

LAKE FOREST PROPERTY OWNERS ASSOCIATION, INC.

BY-LAWS

AS AMENDED OCTOBER 21, 1991

ARTICLE I

PURPOSE

Lake Forest Property Owners Association, Inc., an Alabama nonprofit corporation, herein referred to as "the Corporation", shall conduct affairs for the mutual benefit of the membership hereof and for the civic improvement, operation, maintenance, management, ownership, buying, selling and handling of the common facilities of Lake Forest.

ARTICLE II

MEMBERSHIP

Section 2.1, **Persons Who Shall Be Members:** The membership of the Corporation shall consist of two classes of members: the first class of which shall be called Full Voting Members; the second class of which shall be called Associate Members.

The Full Voting Membership shall be limited to those persons who purchased lots in the Lake Forest development from Lake Forest, Inc., or its successors, on or after July 1, 1971; those persons owning lots in the Lake Forest development who have purchased same either prior to or after July 1, 1971, and who make application to and are approved by the Board of Directors of the Corporation as such members; the transferee of a lot of an eligible former Full Voting Member in good standing and Lake Forest, Inc., or its successors.

For the purpose of Full Voting Membership, "lot" or "lots" are defined to include condominiums purchased from Lake Forest, Inc., or its successors, as to which an initiation fee, dues, and acquisition assessment have been paid and which is subject to the Declarations and Restrictions, as amended.

The Associate Members of the Corporation shall consist of those persons who were former members of the Lake Forest Country Club and whose names are attached to the Articles of Incorporation of the Lake Forest Property Owners Association, Inc., as Exhibit A., or who have purchased "Old Lake Forest" property, including membership, from such an individual. The Associate Membership of those persons named on said Exhibit A, who did not as of May 1, 1971, own a lot in the Lake Forest development, shall terminate upon death of both member and his spouse. Unless converted to a Full Voting Membership, the Associate Membership of any person named on said Exhibit A who did, as of May 1, 1971, own a lot in the Lake Forest development shall also terminate upon the death of said Associate Member and his spouse; provided however, such Associate Member (who did, as of May 1, 1971, own a lot in the Lake Forest Development) may transfer his Associate Membership to the next purchaser of his lot, but such membership shall then terminate upon the death of said purchaser and his spouse, unless converted to a Full Voting Membership. The Associate Membership of the Associate Member who did, as of May 1, 1971, own a lot in the Lake Forest development may be converted to Full Voting Membership by complying with the rules for such conversion as may from time to time be established by the Board of Directors. Except for

such one time transfer by an Associate Member who did, as of May 1, 1971, own a lot in Lake Forest development, Associate Membership shall be non-transferable.

The Board of Directors may from time to time create additional classes of non-voting members.

In the event a lot is purchased by a corporation, the corporation must immediately designate an individual who will be the club member. This individual must go through the process of applying through the membership committee. When approved, this member must then sign a notarized statement that he will be responsible for dues, charges, assessments including interest on such charges, assessments, collection costs and attorney's fees.

If any affiliation change occurs, both the member and the corporation will immediately notify the club. The corporation will then designate a new member and the same procedure must be followed.

Section 2.2. Full Voting Membership Inseparable Appurtenant to Lot or Lots Owned or Being Purchased. Full Voting Memberships shall be inseparable appurtenant to and run with the particular lot or land owned in the Lake Forest development. Upon the transfer by a member of this lot in the Lake Forest development (or upon the death of a member), the membership of the transferor (decedent) shall cease to exist and the transferee (heir or devise) shall automatically become a Full Voting Member. No Full Voting Membership may be conveyed or transferred in any other manner whatsoever.

Section 2.3. No Full Voting Member May Withdraw Except by Transfer of Title. No full Voting Member may withdraw except by transfer of title or upon contracting for the sale of the lot or lots to which such membership is appurtenant or by resignation of membership in accordance with the provisions of the Declarations of Restrictions, Conditions, Easements Covenant Agreements, Liens and Charges of Lake Forest Inc., and Amendments.

