

Royal Forest

\$1470

ROYAL FOREST SUBDIVISION #3

ASSOCIATION BYLAWS

ARTICLE I

ADOPTION OF ROYAL FOREST SUBDIVISION #3
COVENANTS, CONDITIONS AND RESTRICTIONS

The Covenants, Conditions and Restrictions of ROYAL FOREST SUBDIVISION #3 (hereinafter known as the Subdivision Covenants and Restrictions) as recorded in Liber 5657, pages 760 through 794, Macomb County Records, are hereby incorporated by reference and adopted in their entirety as a part of the ByLaws of this Corporation.

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 Members as may be designated by the Board of Directors. Voting shall be as provided in the Subdivision Covenants and Restrictions. 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 ByLaws of the Corporation, the Subdivision Covenants and Restrictions or the laws of the State of Michigan.

Section 2. The annual meetings of the Members of the Association shall be held on the third Tuesday of March by the Board of Directors. At such meetings there shall be elected by ballot of the Members a Board of Directors in accordance with the requirements of Article III of these ByLaws. The Members 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 Members as directed by resolution of the Board of Directors or upon a petition signed by one-third (1/3) of the Members presented to the Secretary of the Association. 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. Each Owner/Member shall file a written notice with the Association designating the individual representative who shall vote at meetings of the Association and receive all notices and other communications from the Association on behalf of such Owner/Member. Such notice shall state the name and address of the individual representative designated, the number or numbers of the subdivision lot or lots owned by the Owner/Member, and the name and address of each person, firm, corporation, partnership, association, trust or other entity who is the owner. Such notice shall be signed and dated by the Owner/Member. The individual representative designated may be changed by the Owner/Member at any time by filing a new notice in the manner herein provided.

Section 5. 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 Member of record, at least ten (10) days but not more than sixty (60) days prior to such meeting. The mailing, postage prepaid, of a notice to the representative of each Member at the address shown in the notice required to be filed with the Association by Article II, Section 4 of the ByLaws of the Corporation shall be deemed notice served. Any Member may, by written waiver of notice signed by such member, waive such notice and such notice when filed in the records of the Association shall be deemed due notice.

Section 6. The presence in person or by proxy of fifty one (51%) percent in number of the Members qualified to vote shall constitute a quorum for holding a meeting of the Members of the Association, except for voting on questions specifically provided herein to require a greater quorum, the absentee ballots of any person furnished at or prior to any duly called meeting at which meeting the said person is not otherwise present in person or by proxy shall be counted in determining the presence of a quorum with respect to questions upon which the ballot is cast.

Section 7. If any meeting of Members cannot be held because a quorum is not in attendance, the 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 8. Votes may be cast in person or by proxy or by written absentee ballot, duly signed by the designated voting representative not present at a given meeting in person or by proxy. Proxies and any absentee ballots must be filed with the Secretary of the Association at or before the appointed time of each meeting of the Members of the Association. Accumulative voting shall not be permitted.

Section 9. A majority, except where otherwise provided herein, shall consist of more than fifty (50%) percent of those qualified to vote and present in person or by proxy at a given meeting of the Members of the Association. Whenever provided specifically herein, the requisite affirmative vote may be required to exceed a simple majority hereinbefore set above.

Section 10. Only Members who are current with their assessments shall be entitled to vote at any meeting of the Association. All Members who are not current with their assessments shall be unable to vote until any assessment current or in arrears is paid in full.

ARTICLE III

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. Directors shall serve without compensation.

Section 2. The first Board of Directors shall be composed of five (5) persons. At the First Meeting, three (3) directors shall be elected for the term of two (2) years and two (2) directors shall be elected for a term of one (1) year. At such first meeting all nominees shall stand for election as one slate and the three (3) persons receiving the highest number of votes shall be elected for a term of two (2) years and the two (2) persons receiving the next highest number of votes shall be elected for a term of one (1) year. At each Annual Meeting of the Corporation held thereafter, either two (2) or three (3) 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 two (2) of the directors elected at the First Annual Meeting of Members, if the First Annual Meeting is held on any day other than the third Tuesday of March) 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 Subdivision Covenants and Restrictions and as set forth in the ByLaws of the Association.

