

DRAFT COPY of ARROWWOOD BY-LAWS

**** FOR BOARD & MEMBERSHIP CONSIDERATION ****

RESTATED (red) BYLAWS OF ARROWWOOD HILLS for 2008 Question

Whether or Not to Amend the Co-op's Bylaws and Agreement with HUDⁱ to provide for operation of Affordable Housing Foundation (AHF)?

PROPOSED AMENDEDⁱⁱ BY-LAWS OF ARROWWOOD HILLS COOPERATIVE, INC.

ARTICLE I. NAME & LOCATION OF CORPORATION

Sec. 10 Waiver of Notice

ARTICLE II. PURPOSE

Sec. 11 Quorum

Sec. 12 Fidelity Bonds

ARTICLE III. MEMBERSHIP

Sec. 1 Eligibility

Sec. 2 Application of Membership

Sec. 3 Members, Authorized Memberships and Occupancy
Agreements

Sec. 4 Membership Certificates

Sec. 5 Lost Certificates

Sec. 6 Lien

Sec. 7 Transfer of Membership

(a) Death of Member

(b) Option of Corporation to Purchase

(c) Procedure Where Corporation Does Not Exercise
Option

(d) Transfer Value

Sec. 8 Termination of Membership for Cause

Sec. 9 Sales Price

Sec. 10 Non-Speculation on Sales of Memberships

ARTICLE VI. OFFICERS

Sec. 1 Designation

Sec. 2 Election of Officers

Sec. 3 Removal of Officers

Sec. 4 President

Sec. 5 Vice-President

Sec. 6 Secretary

Sec. 7 Treasurer

ARTICLE IV. MEETINGS OF MEMBERS

Sec. 1 Place of Meetings

Sec. 2 Annual Meetings

Sec. 3 Special Meetings

Sec. 4 Notice of Meetings

Sec. 5 Quorum

Sec. 6 Adjourned Meetings

Sec. 7 Voting

Sec. 8 Proxies

Sec. 9 Order of Business

ARTICLE VII. AMENDMENTS

ARTICLE VIII. CORPORATE SEAL

ARTICLE IX. FISCAL MANAGEMENT

Sec. 1 Fiscal Year

Sec. 2 Books and Accounts

Sec. 3 Auditing

Sec. 4 Inspection of Books

Sec. 5 Execution of Corporate Documents

Sec. 6 Association with Other Cooperatives

ARTICLE V. DIRECTORS

Sec. 1 Number and Qualification

Sec. 2 Powers and Duties

Sec. 3 Election and Term of Office

Sec. 4 Vacancies

Sec. 5 Removal of Directors

Sec. 6 Compensation

Sec. 7 Organization Meeting

Sec. 8 Regular Meetings

Sec. 9 Special Meetings

ARTICLE X. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Sec. 1 Liability and Indemnification of Directors

Sec. 2 Indemnification

Sec. 3 Determination

Sec. 4 Inurement

ARTICLE XI. MISCELLANEOUS

Sec. 1 Gender

Sec. 2 Effective Date

ARTICLE I. NAME AND LOCATION OF CORPORATION

The name of this Corporation is ARROWWOOD HILLS COOPERATIVE, INC. Its principal office is located in the City of Ann Arbor, Washtenaw County, Michigan.

ARTICLE II. PURPOSE

The purpose of this Corporation is to provide its members with housing and community facilities, if any, on a nonprofit basis **consistent** with the provisions set forth in its Articles of Incorporation, and to develop a stable and heterogeneous community of low to moderate income families from a variety of occupational, age, racial and ethnic backgrounds.

ARTICLE III. MEMBERSHIP

Section 1. Eligibility. Any natural person **or qualified nonprofit corporation** approved by the Board of Directors shall be eligible for membership, provided that he or she executes an Occupancy Agreement in the usual form employed by the Corporation covering a specific unit in the Cooperative's **community**. The Board of Directors will establish procedures for achieving a membership whose composition is consistent with the purposes set forth in Article II. **In these bylaws, "qualified nonprofit corporation" means Arrowwood Hills Affordable Housing Foundation, Inc. or other nonprofit organization approved by the board of directors provided that it is organized and operated for the purpose of facilitating the acquisition and ownership of units in the cooperative by persons of low and moderate income. A qualified nonprofit corporation shall be subject to the limitation that it must transfer any membership it acquires to a natural person within twelve months of acquisition. *If non-transferred to a natural person within the required time period, the Corporation's shall be recognized as having a first option to purchase from the Foundation at the price paid for the membership by the Foundation.***