Section 2.4. Dues, Charges and Assessments. Members of the Association shall be obligated to pay dues, charges and assessments imposed by the Association.

Annual increases in dues must be approved by members of the Association at the annual meeting. The Board of Directors has no authority to increase dues. The power of authority of the Board of Directors is limited to one (1) assessment annually, if deemed necessary, for the preservation of the Association. This assessment cannot exceed \$50.00 per member annually.

Section 2.5. Conduct. Any member may be denied one or more privileges of membership in the Association including the right to vote, use of facilities and other membership rights, for failure to pay initiation fees, dues or other charges or assessments levied by the Board of Directors, or for misconduct in contravention of the published Lake Forest Yacht and Country Club House and Ground Rules. A member who may have been denied any privileges of membership shall have the right to have such denial reviewed by the Board of Directors upon written request to the President of the Association. During any such period of privilege denial, basic dues shall remain chargeable; however, usage fee, if previously paid on an annual or periodic basis, shall be forgiven during the period of such denial.

Section 2.6. **Transfer of Membership.** It shall be the responsibility of both the buyer and seller to provide the Association the following: copy of deed, date property is to be transferred.

ARTICLE II

MEMBERSHIP MEETING

Section 3.1. **Annual Meeting.** The annual meeting of the members of the Corporation shall be held on the third Monday in October of each year, commencing with the year 1988, or, if such day shall be a legal holiday, at such time as shall be stated in the notice of such meeting, for the election of directors (then due to be elected) and for transaction of such other business as may come before the meeting; provided the failure to hold such annual meeting shall not work a dissolution of the Corporation.

Section 3.15. **Eligible Members Entitled to Vote.** At least thirty (30) days prior to the annual meeting, under the direction of the Secretary, a complete list of eligible members entitled to vote shall be prepared by the office of management accounts. Such list shall be arranged in alphabetical order, with the residence of each member shown by postal mailing address, unit and lot number of each full membership lot(s) owned and members' membership number. Such list shall be accessible and convenient to the membership.

Section 3.2. **Special Meetings.** A special meeting of the members of the Corporation may be called at any time by the Board of Directors, the President, Vice President or by persons holding at least twenty-five percent (25%) of the votes eligible to be cast in any such meeting, except as otherwise provided by statute or in the Articles of Incorporation or any amendment thereto.

Section 3.25. **Listing of Eligible Voting Members.** Any Full Voting Member desiring to call a Special Meeting of the membership shall have the right to obtain a current listing of eligible voting members with current addresses at normal Association charges for copies. Any party obtaining such records agrees that same shall not be used for commercial purposes of any kind, including, but not by way of limitation, mail order businesses.

Section 3.3. **Place or Meeting.** All meetings of the members of the Corporation shall be held in Baldwin County, Alabama, or at such other place, within the State of Alabama, as may be fixed from time to time by the Board of Directors.

Section 3.4. **Notice of Meeting.** Except as otherwise required by statute, notice of each meeting of the members, whether annual or special, shall be given at least thirty (30) days before the day on which the meeting is to be held, to each member of record by delivering a written or printed notice thereof to each member, personally, or by mailing such notice, postage prepaid, addressed to such member at the post office address registered with the Corporation.

Section 3.5. **Waivers, etc.** Anything herein contained to the contrary notwithstanding, notice of any meeting of the members of the Corporation shall not be required as to any member who shall attend such meeting in person or by proxy; and, if any member of the Corporation shall, in person, or by attorney duly authorize, waive notice of any meeting, whether before or after such meeting, notice thereof shall not be required as to him.

Section 3.6. **Quorum.** At all meetings of the members of the Corporation (except as otherwise provided by statute, by the Articles of Incorporation or by the By-laws) the presence, in person or by proxy duly authorized, of persons holding at least twenty-five percent (25%) of the total votes eligible to be cast at such meeting, shall constitute quorum for the transaction of business; but in the absence of a quorum, a majority of such members present in person or by proxy may adjourn, from time to time, but not for a period of more than thirty (30) days in any one time, until quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally called. No notice of any adjourned meeting need be given.

