

THE HILLS OF WATERFORD ASSOCIATION**CORPORATE BY-LAWS****ARTICLE I****ADOPTION OF CONDOMINIUM BY-LAWS**

The By-Laws of The Hills of Waterford, hereinafter referred to as the "Condominium By-Laws," as attached to the Master Deed of The Hills of Waterford as Exhibit "A" thereto, and recorded in Liber 17355, Pages 462 through 513, Oakland County Records, are hereby incorporated by reference and adopted in their entirety as a part of the By-Laws of this Association. The By-Laws hereafter set forth shall be known as the Corporate By-Laws.

ARTICLE II**MEETINGS**

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

Section 2. The First Annual Meeting of members of the Corporation shall be held in accordance with Article I, Section 7, of the Condominium By-Laws. The date, time, and place of the First Annual Meeting shall be set by the Board of Directors, and at least fifteen (15) days not more than sixty (60) days written notice thereof shall be given to each Co-owner. Thereafter, the Annual Meetings of Members of the Association shall be held during the month of August of each succeeding year (commencing in August of the calendar year following the year in which the First Annual Meeting is held) at such date, time and place as may be determined by the Board of Directors. At such meetings there shall be elected by ballot of the Co-owners a Board of Directors in accordance with the requirements of Article III of these By-Laws. The Co-owners may also transact at Annual Meetings such other business of the Corporation as may properly come before them.

Section 3. It shall be the duty of the President to call a Special Meeting of the Co-owners as directed by resolution of the Board of Directors. The President shall also call a special meeting upon a petition signed by one-third (1/3) of the Co-owners presented to the Secretary of the Association, but only after the First Annual Meeting has been held. 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 4. 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 Co-owner of record at least ten (10) days, but not more than sixty (60) days, prior to such meeting. The mailing, with proper postage, of a notice to the designated representative of each Co-owner at the address shown on the Designation of Voting Representative form 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 5. If any meeting of Co-owners cannot be held because a quorum is not in attendance, the Co-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 6. 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 7. 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 4 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 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 8. 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 or absentee ballot; and if, either before or after the meeting, each of the members not present in person or by proxy or by absentee ballot, 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 corporate records or made a part of the minutes of the meeting.

Section 9. Minutes or a similar record of the proceedings of meetings of members, when signed by the 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 III

BOARD OF DIRECTORS

Section 1. The affairs of the Corporation shall be governed by a Board of Directors, all of whom must be members of the Corporation or officers, partners, trustees, employees, or agents of members of the Corporation except for the first Board of Directors designated in the Articles of Incorporation of the Association and any successors thereto appointed by Developer pursuant to Article I, Section 4 of the Condominium By-Laws or elected by the Co-owners. Directors shall serve without compensation.

Section 2. The first Board of Directors designated in the Articles of Incorporation and any successors appointed to thereto by Developer pursuant to Article I, Section 4 of the Condominium By-Laws, and any directors elected prior to the First Annual Meeting in accordance with Article I, Section 8 of the Condominium By-Laws, shall manage the affairs of the Association until a successor Board of Directors is elected at the First Annual Meeting of members of the Association convened in accordance with Article I, Section 7 of the Condominium By-Laws. The first Board of Directors may change the size of the Board to any number of members not more than five (5) at any time, and from time to time, before the First Annual Meeting of members. At the First Annual Meeting of members of the Association, the Board of Directors shall increase in size (if applicable) to five (5) persons. At such First Annual Meeting, three (3) directors shall be elected for a term of two years and the two (2) directors shall be elected for a one year term. At such First Annual Meeting, all nominees shall stand for election as one slate and the five (5) persons receiving the highest number of votes shall be elected for a term expiring on the Second Annual Meeting of members held after the First Annual Meeting and the two persons receiving the next highest number of votes shall be elected for a term expiring at the next annual meeting of members held after the First Annual Meeting. At each annual meeting of the Association held after the First Annual Meeting, either three (3) or two (2) directors shall be elected depending upon the number of directors whose terms expire. The term of office (except for the original Board of Directors and the directors elected at the First Annual Meeting of members) of each director shall be two (2) years. The directors shall hold office until their successors have been elected and hold their first meeting.

Section 3. The Board of Directors shall have the powers and duties set forth in the Condominium By-Laws.

Section 4. Vacancies in the Board of Directors which occur after the transitional control date as that term is defined in Act 59 of Michigan Public Acts of 1978, as amended, caused by any reason other than the removal of a director by a vote of the members of the Association shall be filled by vote of the majority of the remaining directors, even though they may constitute less than a quorum, except that the Developer shall be solely entitled to fill the vacancy of any director whom it is permitted in the first instance, under the Condominium By-Laws, to designate. Vacancies among non-developer Co-owner elected directors, which

occur prior to the Transitional Control Date, may be filled only through election by non-developer Co-owners and shall be filled in the manner specified in Article I, Section 8, of the Condominium By-Laws.