Section 2. Application for Membership. Application for membership shall be presented in person on a form prescribed by the Board of Directors, and all such applications shall be acted upon promptly by the Board of Directors. ***In applications for membership, the new member(s) shall agree to abide and to be bound by the terms of both the Occupancy Agreement, as executed separately, and the rules and regulations of the Cooperative as set forth in the Members Handbook (a copy of which is to be provided to each new member prior to move-in).***

Section 3. Members, Authorized Memberships, and Occupancy Agreements.

- (a) The members shall consist of **such persons** as have been approved for membership by the Board of Directors and who have paid for their membership and received membership certificates.

- (b) The authorized membership of the Corporation shall consist of 350 memberships, all of one class, with a par value of \$100.00 each.
- (c) The Corporation will offer Occupancy Agreements on the dwellings in the community, which Occupancy Agreements shall all be of one class.

Section 4. Membership Certificates. Each membership certificate shall state that the Corporation is organized under the laws of the State of Michigan, the name of the registered holder of the membership represented thereby, the Corporation lien rights as against such membership as set forth in this Article, and the preferences and restrictions applicable thereto, and shall be in such form as shall be approved by the Board of Directors. Membership certificates shall be consecutively numbered, bound in one or more books, and shall be issued therefrom upon certification as to full payment. Every membership certificate shall be signed by the President or Vice President, and the Secretary or Assistant Secretary, and shall be sealed with the corporate seal.

Section 5. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the Corporation and alleged to have been destroyed or lost, upon the making of an affidavit of that fact by the person claiming the certificate to be lost or destroyed. When authorizing such issuance of a new certificate or certificates, the Board of Directors may, in its discretion, and as a condition precedent to the issuance thereof, require the registered owner of such lost or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as the Board of Directors shall require and to give the Corporation a bond in such sum as the Board of Directors may require as indemnity against any claim that may be made against the Corporation.

Section 6. Lien. The Corporation shall have a lien on the outstanding regular memberships in order to secure payment of any sums which shall be due or become due from the holders thereof for any reason whatsoever, including any sums due under any occupancy agreements.

Section 7. Transfer of Membership. Except as provided herein, membership shall not be transferable and, in any event, no transfer of membership shall be made upon the books of the Corporation within ten (10) days next preceding the annual meeting of the members.

- (a) Death of Member. If, upon death of a member, his membership in the Corporation passes by will, intestate distribution **or trust** to a member of his immediate family, such legatee **or beneficiary** may, if qualified **and approved** for membership, assume in writing the terms of the Occupancy Agreement within sixty (60) days after member's death, and paying all amounts due thereunder, become a member of the Corporation. If a member dies and an obligation is not assumed in accordance with the foregoing, then the Corporation shall have an option to purchase the membership from the deceased member's **trust or** estate in the manner provided in paragraph (b) of this Section, notice of the death being equivalent to notice of intention to withdraw. If the Corporation does not exercise such option, the provisions of paragraph (c) of this Section shall be applicable, the references to "member" therein to be construed as references to the legal representative **or trustee** of the deceased member.
- (b) Option of Corporation to Purchase. If the member desires to leave the **community**,

he shall notify the Corporation in writing of such intention and the Corporation shall have an option for a period of thirty (30) days thereafter, but not the obligation, to purchase the membership, together with all of the member's rights with respect to the dwelling unit, at an amount to be determined by the Corporation as representing the transfer value thereof, less any amounts due by the member to the Corporation under the Occupancy Agreement, and less the cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishing, and such repairs and replacements as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for another occupant. The purchase by the Corporation of the membership will immediately terminate the member's rights and the member shall forthwith vacate the premises.

