, the court shall determine the fair market value of the portions of the Unit not taken. The undivided interest for each Unit in the common elements appertaining to the condominium units shall be reduced in proportion to the diminution in the fair market value of the Unit resulting from the taking. The portions of undivided interest in the common elements thereby divested from the Co-owners of a Unit shall be re-allocated among the other Units in the Project in proportion to their respective undivided interests in the common elements. A Unit partially taken shall receive the re-allocation in proportion to its undivided interest as reduced by court order under this subsection. The court shall enter a decree reflecting the re-allocation of undivided interest produced thereby, and the award shall include just compensation to the Co-owner of the Unit partially taken for that portion of the undivided interest in the common elements divested from the Co-owner and not re-vested in the Co-Owner pursuant to subsection (d), as well as for that portion of the Unit taken by eminent domain.

(d) If the taking of the portion of a Unit makes it impractical to use the remaining portion of that Unit for a lawful purpose permitted by the Condominium Documents, then the entire undivided interest in the common elements appertaining to that Unit shall thenceforth appertain to the remaining Units in the Project, being allocated to them in proportion to their respected undivided interest in the common elements. The remaining portion shall thenceforth be a common element. The court shall enter an order reflecting re-allocation of undivided interest produced thereby, and the award shall include just compensation to the Co-owner of the Unit for the Co-owners entire undivided interest in the common elements and/or the entire condominium Unit.

(e) Votes in the Association and liability for future expenses of administration appertaining to a Unit taken or partially taken by eminent domain shall thenceforth appertain to the remaining Units, being allocated to them in proportion to the relative voting strength in the Association. A Unit partially taken shall receive a reallocation as though the voting strength in the Association was reduced in proportion to the deduction in the undivided interests in the common elements.

ARTICLE VII

USE AND OCCUPANCY RESTRICTIONS

Section 1. Residential Use. Condominium Units shall be used exclusively for residential occupancy. No Unit or any common element appurtenant thereto shall be used for any purpose other than that of a single family residence or other purposes customarily incidental thereto, except that professional and quasi-professional Co-owners may use their residence as an ancillary facility to an office established elsewhere, so long as such use does not generate unreasonable traffic by members of the general public. The foregoing restrictions as to use shall not, however, be construed in such manner as to prohibit a Co-owner from: (a) maintaining his professional library; (b) keeping his personal business or professional records or accounts; or (c) handling his personal business or professional telephone calls or correspondence. Such uses are expressly declared customarily incidental to principal residential use and not in violation of said restrictions.

Section 2. Common Areas. The common elements shall be used only by the Co-owners of Units in the condominium and by their agents, tenants, family members, invitees and licensees for access, ingress to and egress from the respective units and for other purposes incidental to use of the Units; provided, however, that any storage areas or other common areas designed for a specific use shall be used only for the purposes approved by the Board. The use, maintenance and operation of the common elements shall not be obstructed, damaged or unreasonably interfered with by any Co-owner, and shall be subject to any lease, concession or easement, presently in existence or entered into by the Board at some future time, affecting any part or all of said common elements.

Section 3. Specific Prohibitions. Without limiting the generality of the foregoing provisions, use of the Project and all common elements by any Co-owner shall be subject to the following restrictions:

(a) No more than three (3) persons, regardless of age, shall permanently occupy or reside in any two-bedroom Unit, nor more than two (2) such persons in any one-bedroom Unit. Visitation of children below the age of 20 years, or other persons who are not permanent residents in the project, shall be limited to not more than 30 days in any calendar year without the express prior written approval of the Association. In the event that a violation of this restriction by a family in occupancy of a Unit results from the birth or adoption of a child, or the marriage or re-marriage of a family member, this restriction shall be suspended as to such family for a period of one year to provide such family a reasonable time in which to cure such violation or otherwise dispose of the Unit.

(b) No portion of a Unit may be rented and no transient

tenants may be accommodated therein; provided, that nothing herein shall prevent the rental or sublease of an entire unit for residential purposes or of a limited common element appurtenant to such Unit in the manner set forth in Article IX hereof.

