Michigan Department of Labor & Economic Growth

Filing Endorsement

This is to Certify that the ARTICLES OF INCORPORATION - NONPROFIT
for
TOWNES AT GRAND RESERVE CONDOMINIUM ASSOCIATION

ID NUMBER: 800835

received by facsimile transmission on August 18, 2006 is hereby endorsed
Filed on August 18, 2006 by the Administrator.

The document is effective on the date filed, unless a subsequent effective date within 90 days after received date is stated in the document.

In testimony whereof, I have hereunto set my hand and affixed the Seal of the Department, in the City of Lansing, this 18TH day of August, 2006.

[Signature]

, Director

Bureau of Commercial Services
ARTICLES OF INCORPORATION

For use by Domestic Nonprofit Corporations
(Please read information and instructions on the last page)

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

ARTICLE I

The name of the corporation is: Townes at Grand Reserve Condominium Association

ARTICLE II

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

See attached rider.

ARTICLE III

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

2. If organized on a stock basis, the total number of shares which the corporation has authority to issue is

N/A __________________________. If the shares are, or are to be, divided into classes, the designation of each class, the number of shares in each class, and the relative rights, preferences and limitations of the shares of each class are as follows:
ARTICLE III (cont.)

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

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

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

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

ARTICLE IV

1. The address of the registered office is:

   450 W. Fourth Street                      Royal Oak, Michigan 48067
   (Street Address)                           (City)                          (Zip Code)

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

   (Street Address or P.O. Box)              Michigan (City) (Zip Code)

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

   B. David Murphy, Jr.

ARTICLE V

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

Name: Sandra Sorini Elser
Residence or Business Address: Bodman LLP
110 Miller, Suite 300, Ann Arbor, Michigan 48104
Use space below for additional Articles or for continuation of previous Articles. Please identify any Article being continued or added. Attach additional pages if needed.

Article II – see attached rider.
Article VI – see attached rider.
Article VII – see attached rider.
Article VIII – see attached rider.
Article IX – see attached rider.
Article X – see attached rider.
Article XI – see attached rider.
Article XII – see attached rider.
Article XIII – see attached rider.

I, We, the incorporator(s) sign my (our) name(s) this 18th day of August, 2006.

Sandra Sorini Elesar

______________________________

______________________________
TOWNES AT GRAND RESERVE CONDOMINIUM ASSOCIATION
RIDER TO ARTICLES OF INCORPORATION

ARTICLE II.
The purpose or purposes for which the Townes at Grand Reserve Condominium Association (the "Association") is organized are to allow the Association to take whatever action is necessary, as provided by law, to effectuate the terms and provisions of the Master Deed (described below), and the following actions:

(a) To manage and administer the affairs of and to maintain Townes at Grand Reserve, a Michigan residential condominium (the "Condominium");

(b) To levy and collect assessments from the members of the Association and to use the proceeds thereof for the purposes set forth in the Master Deed for the Condominium recorded in the Genesee County Records, as may be amended from time to time as therein provided (the "Master Deed");

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

(d) To repair and rebuild improvements owned by the Association after casualty;

(e) To maintain and repair all General Common Elements and Limited Common Elements for which the Association is responsible within or adjacent to the Condominium, in accordance with, and as such terms are defined in, the Master Deed;

(f) To contract for and employ persons, firms, or corporations to assist in management, operation, maintenance, and administration of the Condominium;

(g) To make and enforce reasonable regulations concerning the use and enjoyment of the General Common Elements and any Limited Common Elements for which the Association is responsible in the Condominium;

(h) To acquire, own, maintain and improve, and to buy, sell, convey, assign, mortgage, lease (as Landlord or Tenant), or otherwise grant interests in any real or personal property including but not limited to any unit in the Condominium, any easements or licenses or any other real property, whether or not contiguous to the Condominium for the purpose of providing benefit to the members of the Association and in furtherance of any of the purposes of the Association. Not in limitation of the foregoing, the Association may acquire and own units in the Condominium;

(i) To borrow money and issue evidences of indebtedness in furtherance of any or all of the objects of its business; to secure the same by mortgage, pledge or other lien;

(j) To enforce the provisions of the Master Deed, Condominium and Corporate By-Laws and these Articles of Incorporation and such Rules and Regulations of the Association as may hereafter be adopted;

(k) To sue in all courts and participate in actions and proceedings whether judicial, administrative, arbitrative or otherwise, subject to the express limitations on suits, actions and proceedings as set forth in Article IX of these Articles;

(l) To do anything required of or permitted to the Association by the Condominium Master Deed or By-Laws or by Act No. 59 of Public Acts of Michigan of 1978, as from time to time amended;

(m) In general, to enter into any kind of activity, to make and perform any contract and to exercise all powers necessary, incidental or convenient to the administration, management, repair,
replacement and operation of the Condominium and to the accomplishment of any of the purposes thereof.

ARTICLE VI -

The term of corporate existence is perpetual.

ARTICLE VII -

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

(a) Each co-owner of a unit in the Condominium shall be a member of the Association, and no other person or entity shall be entitled to membership, except as otherwise provided in the Master Deed. The Developer named in the Condominium Master Deed and any successor Developer shall be a member of the Association until all units have been conveyed to individual purchasers.

