

## CONDOMINIUM MANAGEMENT AGREEMENT

THIS CONDOMINIUM MANAGEMENT AGREEMENT is made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 1997, by and between HDI Development Company, a Michigan co-partnership (the "Manager"), and Meadowbrook Condominiums Owners Association, a Michigan nonprofit corporation (the "Association")

### W I T N E S S E T H:

WHEREAS, the Association is a nonprofit corporation whose Members will be the Condominium Unit Co-Owners of Meadowbrook Condominiums in the Township of Bath, Clinton County, Michigan (the "Condominium"), and its functions will be to operate and maintain the Condominium; and

WHEREAS, the Association wishes to hire the Manager as a professional management agent to manage the Condominium; and

WHEREAS, the Manager is prepared to render professional management services and desires to perform such services for the Association;

NOW, THEREFORE, THE PARTIES HERETO AGREE AS FOLLOWS:

1. *Agreement to Serve as Exclusive Managing Agent.*

(a) The Manager hereby agrees to serve as the exclusive managing agent of the Condominium in accordance with the terms and conditions of this Agreement.

(b) In connection with its duties hereunder, the Manager shall (i) receive copies of the minutes of all Membership and Directors' meetings of the Association and be given an opportunity to make corrections therein, and (ii) be empowered to call Membership and Directors' meetings upon notice as provided in the Condominium Bylaws. The failure by the Association to adopt minutes corrections submitted by the Manager or to convene, with a quorum, a meeting called by the Manager may be treated as a breach of this Agreement and shall release the Manager from any further responsibility hereunder, unless it can be conclusively established that the correction proposed by the Manager is in error.

(c) Whenever the Manager is required hereunder to report to, communicate with, or seek the consent of the Association, it shall be sufficient for the Manager to report to, communicate with, or seek the consent of the Directors of the Association or, in the discretion of the Manager as to routine management matters, the President of the Association, who shall be deemed the Association's representative in management matters. The Manager shall be entitled to rely upon the advice and instructions of the Directors, and of the President as to routine management matters, as those of the Association.

2. *Duties of Manager.* The Manager shall have the duty:

(a) On the basis of an operating schedule, job standards and wage rates previously approved by the Association, to investigate, hire, pay (with funds of the Association), supervise and discharge the personnel necessary to be employed by the Association in order to properly maintain and operate the Condominium. Such personnel shall in every instance be employees of the Association and not the Manager. The compensation of such employees shall be considered an operating expense of the Condominium. The Manager shall also be empowered to employ independent contractors, when necessary, on behalf of the Association.

(b) To ascertain the general condition of the Condominium at regular intervals established by agreement with the Association, but not less than once a year, to make a report in writing to the Association of its findings, and to cause an annual inventory to be taken of all furniture, office equipment, maintenance tools, supplies and other property of the Association.

(c) In order to assure a businesslike relationship with the Co-Owners, to develop and employ, subject to the approval of the Association, a system for the taking and processing of complaints, reports and requests. Complaints, reports and requests received from Co-Owners shall be considered and recorded in a systematic fashion showing the action taken with respect to each. Complaints and reports deemed by the Manager to be serious and requests considered by the Manager to be extraordinary shall, after thorough investigation, be reported to the Association with appropriate recommendations. The Manager shall also attempt to secure full performance by the Co-Owners of all their responsibilities.

(d) To collect, or to cause a licensed financial institution approved by the Association to collect, all assessments due from Co-Owners and all sums due from concessionaires in consequence of the authorized operation of facilities in the Condominium. The Association hereby authorizes the Manager or the designated and approved financial institution to request, demand, collect, receive and receipt for any and all charges or rents which may at any time be or become due to the Association and to take such action in the name of the Association as may be required for the collection of delinquent monthly assessments. As a standard practice, the Manager shall furnish the Association with an itemized list of all delinquent accounts immediately following the tenth (10th) day of each month.

(e) To cause the Condominium to be operated and maintained as a first-class condominium. The Manager shall not incur liabilities (direct or contingent) which will at any time in the aggregate exceed five thousand dollars (\$5,000.00) or any liability which will not mature within one (1) year without first obtaining the approval of the Association. The Manager shall cause

alterations to be made to the Condominium only upon the direction of the Association.

