



MEMORANDUM

To: Members of Stone Ridge Condominium Homeowners Association Inc.
From: Association Counsel
Date: April 2022
Re: Explanation of Proposed Amended Documents for Stone Ridge Site Condominium

A. Introduction

The Board of Directors and the Association's management company have been working with our firm to develop a new, updated set of Condominium Documents. The enclosed drafts are the product of their substantial work and input.

Condominium documents primarily serve two main functions: (1) to define the limits of ownership of each individual Co-owner and to describe all Common Elements within the development; and (2) to inform all current and prospective Co-owners of the rights and obligations of the Co-owners and Association relative to the upkeep of the Units and Common Elements and the operation of the Association. As condominium documents become older, they become outdated in many respects due to changes in technology, amendments to the Condominium Act and the Nonprofit Corporation Act, and new case law concerning community associations. As condominium developments mature, updates are often necessary to also reflect and clarify operational aspects of the development. Additionally, since most condominium documents are created on a form used by the developer's attorney at the time the development is documented, most condominium documents are not initially drafted to address the uniqueness of a given community. Accordingly, over time it becomes necessary to update the Condominium Documents so that the documents can serve their primary functions.

1. Description of Governing Documents

There are three documents that the Board is proposing to revise. These are the Master Deed, the Bylaws and the Articles of Incorporation. The following briefly describes the Condominium's governing documents:

a. Master Deed. The Master Deed is drafted pursuant to the provisions of the Condominium Act and is the legal document that created Stone Ridge Site Condominium. The Master Deed is recorded with Livingston County and against each Unit. The original Master Deed was recorded

in 2005. The original Master Deed was Amended and Restated in 2011, and the Amended and Restated Master Deed has been amended two times. The Master Deed generally includes provisions defining and assigning responsibility for the various property ownership rights in the Condominium (i.e., Unit and Common Elements) and outlining the easements that affect the Condominium, as well as the mechanisms for amending the Master Deed, Bylaws and Condominium Subdivision Plan.

b. Bylaws. The Bylaws are Exhibit A to the Master Deed and are drafted pursuant to the Condominium Act and the Nonprofit Corporation Act. The original Bylaws were recorded in 2005. The original Bylaws were Amended and Restated in 2011, and the Amended and Restated Bylaws have been amended. The Bylaw provisions drafted pursuant to the Condominium Act generally include those relating to assessments, insurance, restrictions and document enforcement. The Bylaw provisions drafted pursuant to the Nonprofit Corporation Act generally include those relating to the designation, number, term of office, qualifications, manner of election, duties, manner of removal and replacement of the directors and officers of the Association, as well as provisions relating to Association and Board meetings.

c. Condominium Subdivision Plan. The Condominium Subdivision Plan is Exhibit B to the Master Deed and is drafted pursuant to the Condominium Act. The Condominium Subdivision Plan is a drawing of the Condominium that depicts the Condominium Common Elements and Units, utility systems serving the Condominium and easements affecting the Condominium. The Condominium Subdivision Plan also includes a survey of the Condominium. There are no changes being proposed to the Condominium Subdivision Plan.

d. Articles of Incorporation. The Articles of Incorporation are drafted pursuant to the provisions of the Nonprofit Corporation Act. This document is filed with the State and established the existence of Stone Ridge Condominium Homeowners Association Inc. as a Michigan nonprofit corporation. The Articles were filed with the State in 2006.

2. Amendment Approval Requirements

a. Master Deed and Bylaws. To amend the Master Deed and Bylaws, the Condominium Act requires the affirmative approval (i.e., must vote “yes”) from 2/3^{rds} of those Co-owners eligible to vote. Assuming 2/3^{rds} of the Co-owners eligible to vote approve the changes, certain changes will also require the approval of 2/3^{rds} of the lenders with first mortgages recorded against the Units. The first mortgagees will have a 90-day voting window to respond. A first mortgagee's failure to respond is considered a "yes" vote.

b. Articles of Incorporation. The amendments to the Articles of Incorporation must be approved by a majority of all Co-owners that vote at a duly held meeting.