Section 5. At any regular or special meeting of the Association duly called, any one (1) or more of the directors may be removed with or without cause by a majority of the Co-owners and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Co-owners shall be given an opportunity to be heard at the meeting. The Developer may remove and replace any or all of the directors appointed by it at any time or from time to time in its sole discretion. Any director elected by the non-developer Co-owners to serve before the First Annual Meeting of members may be removed before the First Annual Meeting by the non-developer Co-owners in the same manner set forth in this Section 5 above for removal of directors generally.

Section 6. 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 legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 7. 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, fax or telegraph at least five (5) days prior to the date named for such meeting.

Section 8. Special meetings of the Board of Directors may be called by the President on three (3) days' notice to each director given personally, by mail, telephone, fax, 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 9. 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 10. At all meetings of the Board of Directors, a majority of the directors shall constitute a quorum for the transaction of business, and the acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Board of Directors. If, at any meeting of the Board of Directors, there be less than a quorum present, the majority of those present may adjourn the meeting from time to time, with not less than twenty-four (24) hours written notice delivered to any directors not present. At any such adjourned meeting, any business which might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a director in the action of a

meeting by signing and concurring in the minutes thereof, shall constitute the presence of such director for purposes of determining a quorum.

Section 11. Any action permitted to be taken by the Board of Directors at the meeting of the Board shall be valid if consented to in writing by the requisite majority of the Board of Directors.

Section 12. 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 IV

OFFICERS

Section 1. The principal officers of the Association shall be a President, who shall be a member of the Board of Directors, Vice-President, Secretary, and Treasurer. The directors may appoint an Assistant Treasurer, an Assistant Secretary, and such other officers as in their judgment may be necessary. Any two (2) offices, except that of President and Vice-President, may be held by one (1) person.

Section 2. 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. 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 of Directors 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. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of the President of 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 discretion deem appropriate to assist in the conduct of the affairs of the Association.

Section 5. The Vice-President, if any, 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 by the Board of Directors.

Section 6. 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 shall have

charge of the corporate seal and of such books and papers as the Board of Directors may direct; and he shall, in general, perform all duties incident to the office of the Secretary.

Section 7. The Treasurer shall have responsibility for the Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He 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 8. The officers shall have such other duties, powers, and responsibilities as shall, from time to time, be authorized by the Board of Directors.

ARTICLE V

SEAL

The Corporation may (but need not) have a seal. If the Board determines that the Association shall have a seal, then it shall have inscribed thereon the name of the Association, the words "Corporate Seal," and "Michigan."

ARTICLE VI

FINANCE

Section 1. The finances of the Corporation shall be handled in accordance with the Condominium By-Laws.

Section 2. The fiscal year of the Corporation shall be an annual period commencing on such date as may be initially determined by the directors. Absent such determination by the Board of Directors, the fiscal year of the Association shall be the calendar year. The commencement date of the fiscal year shall be subject to change by the directors for accounting reasons or other good cause.

Section 3. The funds of the Corporation shall be deposited in such bank as may be designated by the directors and shall be withdrawn only upon the check or order of such officers, employees, or agents, as are designated by resolution of the Board of Directors from time to time. The funds may be invested from time to time in accounts or deposits, certificates of such banks, or savings and loans association as are insured by the Federal Deposit Corporation or the Federal Savings and Loans Insurance Corporation and may also be invested in interest bearing obligations of the United States government or in such other accounts or in such other depositories as may be adequately insured in the discretion of the Board of Directors.

ARTICLE VII

AMENDMENTS

Section 1. These By-Laws may be amended by the Association at a duly constituted meeting called for such purpose by an affirmative vote of not less than sixty six and two-third percent (66 2/3%) of all Co-owners.

Section 2. Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon the vote of the majority of the directors, by one-third (1/3) or more in number of the members, or by instrument in writing signed by them.

Section 3. Upon any such Amendment being proposed, a meeting for consideration of same shall be duly called in accordance with the provisions of Article II of these By-Laws.

Section 4. Prior to the First Annual Meeting of members, these By-Laws may be amended by the First Board of Directors or the Developer without approval from any person as long as such Amendment shall not increase or decrease the benefits, obligations, or materially affect the rights of any member of the Association, or mortgagee.

Section 5. Any amendment to these By-Laws shall become effective upon adoption of the same in accordance with this Article VII without recording in the Office of the Register of Deeds.

Section 6. A copy of each Amendment to the By-Laws shall be furnished to every member of the Association after adoption; provided, however, that any Amendment to these By-Laws that is adopted in accordance with this Article shall be binding upon all persons who have an interest in the Project irrespective of whether such persons actually receive a copy of the Amendment.

ARTICLE VIII

COMPLIANCE

These By-Laws are set forth to comply with the requirements of the Act, with the duly recorded Master Deed of the Condominium, and Exhibits A and B attached thereto as amended from time to time. In case any of these By-Laws conflict with the provisions of the Act, Master Deed, or the Exhibits thereto, the provisions of the Act and Master Deed shall be controlling.