(f) To take such action as may be necessary to comply promptly with any and all regulations pertaining to health and welfare or relating to insurance and similar contracts with the Association, subject to the limitations contained in paragraph (e) of this section. The Manager shall not take any action under this paragraph (f), however, so long as the Association is contesting, or has affirmed its intention to contest, any such order or requirement. The Manager shall promptly, and in no event later than seventy-two (72) hours from the time of its receipt, notify the Association in writing of all such orders and notices of requirements.

(g) All contracts and orders shall be made in the name of the Association and shall be subject to the limitations set forth in paragraph (e) of this section and in the Master Deed. When taking bids or issuing purchase orders, the Manager shall act at all times under the direction of the Association, and shall be under a duty to secure for and credit to the Association any discounts, commissions or rebates obtainable as a result of such purchases.

(h) When authorized by the Association in writing, and in accordance with Article VI of the Condominium Bylaws of the Condominium, to cause to be placed and kept in force all forms of insurance needed to adequately protect the Association, the Co-Owners and Mortgagees holding mortgages covering individual units, as their respective interests appear (or as required by law). All of the various types of insurance coverage required shall be placed only with such companies, in such amounts and with such beneficial interests appearing therein as shall be acceptable to the Association and to mortgagees holding mortgages covering individual units and consistent with the Condominium Bylaws of the Condominium. The Manager shall promptly investigate and make a full written report as to all accident or claims for damage relating to the management, operation and maintenance of the Condominium, and the estimated cost of repair, and shall cooperate and make any and all reports required by any insurance company in connection therewith.

(i) From the funds collected and deposited in the special account hereinafter provided, to cause sums to be disbursed regularly and punctually to pay (i) salary and other contractual obligations of the Association, including the Manager's fee, (ii) insurance premiums, (iii) amounts specified by the Association for allocation to any reserve fund, (iv) taxes, subject to paragraph (m) of this section, and (v) amounts otherwise due and payable by the Association as operating expenses authorized to be incurred under the terms of this Agreement. After disbursement in the order herein specified, any balance remaining in the special account may be disbursed or transferred from time to time, but only as specifically directed by the Association in writing.

(j) To prepare for execution and filing by the Association forms, reports and returns required by law in connection with unemployment insurance, workers' compensation insurance, disability benefits, Social Security and other similar taxes now in effect or hereafter imposed, and also requirements relating to the employment of personnel. The Manager shall not, however, be required to perform duties which would constitute the practice of law.

(k) To maintain a comprehensive system of office records, books and accounts in a manner satisfactory to the Association, which records shall be subject to examination by Co-Owners during the Manager's regular business hours. The Manager shall render to the Association a statement of receipts and disbursements as of the end of every month by the fifteenth (15th) day of each succeeding month.

(l) At least sixty (60) days before the beginning of each new fiscal year, to prepare with the assistance of an accountant, if need be, an operating budget setting forth an itemized statement of the anticipated receipts and disbursements for the new fiscal year based upon the then-current schedule of monthly assessments, and taking into account the general condition of the Condominium. Each such budget, together with a statement from the Manager outlining a plan of operation and justifying the estimates made in every important particular, shall be submitted to the Association in final draft at least thirty (30) days prior to the commencement of the annual period for which it has been made. The budget shall serve as a supporting document for the schedule of monthly assessments proposed for the new fiscal year. It shall also constitute a major control under which the Manager shall operate, and no expenses may be incurred or commitments made by the Manager in connection with the maintenance and operation of the Condominium in excess of the amounts allocated to the various classifications of expense in the approved budget without the prior consent of the Association, except that there may be an overrun if it is necessary, in the discretion of the Manager, because of an emergency or lack of sufficient time to obtain such prior consent, provided the overrun is brought promptly to the attention of the Association in writing.

(m) To notify the Association of and, if not otherwise directed within seventy-two (72) hours, to pay when due all taxes and special assessments which may be levied against the Condominium, except any such taxes or assessments which shall be assessable against any individual Condominium Unit.

(n) Upon request by the Association, to oversee and supervise any reconstruction of any portion or portions of the Condominium which are damaged and are to be rebuilt or any substantial alterations to the Condominium, which reconstruction or alteration is undertaken by the Association, and not by a Co-Owner, but the Manager shall be entitled in such case to a fee of \_\_\_\_\_ percent (\_\_\_\_%) of the reconstruction costs, or

\_\_\_\_\_ dollars (\$\_\_\_\_\_),  
whichever is less, as compensation for its supervisory services.