(b) Membership in the Association by persons other than the Developer shall be established by acquisition of ownership of a unit in the Condominium and by recording with the Register of Deeds in the County where the Condominium is located a deed or other instrument establishing a change of ownership of the unit and the furnishing of evidence of such change of ownership satisfactory to the Association, the new co-owner thereafter becoming a member of the Association and the membership of the prior co-owner thereby being terminated. In the event of the conveyance of a Unit by land contract, the land contract vendee shall be the "Co-Owners" of the Unit and shall bear sole liability for all obligations arising with respect to the Unit to the exclusion of the land contract vendor; provided that the Developer or an affiliate of the Developer shall retain the rights and obligations of a Co-Owner with respect to any Unit sold under land contract by the Developer or an affiliate of the Developer.

(c) The share of a member in the funds and assets of the Association or other rights of membership cannot be assigned, pledged, encumbered or transferred in any manner except as an appurtenance to the Condominium unit.

(d) Voting by members shall be in accordance with the provisions of the Master Deed, and the Corporate By-Laws of this Association.

ARTICLE VIII -

No volunteer director, as that term is defined in Act 162, Public Acts of 1982, as amended ("Act"), shall be personally liable to the Association or its Members for monetary damages for breach of fiduciary duty as a director, provided that the foregoing shall not eliminate the liability of a director for any of the following: (i) breach of the director's duty of loyalty to the Association or its Members; (ii) acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law; (iii) a violation of Section 551(1) of the Act; (iv) a transaction from which the director derived an improper personal benefit; or (v) an act or omission that was grossly negligent. If the Act hereafter is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Association in addition to the limitation on personal liability contained herein shall be limited to the fullest extent permitted by the amended Act. No amendment or repeal of this Article shall apply to or have any effect on the liability of and director of the corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

ARTICLE IX -

When a compromise or arrangement or a plan of reorganization of the Association is proposed between the Association and its creditors or any class of them or between the Association and its Members or any class of them, a court of equity jurisdiction within the state, on application of the Association or of a creditor or Member thereof, or on application of a receiver appointed for the Association, may order a meeting of the creditors or class of creditors or of the Members or class of Members to be affected by the proposed compromise or arrangement or reorganization, to be summoned in such manner as the court directs. If a majority in number represent 3/4 in value of the creditors or class of creditors, or of the Members or class of Members to be affected by the proposed compromise or arrangement or a reorganization, agree to a compromise or arrangement or a reorganization of the
Association as a consequence of the compromise or arrangement, the compromise or arrangement and
the reorganization, if sanctioned by the court to which the application has been made, shall be binding on
all the creditors or class of creditors, or on all the Members or class of Members and also on the
Association.

ARTICLE X

Each person who is or was an officer of the Association or a member of the Board of Directors,
and each person who serves or has served at the request of the Association as a director, officer, partner,
trustee, employee, agent or committee member of any other corporation, partnership, joint venture, trust
or other enterprise shall be indemnified by the Association to the fullest extent permitted by the
corporation laws of the State of Michigan as they may be in effect from time to time. The Association may
purchase and maintain insurance on behalf of any such person in any such capacity or arising out of such
status, whether or not the Association would have power to indemnify such person against such liability
under the laws of the State of Michigan. This right of indemnification shall continue as to a person who
cesses to be a director or officer, and shall inure to the benefit of the heirs, executors, and administrators
of that person.

ARTICLE XI

A. No member of the Board of Directors (the “Board”) of the Association who is a Volunteer
Director as that term is defined in the Michigan Nonprofit Corporation Act (the “Act”), and no officer who is
a Volunteer Officer shall be personally liable to this Association or its Members for monetary damages for
breach of fiduciary duty arising under the Act by such Volunteer Director or Volunteer Officer; provided,
however, that this provision shall not eliminate or limit the liability of a Volunteer Director or Volunteer
Officer for any of the following:

1. A breach of the director or officer’s duty of loyalty to the Association;

2. Acts or omissions not in good faith or that involve intentional misconduct or a knowing
violation of law;

3. A violation of Section 551(1) of the Act, as amended;

4. A transaction from which the director or officer derived an improper personal benefit;

5. An act or omission occurring before the effective date of this Article;

6. An act or omission that is grossly negligent.

B. The Association assumes the liability for all acts or omissions of a Volunteer Director,
Volunteer Officer or other volunteer as defined in the Act occurring on or after the effective date of this
provision if all of the following are met:

1. The volunteer was acting or reasonably believed he or she was acting within the scope of
his or her authority;

2. The volunteer was acting in good faith.

3. The volunteer’s conduct did not amount to gross negligence or willful and wanton
misconduct.

4. The volunteer’s conduct was not an intentional tort.
5. The volunteer's conduct was not a tort arising out of the ownership, maintenance or use of a motor vehicle as described in Section 209(e)(v) of the Act.