The following summarizes the significant changes to the Master Deed, Bylaws and Articles of Incorporation. Please note that this Memo does not take the place of reading the proposed documents; rather, this Memo seeks only to call your attention to the most significant changes in

the documents and is not exhaustive. Please also note that references below are to the new Article and Section numbers, as opposed to the old:

B. Proposed Amended and Restated Master Deed

1. We added a table of contents and paragraph headings for ease of reference.
2. We incorporated applicable provisions of the past amendments into the proposed documents.
3. We deleted all references to certain rights of the developer that no longer apply, such as easement and amendment rights.
4. We removed references to events or items in the past, such as those concerning the first Board, the first annual meeting, and the Advisory Committee.
5. In Article III, we revised the definition of Co-owner so that both land contract sellers and purchasers are jointly liable for Association obligations pursuant to the provisions of the Condominium Act. We also removed definitions that are no longer applicable, such as Development and Sales Period, First Mortgagee, General Common Elements, Limited Common Elements, Mortgagee and Transitional Control Date. We also added additional definitions for phrases that are used in the documents, such as Electronic Transmission and Good Standing.
6. In Article IV, Sections 1A & B, descriptions have been reworded a bit (but not changed as that would require unanimous consent) to better describe certain Common Elements.
7. We updated Article IV, Section 2 so that responsibilities for the respective Common Elements and other items in the Condominium are described in more detail, which will help eliminate any confusion as to who is responsible for specific items.
8. We placed additional provisions in Article IV, Section 2, to make clear that modifications and alterations are not Common Elements and must be maintained by Co-owners who install them, and to specify that Co-owners may not hold the Association responsible for repairs not authorized or contracted for by the Association. These are clarifications and not changes in responsibility. We also added Section 2E to reflect the Condominium Act provisions that allow for the assessment of unusual expenses only to Units involved.
9. We reworded the easement provisions in Article VII, Section 3 to make clear that the Association has an easement not only to perform its maintenance and repair duties relating to the Common Elements and Units, but also to enforce maintenance standards throughout the Condominium. This is simply a matter of clarification and does not change any existing rights.
10. Because of the ever-changing mortgage underwriting requirements promulgated by the VA, Fannie Mae and Freddie Mac, we added Section 5 to Article VIII to permit the Board to amend

the Master Deed or Bylaws to facilitate mortgage loan financing. This is a benefit as it will help not only sellers and purchasers of Units, but also those wishing to refinance their mortgages. Co-owners would get prior notification of any such amendment. We also added a provision in accordance with the Condominium Act that permits the Board to make immaterial amendments (i.e., the amendment would not affect the rights, duties or obligations of the Co-owners or Association). Co-owners would get prior notification of any such amendment.

C. Proposed Amended and Restated Bylaws

1. As with the Master Deed, we removed references to events that already transpired but that are no longer applicable, such as items relating to the first Board and the transitional control procedures and events.

2. As with the Master Deed, we added a table of contents and paragraph headings for ease of reference.

3. We modified Article II, Sections 3B and C to remove the specific \$5,000.00 reference and to instead provide a floating limitation on assessments for additions to Common Elements of 5% of the annual operating budget. The percentage limitation is designed to make sure that future amendments are not required simply due to changes in the value of money.

4. We modified Article II, Section 3D by removing the requirement that the Association fund the reserve only by regular monthly payments. We also modified this Section to help ensure compliance with current conventional mortgage underwriting requirements.

5. We removed the language distinguishing liability for assessments between land contract sellers and purchasers as the Condominium Act provides for joint liability.

6. We modified Article II, Section 6B to make clear that a delinquent Co-owner may not run for or hold office.

7. Article III now contains a mediation clause that permits the Association to mandate mediation of Co-owner disputes rather than the expensive alternative of litigation.

8. In Article IV, Section 1A, we added more specific requirements of the type of insurance the Association must carry to help effectuate compliance with mortgage underwriting requirements.

9. In Article V, Section 1 we added a requirement that Co-owners are required to repair and restore their Unit, Residence, Limited Common Elements, and any improvements on their Unit to a substantially equal or comparable condition in the event that there is significant damage to any of these items.

10. We included in Article V, Section 6 mortgagee and guarantor notification in accordance with Fannie Mae and Freddie Mac guidelines.

11. We amended Article VI, Section 1, to incorporate occupancy restrictions on the number of people residing in a Unit in accordance with Township ordinances. We also amended this Section to allow non-obtrusive use of Units for home offices, while at the same time prohibiting commercial activities such as day care, adult foster care, nursing or other similar type facilities.

12. In Article VI, Section 2, we increased the minimum lease term to 12 months. We also revised this Section to permit the Association to charge reasonable administrative fees for reviewing, approving and monitoring lease transactions. Lastly, we updated the lender exemptions to meet current mortgage financing underwriting requirements.

13. We modified Article VI, Section 3 to incorporate the Condominium Act provisions relating to the rights of persons with disabilities, to make clear that the Association has approval authority (instead of the Developer), and to make clear that any satellite and antenna restrictions must comply with FCC rules. We also add a provision to make clear that a Co-owner may be required to execute a recordable agreement relating to the modification or alteration. We otherwise maintained simplified versions of the existing construction restrictions.