(c) No Co-owner shall make any alterations, additions or improvements to any common element, nor make changes to the exterior appearance or structural members of his Unit without the prior written approval of the Association. The Association shall not approve any alterations or structural modifications which would jeopardize or impair the soundness, safety or appearance of the Project. An owner may make alterations, additions or improvements within his Unit without the prior written approval of the Board, but such owner shall be responsible for any damage to other units, the common elements, the property, or any part thereof, resulting from such alterations, additions or improvements.

(d) No nuisances shall be permitted on the Condominium property nor shall any use or practice be permitted which is a source of annoyance to its residents, or which interferes with the peaceful possession or proper use of the Project by its residents.

(e) No immoral, improper, offensive or unlawful use shall be made of the Condominium property or any part thereof, and nothing shall be done or kept in any Unit or on the common elements which will increase the rate of insurance for the Project without the prior written consent of the Board. No Co-owner shall permit anything to be done or kept in his Unit or on the common elements which will result in the cancellation of insurance on any unit or any part of the common elements, or which would be in violation of any law.

(f) No signs or other advertising devices shall be displayed which are visible from the exterior of any Unit or upon the common elements, without written permission from the Association.

(g) No Co-owner shall display, hang or store any clothing, sheets, blankets, laundry or other articles outside his Unit, or which may be visible from the outside of his Unit (other than draperies which shall be lined with white facing the exterior, curtains or shades of a customary nature and appearance), or paint or decorate or adorn the outside of his Unit, or install outside his Unit any CB, short wave or other radio or television antenna, window air-conditioning unit, awning or other equipment, fixtures or items of any kind without the prior written permission of the Board. The foregoing restrictions as to use and occupancy shall not be construed to prohibit a Co-owner from placing and maintaining outdoor furniture and decorative foliage of

a customary nature and appearance on a patio or balcony which is a limited common element appurtenant to his Unit.

(h) No animal, including household pets, shall be kept without the prior written consent of the Association which consent, if given, shall be revocable at any time by the Board of Directors thereof. Pets permitted by the Association shall be kept only in compliance with the rules and regulations promulgated by the Board of Directors from time to time, and must at all times be kept under such care and restraint as not to be obnoxious on account of noise, odor or unsanitary conditions. No animal shall be permitted to run loose upon the common elements, limited or general, and any person who causes or permits any animal to be brought or kept on the Condominium property shall indemnify and hold harmless the Association for any loss, damage or liability which the Association may sustain as a result of the presence of such animal on the Condominium property.

(i) No structure of a temporary character, trailer, tent shack, garage, accessory building or outbuilding shall be used at any time as a residence, either temporary or permanent. No recreational vehicles, boats or trailers shall be parked or stored on the Condominium property for more than 48 hours without the written approval of the Association and no more than two (2) automobiles or other vehicles customarily used for transportation purposes shall be kept on the Condominium property by those persons residing in any Unit; provided, that no automobiles or similar vehicles which are not in operating condition shall be permitted at any time. No commercial vehicles or trucks shall be parked in or about the Condominium except for the making of deliveries or pickups in the normal course of business.

(j) The common elements shall not be used for the storage of supplies or personal property (except in limited common element garages or other areas specifically designated for such purpose), and trash or refuse shall be placed only in common trash receptacles located at the discretion of the Board of Directors. In general, no activity shall be carried on nor condition maintained by any Co-owner either in his Unit or upon the common elements which despoil the appearance of the Condominium.

Section 4. Rules of Conduct. Reasonable rules and regulations concerning the use of Condominium units and common elements, limited and general, may be promulgated and amended by the Board. Copies of such rules and regulations shall be furnished by the Board to each Co-owner at least 10 days prior to their effective date, and may be revoked any time by the affirmative vote of more than 66% of all Co-owners in number and value.

Section 5. Remedies on Breach. A default by a Co-owner shall entitle the Association to the following relief:

(a) Failure to comply with any restriction on use and occupancy contained herein or of any other term or provision of the Condominium Documents shall be grounds for relief, which may include an action to recover sums due for damages, injunctive relief, foreclosure of lien or any other remedy which in the sole discretion of the Board of Directors is appropriate to the nature of the breach as may be set forth in the Condominium Documents including, without limitation, the discontinuance of services upon 7 days notice, the levying of fines against Co-owners after notice and hearing thereon and the imposition of late charges for non-payment of assessments. All such remedies shall be deemed to be cumulative and shall not be considered as an election of remedies.