- (c) Procedure Where Corporation Does Not Exercise Option. If the Corporation waives in writing its right to purchase the membership under the foregoing option, or if the Corporation fails to exercise such option within the thirty (30) day period, the member may sell his membership to any person who has been duly approved by the Corporation as a member and occupant. If the Corporation agrees, at the request of the member, to assist the member in finding a purchaser, the Corporation shall be entitled to charge the member a fee it deems reasonable for this service. When the transferee has been approved for membership and has executed the prescribed Occupancy Agreement, the retiring member shall be released of his obligations under his Occupancy Agreement, provided he has paid all amounts due the Corporation to date.
- (d) Transfer Value. Whenever the Board of Directors elects to purchase a membership, the term "Transfer Value" shall mean the sum of the following:
- (1) The consideration (i.e. Subscription Price) paid for the membership by the first occupant of the unit involved as shown on the books of the Corporation; plus
 - (2) The value, as determined by the Directors, of any improvements installed at the expense of the member with the prior approval of the Directors, under a valuation formula which does not provide for reimbursement in an amount in excess of the typical initial cost of the improvements; plus
 - (3) The amount computed in accordance with the following table of increases applicable to the membership and to the Occupancy Agreement appurtenant to such membership. Such increase is shown for each full year commencing after the Corporation has made its first principal payment on the applicable mortgage as follows:

Membership and Designation of Occupancy Agreement and Unit	Increase Per Year from the 1 st Through 3 rd Year	Increase Per Year from the 4 th Through 20 th Year	Increase Per Year from the 21 st Year until changed
A	NONE	\$145	\$215
B	NONE	175	260
C	NONE	195	290
D	NONE	215	320

Section 8. Termination of Membership for Cause. In the event the Corporation has terminated the rights of a member under the Occupancy Agreement, the member shall be required to deliver promptly to the Corporation his membership certificate and his Occupancy Agreement, both endorsed in such manner as may be required by the Corporation. The Corporation shall thereupon, at its election, either (1) repurchase said membership at its Transfer Value (as hereinabove defined) or the amount the retiring member originally paid for the acquisition of his membership certificate, whichever is the lesser, or (2) proceed with reasonable diligence to effect a sale of the membership to a purchaser, and at a sales price acceptable to the Corporation. The retiring member shall be entitled to receive the amount so determined, less the following amounts (the determination of such amounts by the Corporation to be conclusive):

- (a) any amounts due to the Corporation from the member under the Occupancy Agreement;
- (b) the cost or estimated cost of all deferred maintenance, including painting, redecorating, floor finishing, and such repairs and replacement as are deemed necessary by the Corporation to place the dwelling unit in suitable condition for another occupant; and
- (c) legal and other expenses incurred by the Corporation in connection with the default of such member and the resale of his membership. In the event the retiring member, for any reason, should fail, for a period of ten (10) days after demand, to deliver to the Corporation his endorsed membership certificate, said membership certificate shall forthwith be deemed to be cancelled and may be reissued by the Corporation to a new purchaser.

Section 9. Sales Price. Memberships may be sold by the Corporation or the member only to a person approved by the Board of Directors and the sales price shall not exceed the Transfer Value as provided in this Article, except that in sales effected by the Corporation, a service charge shall be charged to all withdrawing members computed on a basis which is calculated to reimburse the Cooperative for its costs in handling resales.

Section 10. Non-Speculation and Owner Occupancy. The Corporation shall observe the basic cooperative principle that purchase and sales of memberships and Occupancy Agreements are not for speculative purposes and that investments in the Corporation by members shall be for the purpose of securing a home for personal use and benefit. To this end, the policies established by the Corporation shall require owner occupancy and be designed not to encourage speculation in the selling and reselling of memberships.

ARTICLE IV. MEETINGS OF MEMBERS

Section 1. Place of Meetings. Meetings of the membership shall be held at the principal office or place of business of the Corporation or such other suitable place convenient to the membership as may be designated by the Board of Directors.

Section 2. Annual Meetings. The annual meeting of the Corporation shall be held on the first Saturday of May of each year, or such other date as may be decided by the Board of Directors within 30-days of this first Saturday in May. At such meeting, there shall be elected by ballot of the members, a Board of Directors in accordance with the requirements of Section 3 of Article V of these By-laws. The

members may also transact such other business of the Corporation as may properly come before them.