14. In Article VI, Section 5, we revised the pet restrictions to specify that occupants are permitted to maintain no more pets than are permitted under the Township ordinances. In addition, we added a provision permitting the use of invisible fences. This Section also contains very specific rules to ensure pets do not become a nuisance to other Co-owners.

15. We modified Article VI, Section 7 to include a detailed definition of commercial vehicle, to revise the specific timeframe restrictions on the temporary presence of recreational vehicles for such things as loading and unloading, and to highlight that the Association may tow vehicles parked in violation of the Bylaws. We also updated the parking provisions to prohibit vehicles from parking in any way that would impede vehicle or pedestrian traffic on the roads or sidewalks, and to prohibit parking on any lawn or grass area.

16. We revised Article VI, Section 13 to provide that the Co-owner is responsible for damages caused to Common Elements by failure of items or Elements that are the Co-owner's responsibility to maintain regardless of whether there was negligence. This will help the Association avoid paying for expenses that arise from damage caused by a Co-owner or their occupants. We also made clear that Co-owners have a duty to report any damage to Common Elements as soon as the damage is discovered.

17. Article VI, Section 15 is new and provides that the cost of enforcing these provisions will be paid by the Co-owner in violation.

18. We removed the sale notification requirement contained in your *existing* bylaws

19. In Article VII, Section 3, we included additional mortgagee and guarantor notification requirements as mandated by Fannie Mae and Freddie Mac.

20. We revised Article VIII, Section 2D and Section 3 to increase flexibility for voting and not require votes simply at a meeting. These provisions will make voting easier, less expensive, and allow for advances in technology, facilitating more responses in situations requiring broad Co-owner involvement.

21. We reduced the quorum requirement in Article IX, Section 2, from 35% to 25% to reflect a safe quorum for holding Association meetings.

22. Article IX, Section 3 provides that the Association will hold its annual meeting in the months of April or May.

23. We modified Article IX, Section 5 to reflect the ability to send meeting notices via electronic means as permitted under the Michigan Nonprofit Corporation Act.

24. We added Article IX, Section 6 to reflect the ability for Co-owners to participate in member meetings via remote communication (i.e. virtually) as permitted under the Michigan Nonprofit Corporation Act.

25. Article IX, Section 7 now contains a "shrinking" quorum requirement for meetings which have been adjourned due to lack of quorum (i.e., the quorum requirement is automatically reduced by one-half at the adjourned meeting if quorum is not met at the initial meeting).

26. We deleted the meeting agenda previously contained in your Association meeting provisions as it was too rigid and does not promote flexibility in meetings.

27. In Article X, Section 1, we implemented a policy for Directors who become delinquent. We also added a provision prohibiting more than one person from each Unit serving on the Board at one time.

28. We revised Article X, Section 3G so that the vote required to borrow money has been reduced from an unrealistic and unnecessary 75% to two-thirds (2/3^{rds}) of all Co-owners entitled to vote, and to make clear that the Association has the right to assign assessments as collateral, which will help facilitate lending to the Association if desired and approved by the Co-owners.

29. We revised Article X, Sections 8 and 9, to enlarge the methods of giving notice of meetings.

30. We added Article X, Section 12 to allow Board action by written consent as well as by telephone and e-mail.

31. We added Article X, Section 14 to reflect the ability to participate in Board meetings via remote communication as permitted under the Nonprofit Corporation Act.

32. Article X, Section 15 now contains fidelity insurance requirements that meet mortgage underwriting requirements.

33. We revised Article XII, Section 4 to reflect the Condominium Act's requirements, which states that Associations with annual revenue over \$20,000 must have an annual review or audit completed by a CPA.

34. We revised Article XVI to satisfy necessary due process concerns and to clarify how fines and hearings are to proceed and how continuing and multiple violations will be treated.

D. Proposed Amendment to Articles of Incorporation

We added or revised five Articles to the Association's Articles of Incorporation. The first Article, which outlines the purposes for which the Association is formed, was revised to be consistent with the provisions contained in the Condominium Bylaws. The second and third Articles contain provisions providing the level of indemnification and protection allowed to volunteer directors and officers pursuant to the Michigan Nonprofit Corporation Act. Under the Act, these provisions must be contained in the Articles to be effective. We added the fourth Article to reflect updated provisions of the Nonprofit Corporation Act relating to voting on Association issues without a meeting. The fifth Article reflects the Bylaw provisions that specify it takes a majority of all Co-owners in good standing to remove a director.

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Please again note that this Memo is not intended as a substitute for a complete reading of the proposed new documents. This Memo seeks only to call your attention to the most significant changes in those documents and is not exhaustive. You are encouraged to completely read the proposed new documents.

Very truly yours,
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