Section 4. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members of the Association shall be filled by a vote of the majority of the remaining Directors, even though they may not constitute a quorum. Each person so elected shall be a director until a successor is elected at the next Annual meeting of the Association.

Section 5. At any regular or special meeting of the Association duly called, any one or more of the directors may be removed with or without cause by a majority of the Members and a successor may then and there be elected to fill the vacancy thus created. Any Director whose removal has been proposed by the Members shall be given an opportunity to be heard at the meeting.

Section 6. The first meeting of the newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the Directors.

Section 7. Regular meetings of the Board of Directors may be held at such time 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 or telegraph, at least ten (10) 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 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 one director.

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 of Directors shall be deemed a waiver of notice by him/her of the time and place thereof. If all the Directors are present at any meeting of the Board of Directors, 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. 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. The Board of Directors shall require that all officers and employees of the Association handling or responsible for the Association funds shall furnish adequate fidelity bonds. The premiums on such bonds shall be the expenses of administration.

Section 12. The Board of Directors shall have all powers and duties necessary for the administration of the affairs of the Association and may do all things which are not prohibited by law or by the Subdivision Covenants and Restrictions or required thereby to be done by the Members. The powers and duties to be exercised by the Board of Directors shall include, but shall not be limited to, the power and duty:

(a) To manage and administer the affairs of and to the Association.

(b) To levy and collect assessments against and from the Members of the Association and to use the proceeds therefrom for the purposes of the Association, and to enforce assessments through liens and foreclosure proceedings where appropriate;

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

(d) To contract for and employ, and to discharge, persons or business entities to assist in the management, operation, maintenance and administration of the Association.

(e) To make reasonable rules and regulations governing the use and enjoyment of ROYAL FOREST SUBDIVISION #3 by Members and their guests, employees, invitees, families and pets and to enforce such rules and regulations by all legal methods, including, without limitation, imposing fines and late payment charges, or instituting legal proceedings;

(f) To establish such committees as it deems necessary, convenient or desirable and to appoint persons thereto, to administer the Association and to delegate to such committees any functions or responsibilities which are not by law or the Subdivision Covenants and Restrictions required to be performed by the Board of Directors;

(g) To enforce the provisions of the Subdivision Covenants and Restrictions, the Articles of Incorporation, ByLaws, Rules and Regulations of the Association, and to sue on behalf of the Subdivision or the Members and to assert, defend or settle claims on behalf of the Members with respect to the Subdivision;

(h) 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, maintenance, repair, replacement and operation of the Association and its properties and to the accomplishment of any of the purposes thereof not forbidden, and with all powers conferred upon nonprofit corporations by the laws of the State of Michigan.

ARTICLE IV

OFFICERS

Section 1. The principal officers of the Association shall be a President, who shall be member of the Board of Directors, a Vice President, Secretary and a Treasurer. The Directors may appoint an Assistant Treasurer, and 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 of Directors and shall hold office at the pleasure of the Board of Directors.

Section 3. Upon the vote of a majority of the members of the Board of Directors, any officer may be removed either with or without cause, and his/her 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.

Section 4. The President shall be the chief executive officer of the Association. He/she shall preside at all meetings of the Association and of the Board of Directors. He/she 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/she may in his/her discretion deem appropriate to assist in the conduct of the affairs of the Association.

Section 5. The Vice President shall take the place of the President and perform his/her 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 of Directors 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/her 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/she shall have charge of the corporate seal and of such books and papers as the Board of Directors may direct; and he/she 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/she 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

Section 1. The Corporation may have a seal which shall have inscribed thereon the name of the Corporation, the words "Corporate Seal", and "Michigan".