(o) To employ its best effort to cause to be enforced all of the provisions of the Master Deed and Condominium Bylaws, and the Articles of Incorporation, Bylaws, and rules and regulations of the Association. The Manager shall see that all Co-Owners are informed with respect to such rules, regulations and notices as may be promulgated by the Association from time to time and the Manager shall report to the Association any violations of any of the Bylaws, rules or regulations.

(p) To perform any such other acts and deeds as are reasonable, necessary and proper in the discharge of its duties under this Agreement.

3. *Management Personnel; Office Space.* Compensation for the services of such personnel shall be the responsibility of the Manager. Personnel who handle or are responsible for the handling of the Association's moneys shall, without expense to the Association, be bonded by a fidelity bond acceptable both to the Manager and the Association which shall in no event be less than the aggregate monthly receipts of the Association. The Manager shall also provide sufficient office space for efficient discharge of its duties hereunder.

4. *Expenses.* All duties of the Manager under this Agreement shall be performed as managing agent of the Association, and all obligations or expenses incurred in the performance of the Manager's duties shall be for the account, on behalf of and at the expense of the Association. Any payments to be made by the Manager hereunder shall be made out of such sums as are available in the special account of the Association, or as may be provided by the Association. The Manager shall not be obliged to make any advance to or for the account of the Association or to pay any sum, except out of funds held or provided as aforesaid, nor shall the Manager be obliged to incur any liability or obligation for the account of the Association without assurance that the necessary funds for the discharge thereof will be provided.

5. *Bank Account.* The Manager shall establish and maintain, in a financial institution approved by the Association, and in a manner to indicate the custodial nature thereof, a separate bank account as managing agent for the Association for the deposit of moneys of the Association, without authority to draw thereon for any payments to be made by the Manager, to discharge any liabilities or obligations incurred pursuant to this Agreement, and for the payment of the Manager's fee, all of which payments shall be subject to the limitations in this Agreement.

6. *Compensation of Manager.* As compensation for the services to be rendered hereunder, the Manager shall on the first day of each month be paid a fee of \_\_\_\_\_ dollars (\$\_\_\_\_\_ ) for each completed Condominium Unit. Such

amount shall represent payment in advance for services to be rendered during the succeeding month.

7. *Agreement to Employment Managing Agent.*

(a) The Association hereby agrees to employ the Manager as exclusive managing agent of the Condominium.

(b) The authority and duties conferred upon the Manager hereunder are restricted to the Common Elements, as defined in the Master Deed of the Condominium. Such authority and duties do not and shall not include supervision or management of individual Condominium Units except as mutually agreed by the Manager and the Association.

8. *Term and Termination.* This Agreement shall be in effect for a term commencing on the date hereof and extending thereafter for one (1) year and, unless terminated by either party hereto upon thirty (30) days' written notice, shall be extended automatically for additional terms of one (1) year up until the transitional control date or ninety (90) days thereafter, all such extensions to be on the same terms and conditions hereof. This Agreement shall be voidable by the Association or the Manager on the transitional control date or within ninety (90) days thereafter. If this Agreement is ratified by the Association on the transitional control date, it shall continue in effect for a term of one (1) year, subject to annual renewal by the parties.

9. *Limitation of Liability.* The Association shall indemnify and hold harmless the Manager from and against any and all liabilities, claims, damages, costs and expenses (including reasonable attorneys' fees) to which Manager may become subject by reason of or arising out of the performance or nonperformance of its duties hereunder; provided, however, that no such right of indemnity shall exist with respect to any liabilities, claims, damages, costs or expenses which may be incurred by the Manager by reason of its willful and wanton misconduct or gross negligence.

10. *Choice of Law.* This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan applying to agreements made and to be performed in that state.

11. *Amendment, Change or Modification.* This Agreement shall not be amended, changed or modified except by written agreement executed by each of the parties and attached to the original of this Agreement, which shall be kept in the office of the Manager. Copies of any such written agreement amending, changing or modifying this Agreement shall be sent to each of the parties and their counsel.

12. *Notices.* All notices, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if delivered personally or mailed, first-class postage prepaid,

If to the Association, to any officer of the Association at his residence.

If to the Manager, to:

HDI Development Company  
Attn: \_\_\_\_\_  
4217 Okemos Road  
Okemos, MI 48864

13. *Binding on Successors.* This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, this Agreement has been executed as of the day and year first written above.

HDI DEVELOPMENT COMPANY  
a Michigan co-partnership

By: \_\_\_\_\_  
Its Partner, the Manager

MEADOWBROOK CONDOMINIUMS  
OWNERS ASSOCIATION

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
the Association

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