Section 3.7. **Voting.** Each Full Voting Member shall be entitled to one vote for each lot owned for which dues, charges, initiation fee and assessment are current, for the election of each member of the Board of Directors and one vote for each and every other action which may require vote of the membership of the Corporation; provided however, Lake Forest, Inc., or its successors, shall be entitled to cast the number of votes equal to one vote for each quarter acre of property which it owns in Lake Forest Development, for the election of each Director of the Board and for each and every other matter which may require a vote of the membership of the Corporation.

Each Associate Member in good standing shall be entitled to one vote for each member of the Board of Directors and one vote on any and all matters which may be required and permitted of the membership concerning the Country Club and Golf Course facilities, only.

The vote for any lots owned or being purchased jointly by husband and wife may be cast by either spouse without presentation of authority from the other. The vote for any other lot and lots held or being purchased by more than one person under some form of joint or several ownership may be cast by any one of such persons upon presentation of written authority or by proxy from them in their absence.

Section 3.8. **Proxy.** Each member of the Corporation may vote by proxy duly filed with the Secretary of the Corporation prior to or at any annual or special meeting. No proxy shall be voted after eleven months after its date, unless such proxy provides for a longer period.

Section 3.9. **Delinquent Member — No Vote.** No member shall be eligible to vote or to be elected to the Board of Directors or appointed to any committee who is shown on the books or management accounts of the Corporation, to be delinquent on the billing of the month prior to the meeting. Delinquencies may be cleared in the office of management up to 2:00 p.m. on the day of the meeting. The Secretary shall have a list of eligible voters at any annual or special meeting, based on these billings.

Section 3.10. **Rules of Meetings.** All meetings of the membership and stated meetings of the Board of Directors shall be conducted in accordance with the procedures set out in the current edition of "Roberts Rules of Order", except where such rules are superseded by the Articles of Incorporation, the By-Laws or Federal or State law.

ARTICLE IV
OFFICERS

Section 4.1. **Board of Directors Shall Elect Officers of Corporation.** The Board of Directors of the Corporation shall elect from its membership the officers of the Corporation. At any election the person receiving the greatest number of votes for any particular office shall be elected.

Section 4.2. **The Elected Officers.** The elected officers of the Corporation shall be a President, a Vice President, a Secretary and a Treasurer. The Board of Directors may also from time to time appoint such other officers as it shall deem necessary including one or more Assistant Vice Presidents and one or more Assistant Secretaries, who shall hold office for such terms as shall be determined by the Board of Directors and shall exercise such powers and perform such duties as shall be determined from time to time, by the Board of Directors. One or more offices may be held by the same person. Officers shall also be Full Voting Members in good standing; except for the office of Assistant Secretary/Treasurer which may be held by the Controller and the office of Assistant Vice President, which may be held by the General Manager, when appointed by the Board of Directors.

Section 4.3. **President.** The president shall be a Director and the general executive and administrative officer of the Corporation, subject to the authority and policy guidance of the Board of Directors. He shall preside, when present, at all meetings of the members and of the Board of Directors. He shall have the authority to execute bonds, deeds and contracts in the name of the Corporation, following specific approval of the Board of Directors, and to affix the Corporate Seal thereto; and to exercise other functions usually appurtenant to the office of President of the Corporation

Section 4.4. **Vice President.** The Vice President shall be a Director and shall perform all such duties and services as shall be assigned to or required by him from time to time by the Board of Directors or the President, respectively, and unless authority be expressly limited, shall act in the place of the President, exercising all his powers and performing his duties, during his absence or disability.

Section 4.5. **Secretary.** The Secretary shall attend to giving of notice of all meetings of the members and of the Board of Directors and shall keep and attest true records of all proceedings thereat. He shall have charge of the Corporate Seal and have authority to attest any and all instruments or writings to which the same may be affixed. He shall keep an account of all books, documents, papers and records of the Corporation. He shall have authority to sign membership certificates, and shall generally perform all duties usually appertaining to the office of Secretary of the Corporation.