ARTICLE VI

FINANCE

Section 1. The finances of the Corporation shall be handled in accordance with the Subdivision Covenants and Restrictions and the ByLaws of the Association.

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. 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 check or order of such officers, employees or agents as are designated by resolution of the Board of Directors from time to time.

ARTICLE VII

INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 1. Every director and every officer of the Corporation shall be indemnified by the Corporation against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him/her in connection with any proceedings to which he/she may be a party, or in which he/she may become involved, by reason of his/her being or having been a director or officer of the Corporation, whether or not he/she is a director or officer at the time such expenses are incurred, except in such cases wherein the director or officer is adjudged guilty of willful misfeasance or malfeasance in the performance of his/her duties; provided that, in the event of any claim for reimbursement or indemnification hereunder based upon a settlement by the director or officer seeking such reimbursement or indemnification, the indemnification herein shall apply only if the Board of Directors (with the Director seeking reimbursement abstaining) approves such settlement and reimbursement as being in the best interest of the Corporation. The foregoing right of indemnification shall be in addition to and not exclusive of all other rights to which such director or officer may be entitled. At least ten (10) days prior to payment of any indemnification which it has approved, the Board of Directors shall notify all Members thereof.

ARTICLE VIII

SUBDIVISION AUXILIARY ASSOCIATION (LAKE LOT OWNERS)

Section 1. An Auxiliary Association shall be established for Lake Lot Owners of ROYAL FOREST SUBDIVISION #3. Such lake lots shall be as defined in the Subdivision Covenants and Restrictions. Each Lake Lot Owner shall be a Member of the Subdivision Auxiliary Association. The business of the Subdivision Auxiliary Association and the conduct of the affairs of the Subdivision Auxiliary Association shall be in substantial compliance with the ROYAL FOREST SUBDIVISION #3 ASSOCIATION ByLaws except that the Board of Directors shall be three (3) Directors.

Section 2. The Subdivision Auxiliary Association may levy any special assessments against Lake Lot Owners for the operation and maintenance and replacement of well pumps, irrigation apparatus, weed control, chemical treatment of the lake and all things necessary to maintain the aesthetic and recreational value of the lake. The Subdivision Auxiliary Association may also impose rules and restrictions reasonably necessary to enforce the provisions of

the Subdivision Covenants and Restrictions to maintain the aesthetic and recreational value of the lake. Notwithstanding anything to the contrary contained herein, the Subdivision Auxiliary Association shall not have the power to interfere with or circumvent any of the rights or powers contained in the Subdivision Covenants and Restrictions, and the Association ByLaws.

Section 3. All levies, assessments or special assessments authorized by the Subdivision Auxiliary Association shall be paid and collected in a manner consistent with the Subdivision Covenants and Restrictions and the Association ByLaws.

ARTICLE IX

KEEPING OF THE BOOKS AND RECORDS

Section 1. The Association shall keep detailed books of accounts showing all expenditures and receipts of administration and which shall specify the maintenance and repair expense of the common elements and any other expenses incurred in or on behalf of the Association and the Members. Such accounts and all other Association records which are not privileged shall be open for inspection by the Members during reasonable working hours. The Association shall prepare and distribute to each Member at least annually a financial statement of the Association. The cost of any such accounting expense shall be the expense of administration.

ARTICLE X

AMENDMENTS

Section 1. These ByLaws may be amended by the Association at a duly constituted meeting for such purpose, by an affirmative vote of two-thirds (2/3) of the Members present in person, by proxy or written vote.

Section 2. Amendments to these ByLaws may be proposed by the Board of Directors of the Association acting upon the vote of the majority of the Directors or by one third (1/3) or more in number of the members of the Association whether meeting as members or by instrument in writing signed by them.

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

Section 4. Any amendment to these ByLaws shall become effective upon adoption of the same in accordance with Section 1 of this Article X.