Section 3. Special Meetings. 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 twenty (20%) percent of the members having been presented to the Secretary. The notice of any special meeting shall state the time and place of such meeting and the purpose thereof. No business shall be transacted at a special meeting except as stated in the notice unless by consent of four-fifths of the members present, either in person or by proxy.

Section 4. Notice of Meetings. It shall be the duty of the Secretary to mail **or direct the mailing of** 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, to each member of record at his address as it appears on the membership book of the Corporation, or if no such address appears, at his last known place of address, at least ten (10) but not more than sixty (60) days prior to such meeting. Service may also be accomplished by the delivery of any such notice to the member at his dwelling unit or last known address. Notice by either such method shall be considered as notice served.

Section 5. Quorum. The presence, either in person or by proxy, of at least twenty-five (25) percent of the members of record of the Corporation shall be requisite for, and shall constitute a quorum for the transaction of business at all meetings of members. If the number of members at a meeting drops below the quorum and the question of a lack of quorum is raised, no business may thereafter be transacted.

Section 6. Adjourned Meetings. If any meeting of members cannot be organized because a quorum has not attended, or a meeting has been ended because the number of members at said meeting has dropped below the quorum, the members who are present, either in person or by proxy, may, except as otherwise provided by law, adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called, at which subsequent meeting the quorum requirement shall be fifteen (15%) percent.

Section 7. Voting. At every meeting of the members, each member **or qualified nonprofit organization** present, either in person, by proxy **or by pre-distributed official member's ballot**, shall have the right to cast one vote on each question and never more than one vote. The vote of the majority of those present, in person, by proxy **or by official member's ballot**, shall decide any question brought before such **duly-noticed** meeting, unless the question is one upon which, by express provision of statute or of the Articles of Incorporation or of these By-Laws, a different vote is required, in which case such express provision shall govern and control. No member shall be eligible to vote or to be elected to the Board of Directors who is shown on the books or management accounts of the Corporation to be more than thirty (30) days delinquent in payments due the Corporation under his Occupancy Agreement.

Section 8. Proxies. A member may appoint as his proxy only a member of his immediate family (as defined by the Board of Directors) **or another member**. In no case may a member cast more than one vote by proxy in addition to his own vote. Any proxy must be filed with the Secretary before the appointed time of each meeting. **A qualified nonprofit organization may be represented by any officer, employee or attorney of such organization. In any case involving use of an official member's ballot to decide duly-noticed question(s) brought before the membership, provision shall be made to ensure that only the qualified and eligible member casts the official member's ballot.**

Section 9. Order of Business. The order of business at all regularly scheduled meetings of the regular members shall be as follows:

- (a) Roll call.
- (b) Proof of notice of meeting or waiver of notice.
- (c) Reading of minutes of preceding meeting.
- (d) Reports of officers.
- (e) Reports of committees.
- (f) Report of manager or managing agent.
- (g) Election of inspectors of election.
- (h) Election of directors.
- (i) Unfinished business.
- (j) New business.

In the case of special meetings, items (a) through (d) shall be applicable and thereafter the agenda shall consist of the items specified in the notice of meeting.

If present **and requesting an opportunity to speak**, a representative of the **agency with a regulatory relationship to the Corporation** will be given an opportunity to address any regular or special meeting.

ARTICLE V. DIRECTORS

Section 1. Number and Qualification. The affairs of the Corporation shall be governed by a Board of Directors composed of five (5) persons, a majority of whom shall be members of the Corporation.

Section 2. Powers and Duties. The Board of Directors shall have the powers and duties necessary for the administration of the affairs of the Corporation and may do all such acts and things as are not by law or by these By-Laws directed to be exercised and done by the members. The powers of the Board of Directors shall include, but not be limited **to the following**:

- (a) Accept or reject all applications for membership and admission to occupancy of a dwelling unit in the Cooperative community, either directly or through an authorized representative; and
- (b) Establish monthly carrying charges as provided for in the Occupancy Agreement, based on an operating budget formally adopted by such Board; and
- (c) Engage an agent or employee(s) for the management of the project under such terms as the Board may determine; and
- (d) Authorize, in their discretion, patronage refunds from residual receipts when and as reflected in the annual report; and
- (e) Terminate membership and occupancy rights for cause; and

- (f) Promulgate such rules and regulations pertaining to use and occupancy of the premises as may be deemed proper and which are consistent with these By-Laws, the Articles of Incorporation and any other agreement lawfully entered into by the Corporation.
- (g) Prescribe additional monthly carrying charges to be paid by eligible members and/or households whose incomes exceed the limitations for continuing occupancy; or, at the Board's option terminate the membership and occupancy of such members.