Section 4.6. **Treasurer.** The Treasurer shall have the care and custody of all monies, funds and securities of the Corporation, and shall deposit or cause to be deposited all funds of the Corporation in and with such depositories as the Board of Directors shall, from time to time, direct. He shall have the power to endorse for deposit or collection, or otherwise, all checks, drafts, notes, bills of exchange or other commercial paper payable to the Corporation, and to give proper receipts or discharges therefor. He shall keep all

books of account relating to the business of the Corporation, and shall render a statement of the Corporation's financial condition whenever required to do so by the Board of Directors or the President.

Section 4.7. Assistant Vice Presidents, Assistant Treasurers and Assistant Secretaries. Assistant Vice Presidents, Assistant Treasurers and Assistant Secretaries, in general, shall have such powers and shall perform such duties as shall be assigned by the Board of Directors.

Section 4.8. Additional Powers and Duties. In addition to the foregoing especially enumerated duties and powers, the several officers of the Corporation shall perform such duties and exercise such further powers as may be provided in the By-laws or as the Board of Directors may, from time to time, determine or as may be assigned to them by the competent superior officer.

Section 4.9. Term of Office. The officers of the Corporation elected at the first annual meeting of members of the Corporation shall hold office for one year or until their respective successors are elected.

Section 4.10. Removal of Officer. An officer of the Corporation shall not be removed from office except for cause. In order to remove an officer from office for cause, a special meeting of the Board of Directors must be called for that purpose and at such a meeting a majority of the Board of Directors of the Corporation must vote for such removal.

Section 4.11. Vacancies. If any vacancy occurs in any office, the Board of Directors shall elect a successor.

Section 4.12. Compensation. The Directors and Officers of the Corporation shall serve without compensation. This does not preclude remuneration for expenses incurred on the Association's behalf after Board of Directors' approval.

ARTICLE V

BOARD OF DIRECTORS

Section 5.1. Composition. The Board of Directors of the Corporation shall consist of nine members who shall be Full Voting Members of the Corporation, in good standing, and shall be elected by the members of the Corporation at the annual meeting of the membership.

Section 5.2. Term of Office. The term of office for Directors shall be for a three year period, commencing with their election at the Annual Meeting of the members. Those directors presently seated who were elected for longer terms will serve until their terms expire. Any Director elected to fill an unexpired term shall serve only until the next Annual Meeting of the Association at which time the remainder of the unexpired term shall be filled as provided for in Section 5.11.

Section 5.25. Re-Election. Any Director of the Association who has served a full three (3) year term in office shall not be eligible for re-election to the Board of Directors for one year.

Section 5.3. Powers. The powers of the Corporation shall be vested in and exercised by or under the authority of its Board of Directors to the full extent allowed by Law.

Section 5.35. **Borrowing Money.** The Board of Directors shall not have any authority to borrow money, in any amount in excess of \$100,000.00 per fiscal year, secured by Association property or on open account, without the approval of a majority of the membership present or represented by proxy at a duly called membership meeting. This limitation shall not apply to renewal, refinancing or extensions of existing loans.

Section 5.4. **Organization Meeting.** The Board of Directors shall meet as soon as practicable after each annual meeting of the members at the place where such meetings shall be held, for the purpose of organization and transaction of other business. No notice of such meeting shall be required. However, such organization meeting may be held at any other time or place within the State of Alabama that may be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or in a consent and waiver of notice thereof, signed by all of the Directors.

Section 5.5. **Stated Meetings.** The Board of Directors shall hold one scheduled meeting per month on the third Thursday of each month at 7:00 p.m. The Board of Directors may, by resolution adopted by vote of a majority of the whole board, from time to time, appoint the time and place of the holding of these meetings of the Board. Such stated meetings shall be held at the time and place so appointed without giving special notice with regard thereto. In case the day appointed for the stated meeting shall fall on a legal holiday such meeting shall be held on the next following day, not a legal holiday at the regular appointed hour.