(b) In a proceeding arising because of an alleged default by a Co-owner, the Association, if successful, may recover the cost of the proceeding and such actual attorneys fees as may be determined by the court.

(c) The failure of the Association to enforce any right, provision, covenant or condition which is granted by the Condominium Documents shall not constitute a waiver of the right of the Association to enforce such right, provision, covenant or condition in the future.

An aggrieved Co-owner shall also be entitled to compel enforcement of the Condominium Documents by action for injunctive relief and/or damages against the Association, its officers or another Co-owner in the Project.

ARTICLE VIII

MORTGAGES

Section 1. Mortgage of Condominium Units. Any Co-owner who mortgages a Condominium Unit shall notify the Association of the name and address of the mortgagee, and the Association shall maintain such information in a book entitled "Mortgagees of Units." At the written request of a mortgagee of any such Unit, the mortgagee shall be entitled to: (a) inspect the books and records relating to the Project during normal business hours, upon reasonable notice; (b) receive a copy of the annual financial statement of the Association which is prepared for the Association and distributed to the Owners; and (c) receive written notice of all meetings of the Association and be permitted to designate a representative to attend all such meetings. Failure, however, of the Association to provide any of the foregoing to a mortgagee who has so requested the same shall not affect the validity of any action or decision which is related thereto.

Section 2. Notice of Insurance. The Association shall notify

each mortgagee appearing in said book of the name of each company insuring the condominium against fire, perils covered by extended coverage, and vandalism and malicious mischief and the amounts of such coverage.

Section 3. Rights of Mortgagee. Notwithstanding any other provision of the Condominium Documents, except as otherwise required by mandatory law or regulation, with respect to any first mortgage of record of a Condominium Unit:

(a) The holder of the mortgage is entitled, upon written request, to notification from the Association of any default by the mortgagor of such Condominium Unit in the performance of such mortgagor's obligations under the Condominium Documents which is not cured within thirty (30) days.

(b) The holder of any first mortgage which comes into possession of a Condominium Unit pursuant to the remedies provided in the mortgage or deed (or assignment) in lieu of foreclosure, shall be exempt from any option, "right of first refusal" or other restriction on the sale or rental of the mortgaged Unit, including but not limited to, restrictions on the posting of signs pertaining to the sale or rental of the Unit.

(c) The holder of any first mortgage which comes into possession of a Condominium Unit pursuant to the remedies provided in the mortgage, or by deed (or assignment) in lieu of foreclosure, shall take the property free of any claims for unpaid assessments or charges against the mortgaged Unit which accrue prior to the time such holder comes into possession thereof (except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments charged to all Units including the mortgaged Unit).

Section 4. Additional Notification. When notice is to be given to a Mortgagee, the Board of Directors shall also give such notice to the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, the Veterans Administration, the Federal Housing Administration, the Farmer's Home Administration, the Government National Mortgage Association and any other public or private secondary mortgage market entity participating in purchasing or guaranteeing mortgages of Units in the Condominium if the Board of Directors has notice of such participation.

ARTICLE IX

LEASES

Section 1. Notice of Lease. A Co-owner desiring to rent or lease a Condominium Unit for a period of more than thirty (30) consecutive days, shall disclose that fact in writing to the Association at least

ten (10) days before presenting a lease form to a prospective tenant and, at the same time, shall supply the Association with a copy of the exact lease form for its review for compliance with the Condominium Documents. No Unit shall be rented or leased for a period of less than one (1) year without the prior written consent of the Association.

Section 2. Terms of Lease. Tenants or non-Co-owner occupants shall comply with all the conditions of the Condominium Documents of the Project, and all lease and rental agreements shall so state.