C. If the Act is amended after approval of this Article to authorize the further elimination or limitation of the liability of directors or officers of nonprofit corporations, then the liability of directors or officers of the Association, in addition to the limitation, elimination and assumption of personal liability contained in this Article shall be assumed by the Association or eliminated or limited to the fullest extent permitted by the Act as so amended. No amendment or repeal of this Article shall apply to or have any effect on the liability or alleged liability of a director or officer of the Association for any act or omission occurring prior to the effective date of such amendment or repeal.

ARTICLE XII

The requirements of this Article XII shall govern the Association's commencement and conduct of any civil action except for the actions to enforce the Bylaws of the Association or collect delinquent assessments. The requirements of this Article XII will ensure that the Association Directors and Members are fully informed regarding the prospects and likely costs of any civil action the Association proposes to engage in, as well as the ongoing status 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 Association Director shall have standing to sue to enforce the requirements of this Article XII. The following procedures and requirements apply to the Association's commencement of any civil action other than an action to enforce the Bylaws of the Association or collect delinquent assessments:

A. The Association's Board shall be responsible in the first instance for determining whether a civil action should be filed, and supervising and directing any civil actions that are filed.

B. Before an attorney is engaged for purposes of filing a civil action on behalf of the Association, the Board shall call a special meeting of the Association Directors and its Members ("litigation evaluation meeting") for the express purpose of evaluating the merits of the proposed civil action. The written notice to the Association Directors and Members of the date, time and place of the litigation evaluation meeting shall be sent not later than twenty (20) days before the date of the meeting and shall include the following information:

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

   (A) It is in the best interests of the Association to file a lawsuit;
   (B) At least one Board member has personally made a good faith effort to negotiate a settlement with the putative defendant(s) on behalf of the Association, without success;
   (C) Litigation is the only prudent, feasible and reasonable alternative; and
   (D) The Board's proposed attorney for the civil action is of the written opinion that the litigation is the Association's most reasonable and prudent alternative.

2. A written summary of the relevant experience of the attorney ("litigation attorney") the Board recommends be retained to represent the Association in the proposed civil action, including the following information:

   (A) The number of years the litigation attorney has practiced law; and
(B) The name and address of every condominium and homeowner association for which the attorney has filed a civil action in any court, together with the case number, county and court in which each civil action was filed.

3. 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.

4. 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 include the litigation attorney’s expected fees, court costs, expert witness fees, and all other expenses expected to be incurred in the civil action.

5. The litigation attorney’s proposed written fee agreement.

6. The amount to be specially assessed against each Unit in the Condominium to fund the estimated cost of the civil action both in total and on a monthly per unit basis, as required by subparagraph F. of this Article XII.

C. If the lawsuit relates to the condition of any of the common elements of the Condominium, the Board shall obtain a written independent expert opinion as to reasonable and practical alternative approaches to repairing the problems with the common elements, 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 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 consults. The purpose of the independent expert opinion is to avoid any potential confusion regarding the condition of the Common Areas of the Master Development 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 Directors and Members of the Association have a realistic appraisal, 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 the Directors and Members with the written notice of the litigation evaluation meeting.

D. 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 Directors and Members in the text of the Association’s written notice to the Directors and Members of the litigation evaluation meeting.

E. At the litigation evaluation meeting the Directors shall vote on whether 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 the Bylaws or collect delinquent assessments) shall require the approval of ¾ of the Directors of the Association.

F. All legal fees incurred in pursuit of any civil action that is subject to this Article XII shall be paid by special assessment of the Members of the Association ("litigation special assessment"). The litigation special assessment shall be approved at the litigation evaluation meeting (or at any subsequent duly called and noticed meeting) by 60% of the Members of the Association in the amount of the estimated total cost of the civil action. If the litigation attorney proposed by the Board is not retained, the litigation special assessment shall be in an amount equal to the retained attorney’s 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 Members in accordance with the Master Deed and the Bylaws of the corporation. The total amount of the litigation special assessment shall be collected monthly over a period not to exceed twenty-four (24) months.
G. During the course of any civil action authorized pursuant to this Article XII, the retained attorney shall submit a written report ("attorney's written report") to the Board and Members every thirty (30) days setting forth:

1. 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").

2. 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.

3. A detailed description of all discussions with opposing counsel during the reporting period, written and oral, including, but not limited to, settlement discussions.

4. 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.

5. Whether the originally estimated total cost of the civil action remains accurate.

H. The Board shall meet monthly during the course of any civil action to discuss and review:

1. The status of the litigation;

2. The status of settlement efforts, if any; and

3. The attorney's written report.

I. If, at any time during the course of a civil action, the Board determines that the originally estimated total cost of the civil action or any revision is inaccurate, the Board 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 Board, the Board shall call a special meeting of the Board and Members to review the status of the litigation, and to allow the Board 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.

J. The attorneys' fees, court costs, expert witness fees and all other expenses of any civil action subject to this Article XII ("litigation expenses") shall be fully disclosed to the Board and Members in the Association's annual budget. The litigation expenses for each civil action subject to this Article XII shall be listed as a separate line item captioned "litigation expenses" in the Association's annual budget.

Article XIII

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

Capitalized terms not otherwise defined herein shall have the meaning given to them as set forth in the Master Deed, as defined above.