Section 5.6. **Special Meetings.** Special meetings of the Board of Directors shall be held whenever called by the President, Vice President or by any two of the directors. Notice of such meeting shall be mailed to each director, addressed to him at his residence or usual place of business, not later than three days before the day on which the meeting is to be held, or shall be sent to him at any such place by telegraph, or be delivered personally, or by telephone, not later than the day before the day on which the meeting is to be held. Notice of any meeting of the Board need not be given, however, to any director, if waived by him in writing (including telegram, cablegram or radiogram); and any meeting of the Board of Directors shall be a legal meeting without any notice thereof having been given, if all members shall be present thereat. Any director may waive notice of any meeting of the Board of Directors before or after such meeting. Except as otherwise provided in the By-laws or as may be indicated in the notice thereof, any and all business may be transacted at any special meeting of the Board of Directors,

Section 5.7. **Quorum and Manner of Action** Except as herein otherwise provided, fifty percent (50%) or more of the whole Board of Directors, present in person, shall constitute a quorum for the transaction of business; and, except as otherwise required by statute, or by the By-laws, an act of a majority of the directors present at any such meeting at which a quorum is present shall be the act of the Board of Directors. In the absence of a quorum, a majority of the directors present may adjourn the meeting, from time to time, until a quorum is present. No notice of any adjourned meeting need be given.

Section 5.8. **Removal of Directors.** A director of the Corporation shall not be removed from office except for cause. In order to remove a director from office for cause, such

action must be taken by a majority vote at either the annual meeting of the membership or at a special meeting called for that purpose.

Section 5.9. **Vacancies.** If any vacancy occurs on the Board of Directors, it may be filled by a majority vote of the remaining directors. However, the individual so elected shall serve only until the next Annual Meeting of the Association. See Section 5.11.

Section 5.10. **Nomination of Directors.** The Board of Directors shall appoint a Nominating Committee consisting of a Chairman, who shall be a member of the Board, and two or more full voting members of the Association in good standing. Members shall serve for a period of one year. There shall be an interval of two years before a member of a previous Nominating Committee may be reappointed.

The Nominating Committee shall, through its Chairman, present to the Secretary of the Board of Directors, in writing, its selection of eligible nominees along with their qualifications for the Board of Directors, to fill vacancies occasioned by expiration of terms or resignation. The number of members so nominated shall be twice the number of Directors to be elected. The Board by majority vote may name additional nominees of its choice and endorse nominees otherwise selected.

Section 5.11. **Election of Directors.** When Directors are to be elected at the annual meeting of the Association, the Secretary shall have written ballots prepared. The ballots shall be prepared in such a fashion that the name of each candidate appears an equal number of times in each of the positions on the list. Thus, if there are six candidates, each candidate's name shall appear first on the list on one-sixth of the ballots, second on the list on one-sixth of the ballots and so on. Space shall be provided for write-in Directors to be elected and a ballot shall be furnished to each voting member with the notice of the annual meeting and shall be accompanied by a suitable mailer for return of absentee ballot, with casting member's signature clearly appearing on the ballot.

During the election of new Directors at an Annual Meeting, the three candidates being elected for full term, on the Board of Directors shall be those three receiving the largest number of votes.

Additionally, in the event that a new Director or Directors are to be elected to fill the remainder of an unexpired term(s), the individual candidate(s) receiving the next highest number of votes shall fill the unexpired term(s). Should one or more candidate tie for this (these) lesser term vacancy (vacancies) the winner(s) shall be determined by lot.

At the annual meeting, the existence of a quorum having been established, written ballots will be provided eligible voters present. The Secretary shall verify, in accordance with Section 3.9., the eligibility of each member before providing a ballot.