Section 3. Remedies. If the Association determines that any tenant or non Co-owner occupant has failed to comply with the conditions of the Condominium Documents, the Association may take the following action:

(a) The Association shall notify the Co-owner by certified mail advising of the alleged violation by the tenant.

(b) The Co-owner shall have fifteen (15) days after receipt of said notice to investigate and correct the alleged breach by the tenant or advise the Association that a violation has not occurred.

(c) If, after 15 days the Association believes that the alleged breach has not been cured or may be repeated, it may institute an action for eviction against the tenant or non Co-owner occupant and a simultaneous action for money damages (in the same or in a separate action) against the Co-owner and tenant or non Co-owner occupant for breach of the conditions of the Condominium Documents. The relief set forth in this Section may be by summary proceeding. The Association may hold both the tenant and the Co-owner liable for any damages to the general common elements caused by the Co-owner or tenant in connection with the Condominium Unit or Condominium Project.

Section 4. Assessments. When a Co-owner is in arrearage to the Association for assessments, the Association may give written notice of the arrearage to a tenant occupying the Co-owner's Unit under a lease or rental agreement and the tenant, after receiving such notice, shall deduct from rental payments due the Co-owner the full arrearage and future assessments as they fall due and shall pay them to the Association. Such deductions shall not be a breach of the rental agreement or lease by the tenant.

ARTICLE X

TRANSFER OF UNITS

Section 1. Unrestricted Transfers. A Co-owner may, without restriction hereunder, sell, give, devise or otherwise transfer his Unit, or any interest therein, to his spouse or to his child,

parent, brother, sister, grandchild or descendant, or to any one or more of them or to any trustee of a trust, the sole beneficiary of which is the Co-owner or his spouse, child, parent, brother, sister, grandchild or descendant or any one or more of them. Notice of any such unrestricted transfer shall be given to the Board within five (5) days following consummation of such transfer.

Section 2. Notice to Association. Whenever a Co-owner shall propose to sell, give, devise or otherwise transfer his Unit, or any interest therein, to any person or entity other than a person or entity described in Section 1 above, said Co-owner shall give the Association not less than thirty (30) days prior written notice of the proposed transfer, which notice shall briefly describe the type of transfer proposed by the Co-owner and shall state the name, address and financial and character references of the proposed transferee. The notice shall also include a copy of the proposed contract for sale or other documents, if any, effecting said transfer.

ARTICLE XI

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, By-Laws or other Condominium Documents, or to any disputes, claims or grievances arising among or between the Co-owners or between such owners and the Association may, upon the election and written consent of the parties to any such dispute, claim or grievance, and written notice to the Association, be submitted to arbitration by the Arbitration Association and the parties thereto shall accept the Arbitrator's award as final and binding. All arbitration hereunder shall proceed in accordance with Sections 5001-5065 of Act 236 of the Public Acts of 1961, as amended, which may be supplemented by reasonable rules of the Arbitration Association.

Section 3. Preservation of Rights. Election by any Co-owner or by the Association to submit any such dispute, claim or grievance to arbitration shall preclude such party from litigating such dispute, claim or grievance in the courts. Provided, however, that except as otherwise set forth in this Article, no interested party shall be precluded from petitioning the Courts to resolve any dispute, claim or grievance in the absence of an election to arbitrate.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 1. Severability. In the event that any of the terms, provisions, or covenants of these By-Laws or any Condominium Document 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, and in such event the document shall be construed in all respects as if such invalid or unenforceable provisions were omitted.

Section 2. Notices. Notices provided for in the Act, Master Deed or By-Laws shall be in writing, and shall be addressed to the Association at P.O.Box 88263, Grand Rapids, Michigan, 49518, or to any Co-owner at the address set forth in the deed of conveyance, or at such other address as may hereinafter be provided.

The Association may designate a different address for notices to it by giving written notice of such change of address to all Co-owners. Any Co-owner may designate a different address for notices to him by giving written notice to the Association. Notices addressed as above shall be deemed delivered when mailed by United States mail with postage prepaid, or when delivered in person.

Section 3. Amendment. These By-Laws may be amended, altered, changed, added to or repealed only in the manner set forth in Article VIII of the Master Deed of Breton Meadows.