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JAN 11 1999

MI DEPT. OF CONSUMER & INDUSTRY SERVICES
Corporation, Securities & Land Development Bureau

Administrator
MI DEPT. OF CONSUMER & INDUSTRY SERVICES
CORPORATION, SECURITIES & LAND DEVELOPMENT BUREAU

760-780

ARTICLES OF INCORPORATION
MICHIGAN NON-PROFIT CORPORATION

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

ARTICLE I

The name of the corporation is Stonewater Homeowners Association. ✓

ARTICLE II

The purposes for which the corporation is organized are:

(a) To manage and administer the affairs of and to maintain Stonewater Subdivision, a single family residential development (hereinafter called "Stonewater") to be established by Declaration of Covenants, Conditions and Restrictions to be recorded in Wayne County Records, as the same may be amended from time to time ("Declaration");

(b) To levy and collect assessments against and from the members of the corporation and to use the proceeds thereof for the purposes of the corporation;

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

(d) To rebuild improvements after casualty;

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

(f) To make and enforce reasonable regulations concerning the use and enjoyment of Stonewater;

(g) To own, maintain and improve, and to buy, or operate, manage, sell, convey, assign, mortgage, or lease (as landlord or tenant) any real and personal property (including easements, rights-of-way and licenses) on behalf of the corporation, for the purpose of providing benefit to the members of the corporation and in furtherance of any of the purposes of the corporation;

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(h) 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;

(i) To enforce the provisions of the Declaration affecting the Stonewater property, and the provisions of these Articles of Incorporation and such bylaws and rules and regulations of the corporation as may hereafter be adopted;

(j) To make and perform any contract and to exercise all powers necessary, incidental or convenient to the administration, management, maintenance, repair, replacement and operation of Stonewater and to the accomplishment of any of the purposes thereof.

ARTICLE III

The corporation is organized upon a nonstock, membership basis.

The assets of the corporation are:

Real Property:	None
Personal Property:	None

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

Assessment of members owning lots in the subdivision.

ARTICLE IV

The address of the registered office is:

3005 University Drive
Auburn Hills, Michigan 48326

The mailing address of the registered office is the same as above.

The name of the first resident agent at the registered office is:

Dominic J. Mocerì

ARTICLE V

The names and business addresses of the incorporator is:

Janis K. Kujan
2290 First National Building
Detroit, Michigan 48226

ARTICLE VI

The term of the corporate existence is perpetual.

ARTICLE VII

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

(a) Each owner (including the Declarant named in the Declaration) of a lot in Stonewater shall be a member of the corporation, and no other person or entity shall be entitled to membership.

(b) Membership in the corporation shall be established by the acquisition of fee simple to a lot in Stonewater and by recording with the Register of Deeds in the County where Stonewater is located a deed or other instrument establishing a change of record title to such lot and the furnishing of evidence of same satisfactory to the corporation, the new owner thereby becoming a member of the corporation, and the membership of the prior owner thereby being terminated. The Declarant under the Declaration shall become a member of the corporation immediately upon recording the Declaration. Land contract vendees of lots shall be members if the land contract instrument expressly conveys the vendor's interest as a member of the corporation in which event the vendor's membership shall terminate as to the homesite sold.

(c) The share of a member in the funds and assets of the corporation cannot be assigned, pledged, encumbered or transferred in any manner except as an appurtenance to the member's homesite.

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

ARTICLE VIII

A volunteer director (as defined in Section 110 of Act 162, Public Acts of 1982, as amended) of the corporation shall not be personally liable to the corporation or its members for monetary

damages for breach of the director's fiduciary duty arising under any applicable law. However, this Article shall not eliminate or limit the liability of a director for any of the following:

- (1) A breach of the director's duty of loyalty to the corporation or its members.
- (2) Acts or omission not in good faith or that involve intentional misconduct or a knowing violation of law.
- (3) A violation of Section 551(1) of Act 162, Public Acts of 1982, as amended.
- (4) A transaction from which the director derived an improper personal benefit.
- (5) An act or omission occurring before the date this document is filed.
- (6) An act or omission that is grossly negligent.