Section 3. Election and Term of Office. Each Director shall be elected to serve a term of three (3) years with terms of directors staggered to ensure that no more than two (2) directors are elected in any given year. Directors shall hold office until their successors have been elected and hold their first meeting.

Section 4. Vacancies. Vacancies in the Board of Directors caused by any reason other than the removal of a Director by a vote of the membership, shall be filled by vote of the majority of the remaining Directors, even though they may constitute less than a quorum; and each person so elected shall be a Director until the expiration of the term of the departing member.

Section 5. Removal of Directors. At any regular or special meeting duly called, any director elected by the members may be removed with or without cause by the affirmative vote of the majority of the entire regular membership of record 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. The term of any director who becomes more than thirty (30) days delinquent in payment of his carrying charges shall be automatically terminated and the remaining directors shall appoint his successor as provided in Section 4, above.

Section 6. Compensation. No compensation shall be paid to directors for their services as Directors. No remuneration shall be paid to a director for services performed by him for the Corporation in any other capacity unless a resolution authorizing such remuneration shall be unanimously adopted by the Board of Directors before the services are undertaken. A director may not be an employee of the Corporation.

Section 7. Organization Meeting. The first meeting of a newly elected Board of Directors shall be held within ten (10) days of election at such place as shall be fixed by the directors at the meeting at which such directors were elected, and no notice shall be necessary to the newly elected directors in order legally to constitute such meeting, providing a majority of the whole Board shall be present.

Section 8. Regular Meetings. Regular meetings of the Board of Directors may be held at such time and place as shall be determined, from time to time, by a majority of the Directors, but at least four (4) 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 or by mail, telephone or telegraph, at least three (3) days prior to the day named for such meeting.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) days notice to each director, given personally or by mail, telephone or telegraph, which notice shall state the time, place (as hereinabove provided) 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 at least three (3) directors.

Section 10. Waiver of Notice. 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 meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting. Where all the directors unanimously approve and sign a corporate resolution or authorization (which is to be included in the minute book), this shall be recognized as proper corporate action taken at a duly authorized meeting, without proceeding under the provisions hereof that would otherwise be applicable for calling and holding meetings of directors.

Section 11. Quorum. 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.

Section 12. Fidelity Bonds. The Board of Directors shall require that all Officers and employees of the Corporation handling or responsible for corporate or trust funds, shall furnish adequate fidelity bonds. The premiums on such bonds shall be paid by the Corporation.

ARTICLE VI. OFFICERS

Section 1. Designation. The principal officers of the Corporation shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer, all of whom shall be elected by and from the Board of Directors. The directors may appoint Assistant Treasurers and Assistant Secretaries, and such other Officers as in their judgment may be necessary.

Section 2. Election of Officers. The Officers of the Corporation shall be elected annually by the Board of Directors at the organization meeting of each new Board and shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of a majority of the members of the Board of Directors, any officer may be removed, either with or without cause, and his successor elected at any regular meeting of the Board of Directors, or at any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Corporation. He shall preside at all meetings of the members and of the Board of Directors. He shall have all of the general powers and duties which are usually vested in the office of President of a corporation including, but not limited to, the power to appoint committees from among the membership from time to time as he may, in his discretion, decide if appropriate to assist in the conduct of the affairs of the Corporation.

Section 5. Vice President. The Vice President shall take the place of the President and perform his 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 to so do on

an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board of Directors.

Section 6. Secretary. 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 Corporation; he shall have the custody of the seal of the Corporation; he shall have charge of the membership transfer books and such other books and papers as the Board of Directors may direct; and he shall, in general, perform all the duties incident to the office of Secretary.

Section 7. Treasurer. The Treasurer shall have the responsibility for corporate funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Corporation. He shall be responsible for the deposit of all moneys and other valuable effects in the name, and to the credit, of the Corporation in such depositories as may from time to time be designated by the Board of Directors.