Section 5.12. **Executive Committee** In furtherance and not in limitation of the powers confirmed by statute, the Board of Directors may establish an Executive Committee of three or more Directors, constituted and appointed by the Board of Directors from their number, who shall meet when deemed necessary. They shall have authority to exercise all the powers of the Board which may be lawfully delegated and not inconsistent with the Articles of Incorporation, or these By-laws at any time and when the Board is not in session. The committee shall elect a Chairman and a majority of the whole committee shall constitute a quorum, and an act of a majority of members present in person at a

meeting at which a quorum is present, shall be the act of the committee, provided all members of the committee have had notice of such meeting or waived such notice.

The Secretary shall prepare and maintain minutes of meetings for submission to the Board of Directors.

ARTICLE VI

Miscellaneous

Section 6.1. Indemnification of Officers, Directors, Employees and Agents. (a) This corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action, suit or proceeding whether civil, criminal, administrative or investigative, including appeals (other than an action by or in the right of the Corporation) by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or joint venture against expense (including attorney's fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe that this conduct was unlawful.

(b) This Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed claim, action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was a director, officer, employee or agent of the Corporation, or is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or joint venture against expense (including attorney's fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect to any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Corporation unless and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all circumstances of the case, such person is fairly and reasonably entitled to indemnify for such expenses which such court shall deem proper.

(c) To the extent that a director, officer, employee or agent of a corporation has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in subsections (a) and (b) or in defense of any claim, issue or matter therein, this Corporation shall indemnify such person against expenses (including attorney's fees) actually and reasonably incurred by him in connection herewith, notwithstanding that he has not been successful on any other claim, issue or matter in any such action, suit or proceeding.

(d) Any indemnification under subsections (a) and (b) — unless ordered by a court — shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director, officer, employee or agent is proper in

the circumstances because he has met the applicable standard of conduct set forth in subsections (a) and (b).

Such determination shall be made by (1) the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to or who have been wholly successful on the merits or otherwise with respect to, such claim, action, suit or proceeding, or (2) if such a quorum is not obtainable, or even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (3) if not made in the instance provided for in (1) or (2) above, by the stockholders.

(e) Expenses (including attorney's fees) incurred in defending a civil or criminal claim, action, suit or proceeding when authorized in the manner provided in subsection (d) upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amounts if and to the extent that it shall ultimately be determined that he is not entitled to be indemnified by the Corporation as authorized in this section.

(f) The indemnification provided for herein shall not be deemed exclusive of and shall be in addition to any other rights (whether created prior or subsequent to the adoption of the Article of the By-laws) to which those indemnified may be entitled under any statute, rule of law, provision of Articles of Incorporation, By-laws, agreement, vote of stockholders or disinterested directors, or otherwise both as to action in his official capacity and as to action in another capacity while holding such office and shall continue as to a person who had ceased to be a director, officer, employee or agent and shall endure to the benefit of the heirs, executors and administrators of such person.

Section 6.2. Surety Bonds. Such officers or agents of the Corporation as the Board of Directors may direct, from time to time shall be bonded for the faithful performance of their duties, in such amounts and by such surety companies as the Board of Directors may determine. The premiums on such bonds shall be paid by the Corporation, and the bonds so furnished shall be in the custody of the President.

Section 6.3. Seal. The Corporate Seal shall be circular and in the form affixed hereto. Said Seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

Section 6.4. Membership Certificates. The Board of Directors may authorize the issuance of certificates to the members of the Corporation evidencing such membership.

Section 6.5. Signature of Negotiable Instruments. All bills, notes, checks or other instruments for the payment of money shall be signed or countersigned by such officers and in such manner as, from time to time, may be prescribed by resolution (whether general or special) of the Board of Directors.

Section 6.6. Amendments. A proposed amendment to the By-laws of the Corporation must be presented to the voters 30 days prior to a vote, then the By-laws of the Corporation may be altered, amended, or repealed, in any particular, and any new Bylaws, not inconsistent with any provision of the Certificate of Incorporation or any provision of law, may be adopted by the affirmation vote of a majority of the votes eligible to be voted at a meeting of the membership given at an annual meeting or at any special meeting of the membership

END OF BY-LAWS