Any repeal or modification of this Article shall not adversely affect any right or protection of any director of the corporation existing at the time of, or for or with respect to, any acts or omissions occurring before such repeal or modification.

ARTICLE IX

The requirements of this Article IX shall govern the corporation's commencement and conduct of any civil action except for actions to enforce the Bylaws of the corporation or collect delinquent assessments. The requirements of this Article IX will ensure that the members of the corporation are fully informed regarding the prospects and likely costs of any civil action the corporation proposes to engage in, as well as the ongoing status of any civil actions actually filed by the corporation. 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 corporation's assets in litigation where reasonable and prudent alternatives to the litigation exist. Each member of the corporation shall have standing to sue to enforce the requirements of this Article IX. The following procedures and requirements apply to the corporation's commencement of any civil action other than an action to enforce the Declaration or the Bylaws of the corporation or collect delinquent assessments:

(a) The Association's Board of Directors ("Board") shall be responsible in the first instance for recommending to the members that a civil action 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 corporation, the Board shall call a special meeting of the members of the corporation ("litigation evaluation meeting") for the express purpose of evaluating the merits of the proposed civil action. The written notice to the members of the date, time and place of the litigation evaluation meeting shall be sent to all members not less than twenty (20) days before the date of the meeting and shall include the following information copied onto 8-1/2" x 11" paper:

(1) A certified resolution of the 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 corporation to file a lawsuit;
- (b) that 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 corporation, 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 litigation is the corporation'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 corporation 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 corporation'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 homesite in Stonewater 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 IX.

(c) If the lawsuit relates to the condition of any of the common areas of Stonewater, 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 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 members of the corporation have a realistic appraisal of the condition of the common elements, 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 members with the written notice of the litigation evaluation meeting.

(d) The corporation shall have a written fee agreement with the litigation attorney, and any other attorney retained to handle the proposed civil action. The corporation 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 members in the text of the corporation's written notice to the members of the litigation evaluation meeting.

(e) At the litigation evaluation meeting the members shall vote on whether to authorize the Board 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 corporation (other than a suit to enforce the corporation's Bylaws or collect delinquent assessments) shall require the approval of a majority in value of the members of the corporation. Any proxies to be voted at the litigation evaluation meeting must be signed at least seven (7) days prior to the litigation evaluation meeting.

(f) All legal fees incurred in pursuit of any civil action that is subject to this Article IX shall be paid by special assessment of the members of the corporation ("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 a majority in number and in value of all members of the corporation 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 corporation. The litigation special assessment shall be apportioned to the members in accordance with their respective interests in Stonewater and shall be collected from the members on a monthly basis. The total amount of the litigation special assessment shall be collected monthly over a period not to exceed twenty-four (24) months.

(g) During the course of any civil action authorized by the members pursuant to this Article IX, the retained attorney shall submit a written report ("attorney's written report") to the Board 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.

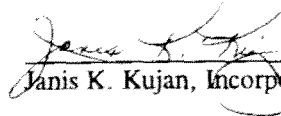
(i) If, at any time during the course of a civil action, the Board determines that the originally estimated total cost of the civil action or any revision thereof is inaccurate, the Board shall immediately prepare a revised estimate of the total cost of the civil action. If the revised estimate exceeds the litigation special assessment previously approved by the members, the Board shall call a special meeting of the members to review the status of the litigation, and to allow the members 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 IX ("litigation expenses") shall be fully disclosed to members in the corporation's annual budget. The litigation expenses for each civil action subject to this Article IX shall be listed as a separate line item captioned "litigation expenses" in the corporation's annual budget.

ARTICLE X

These Articles of Incorporation may only be amended by consent of two-thirds ($\frac{2}{3}$) of all members.

Signed this 8th day of January, 1999.



Janis K. Kujan, Incorporator