ARTICLE VII. AMENDMENTS

These By-Laws may be amended by the affirmative vote of the majority of the entire regular membership of record at any regular or special meeting, provided that until such time as the terms of any Use Agreement entered into between the Corporation and the Federal Housing Administration or Department of Housing & Urban Development (HUD) has expired no amendment shall become effective unless and until it has received the written approval of the Administration. Amendments may be proposed by the Board of Directors or by petition signed by at least twenty (20%) percent of the members. A description of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment shall be voted upon.

ARTICLE VIII. CORPORATE SEAL

The Board of Directors shall provide a suitable corporate seal containing the name of the Corporation, which seal shall be in charge of the Secretary. If so directed by the Board of Directors, a duplicate of the seal may be kept and used by the Treasurer or any Assistant Secretary or Assistant Treasurer.

ARTICLE IX. FISCAL MANAGEMENT

Section 1. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January of each year. The commencement date of the fiscal year herein established shall be subject to change by the Board of Directors should corporate practice subsequently dictate, but not without the prior written approval of the Administration.

Section 2. Books and Accounts. Books and accounts of the Corporation shall be kept under the direction of the Treasurer and in accordance with the general accepted accounting principles.

Section 3. Auditing. At the closing of each fiscal year, the books and records of the Corporation shall be audited by a Certified Public Accountant or other person acceptable to the Board of Directors, whose report will be prepared and certified in accordance with generally accepted accounting principles. Based on such reports, the Corporation will furnish to its members, who make a request, with an annual financial statement including the income and disbursements of the Corporation. The Corporation will

also supply the members, as soon as practicable after the end of each calendar year, with a statement showing each member's **assessed or** pro-rata share of the real estate taxes and **any** mortgage interest paid by the Corporation during the preceding calendar year.

Section 4. Inspection of Books. Financial reports and the membership records of the Corporation shall be available at the principal office of the Corporation for inspection at reasonable times by any member.

Section 5. Execution of Corporate Documents. With the prior authorization of the Board of Directors, all notes and contracts, including Occupancy Agreements, shall be executed on behalf of the Corporation by an **authorized and bonded officer or agent** of the Corporation.

Section 6. Association with Other Cooperatives. The Corporation may become a member of an association of cooperatives **or community associations** who join together for purposes of mutual aid and of advancing the cooperative movement as a means of providing housing for consumers.

ARTICLE X. INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Liability and Indemnification of Directors. No member of the Board of Directors of the Corporation who is a volunteer Director, as that term is defined in the Michigan Nonprofit Corporation Act (the "Act"), and no volunteer Officer shall be personally liable to this Corporation or its members for monetary damages for a breach of the Director's or Officer's fiduciary duty; provided, however, that this provision shall not eliminate or limit the liability of a Director or Officer for any of the following:

- (a) A breach of the Director's or Officer's duty of loyalty to the Corporation or its members;
- (b) Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- (c) A violation of Section 551(1) of the Act;
- (d) A transaction from which the Director or Officer derived an improper personal benefit; or
- (e) An act or omission that is grossly negligent.

The Corporation assumes all liability to any person, other than the Corporation or its members, for all acts or omissions of a Director who is a volunteer Director, as defined in the Act, incurred in the good faith performance of the Director's duties. If the Act is amended after the filing of these By-Laws to authorize the further elimination or limitation of the liability of Directors or Officers of nonprofit corporations, then the liability of members of the Board of Directors or Officers, in addition to that described in this Article, shall be assumed by the Corporation or eliminated or limited to the fullest extent permitted by the Act as so amended. No amendment or repeal of this Article shall apply to have any effect on the liability or alleged liability of any member of the Board of Directors of this Corporation or volunteer Officer for or with respect to any acts or omissions occurring before the effective date of any

such amendment or repeal.

The Corporation assumes the liability for all acts or omissions of a non-director volunteer if all of the following are met:

- (a) The volunteer was acting or reasonably believed he or she was acting within the scope of his or her authority;
- (b) The volunteer was acting in good faith;
- (c) The volunteer's conduct did not amount to gross negligence or willful and wanton misconduct;
- (d) The volunteer's conduct was not an intentional tort; or
- (e) The volunteer's conduct was not a tort arising out of the ownership, maintenance, or use of a motor vehicle for which tort liability may be imposed provided in Section 3135 of the Insurance Code of 1956, Act No. 218 of the Public Acts of 1956, being Section 500.3135 of the Michigan Compiled Laws.