Section 5. A copy of each amendment to these ByLaws shall be furnished to every member of the Association after adoption.

ARTICLE XI

JUDICIAL ACTIONS AND CLAIMS

Actions on behalf of and against the Members shall be brought in the name of the Association. Subject to the express limitations on actions in these ByLaws and in the Association's Articles of Incorporation, the Association may assert, defend or settle claims on behalf of all Members of the Association. The commencement of any action (other than one to enforce these ByLaws, the Subdivision Covenants and Restrictions or collect delinquent assessments) shall require the approval of the majority of the Members, and shall be governed by the requirements of this Article. The requirements of this Article will ensure that the Members are fully informed regarding the prospects and likely costs of any action the Association proposes to engage in, as well as the ongoing status of any actions actually filed by the Association or being defended against 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 Member shall have standing to sue to enforce the requirements of this Article. The following procedures and requirements apply to the Association's commencement of any action other than an action to enforce these ByLaws, the Subdivision Covenants and Restrictions or to collect delinquent assessments. In any action which seeks damages in excess of Five Thousand (\$5,000.00) Dollars from the Association and in which the Association intends to spend or does spend in excess of Two Thousand (\$2,000.00) Dollars on attorney fees, costs, or settlement, or any combination thereof, the Association shall comply with the following procedures and requirements.

Section 1. The Association's Board of Directors shall be responsible in the first instance for recommending to the Members that an action be filed, and supervising and directing any actions or defenses that are filed.

Section 2. Before an attorney is engaged for purposes of filing or defending any action on behalf of the Association, the Board of Directors shall call a special meeting of the Members ("litigation evaluation meeting") for the express purpose of evaluating the merits of the proposed action. In the event that the Association needs to retain an attorney to file a timely answer or response to any action before there is time to call a litigation evaluation meeting, that retaining shall be conditioned on approval

of the Members at the meeting as outlined below. 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.

(a) A Certificate resolution of the Board of Directors setting forth in detail the concerns of the Board of Directors giving rise to the need to file the suit or defense and further certifying that:

- (1) it is in the best interests of the Association to file a lawsuit or defend against it;
- (2) that at least one member of the Board of Directors has personally made a good faith effort to negotiate a settlement on behalf of the Association, without success;
- (3) litigation is the only prudent, feasible and reasonable alternative; and
- (4) the Board of Directors' proposed attorney for the proceeding is of the written opinion that litigation is the Association's most reasonable and prudent alternative.

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

- (1) the number of years the litigation attorney has practiced law;

(c) 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; or in the case of defense, the litigation attorney's written estimate of the likely outcome.

(d) The litigation attorney's written estimate of the cost of action through a trial on the merits of the case ("total estimated cost"). The total estimated cost of the action shall include the litigation attorney's expected fees, court costs, expert witness fees, and all other expenses expected to be incurred in the action.

(e) The litigation attorney's proposed written fee agreement.

(f) The amount to be specially assessed against each Member to fund the estimated cost of the action both in total and on a monthly per Lot basis.

Section 3. The Association shall have a written fee agreement with the litigation attorney, and any other attorney retained to handle the legal proceeding. The Association shall not enter into any fee agreement that is a combination of the retained attorney's hourly rate and contingent fee arrangement unless the existence of the agreement is disclosed to the Members in the text of the Association's written notice to the Members of the litigation evaluation meeting.

Section 4. At the litigation evaluation meeting the Members shall vote on whether to authorize the Board of Directors to proceed with the proposed action or defense and whether the matter should be handled by the litigation attorney. The commencement of any action by the Association (other than a suit to enforce these ByLaws, the Subdivision Covenants and Restrictions or collection of delinquent assessments), or the retaining of an attorney to defend a claim in excess of Five Thousand (\$5,000.00) Dollars or which is reasonably expected to result in expenses in excess of Two Thousand (\$2,000.00) Dollars, shall require the approval of fifty one (51%) percent of the Members.