A claim for monetary damages for a non-director volunteer's acts or omissions shall not be brought or maintained against a non-director volunteer. The claim shall be brought and maintained against the Corporation.

If the Act is amended after the filing of these By-Laws to authorize the further elimination or limitation of the liability of volunteers of nonprofit corporations, then the liability of volunteers, in addition to that described in this Article, shall be assumed by the Corporation or eliminated or limited to the fullest extent permitted by the Act as so amended. No amendment or repeal of this Article shall apply or have any effect on the liability or alleged liability of any volunteer of this Corporation for or with respect to any acts or omissions occurring before the effective date of any such amendment or repeal.

Section 2. Indemnification. The Corporation shall indemnify a person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative, or investigative and whether formal or informal, other than an action by or in the right of the Corporation, by reason of the fact that the person is or was a Director, Officer, employee, non-director volunteer, or agent of the Corporation, or is or was serving the request of the Corporation as a Director, Officer, partner, trustee, employee, non-director volunteer, or agent of another foreign or domestic corporation, business corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not for profit, against expenses including attorney fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by the person in connection with the action, suit, or proceeding if the person acted in good faith and in a manner the person reasonably believed to be in or not opposed to the best interest of the Corporation or its members, and with respect to any criminal action or proceeding, if the person had no reasonable cause to believe that his conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere, or its equivalent, shall not of itself create a presumption that the person did not act in good faith and in a manner which the person reasonably believed to be in or not opposed to the best interest of the Corporation or its Members and, with respect to any criminal action or proceeding, had reasonable cause to believe that the conduct was unlawful.

Section 3. Determination. The foregoing indemnification shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the Director, Officer,

employee, non-director volunteer, or agent is proper in the circumstances because the person met the applicable standard of conduct set forth above. This determination shall be made in any of the following ways: (a) by a majority vote of a quorum of the Board consisting of Directors who were not parties to the action, suit or proceeding; (b) if the quorum described in subparagraph (a) is not obtainable, then by a majority vote of a committee of Directors who were not parties of the action, suit or proceeding; or (c) by independent legal counsel in a written opinion.

Section 4. Inurement. The indemnification provided for in this section continues as to a person who ceases to be a Director, Officer, employee, non-director volunteer, or agent and shall inure to the benefit of the heirs, executors, and administrators of the person to be indemnified.

ARTICLE XI. MISCELLANEOUS

Section 1. Gender. As used in these By-Laws, any reference to the masculine form shall apply equally to the female gender.

Section 2. Effective Date. These amended By-Laws are effective _____, 2008.

(End of Bylaws)

AMENDMENT TO ARTICLES OF INCORPORATION of ARROWWOOD HILLS COOPERATIVE, INC.

THE FOLLOWING ARTICLE IS PROPOSED FOR ADDITION TO THE END OF THE CO-OP'S ARTICLES OF INCORPORATION.

ARTICLE XIII

Any action required or permitted by this act to be taken at an annual or special meeting of members may be taken by use of a secret ballot procedure that uses similar notice provisions as those required for meetings of members and ensures that those who cast ballots do so only as eligible and qualified members of the Corporation. The count and official record of any such ballot question(s) shall be administered by the Secretary with the involvement of impartial and disinterested election or poll volunteers selected by open and public process at the time such votes are to be tabulated and recorded.

ⁱ The Co-op's "Regulatory Agreement" with HUD is proposed for replacement by a "Use Agreement" with HUD, the latter being similar but without mortgagee control or control of the proposed Affordable Housing Foundation.

ⁱⁱ It is proposed that this Amended version of the Bylaws of Arrowwood Hills Cooperative, Inc be considered by the membership in 2008 to make possible the formal operation of "Arrowwood Hills Affordable Housing Foundation" intended to assist in providing for some percentage of permanently affordable memberships within the total number of memberships at the Co-op. A single amendment is also proposed, as above, to the Articles of Incorporation.

DRAFT