

BY-LAWS
OF
THE LAKE SUMMERSET ASSOCIATION, INC.

ARTICLE I
Definitions

The purpose of these By-Laws is to guide the conduct of the Association Board, Officers and members.

All real estate in the Lake Summerset Development is subject to and restricted by the Declaration of Restrictions recorded in Stephenson and Winnebago counties of Illinois. In these By-Laws, that Declaration is called either “the Restrictions” or “the Bluebook.” Note: For convenience, the text of the Restrictions is printed and published in a blue-covered booklet called “the Bluebook.”

The terms and meanings set out in the “Acronyms and Definitions” section of the Restrictions are incorporated by reference and are used in these By-Laws with the same meanings. The reader is advised to become familiar with those acronyms and definitions, including particularly the definition of “Owner” and the defined types of LSA members.

The Board has promulgated, and from time to time amends, the Rules and Regulations regarding conduct and use of the amenities. These are published and distributed to members in a red-covered booklet called “the Redbook.” The Rules and Regulations are herein called either simply “the Regulations” or “the Redbook.”

ARTICLE II
Association Membership

Section 1. Classes of Members. As provided and defined in the Restrictions, the classes of members are Principal Members, Associate Members, and Tenant Members. The Board may designate sub-classes within the classes of Associate Members and Tenant Members. [See Section 9A iv of the Restrictions]. The term “member” used herein is generic to persons in any class or sub-class.

As provided in the Restrictions, with reference to each lot, the Owner will designate a Principal Member who may cast a vote in the affairs of the Association, which involve membership voting (there being one vote per lot). All members have a license to use the amenities, subject to the Restrictions, these By-Laws and the Redbook. [See Sections 8 and 9B ii of the Restrictions].

ARTICLE III
Evidence of Membership and Transfer

Section 1. Membership Certificates. The Board may authorize the issuance of identifying cards, certificates, or other forms, to persons who are members in good standing. This identification shall include, at a minimum, the member's name, class of membership and lot number from which his membership is derived, as well as the expiration date of the identification. The Association shall maintain records pertaining to all members, including the information needed to make such identification documents.

Section 2. Transfer. Before any Entity (e.g., person, corporation, partnership, trust) can acquire legal ownership of a given lot, that Entity must first submit a written application for ownership to the Association and receive the latter's approval. [See Sections 9A i) and ii) of Restrictions]. The forms for such application shall be available from the Association office.

All members shall cease automatically to be members of the Association upon the transfer by the designating Owner of the specific lot from which their member status resulted. [See Section 9A iv) of the Restrictions.] However, that Owner and the designated Principal Member shall remain liable for all Association charges incurred prior to the giving of written notice to the Association that the Owner no longer owns that lot.

ARTICLE IV
Meetings of Members

Section 1. Place of Meetings. Any meeting of the Principal Members of the Association shall be held at a location within the Development as specified in the notice of such meeting.

Section 2. The Annual Meeting. The Annual Meeting shall be held on the second Sunday in December of each year.

Section 3. Special Meetings of the Association. The Board may call special meetings at any time in the manner provided herein. A special meeting may also be called in a notice issued by the Secretary of the Association (hereinafter referred to as "the Secretary") pursuant to a written petition signed and submitted by thirty percent (30%) of the Principal Members. Such petition shall set forth the purpose of the special meeting, and no business shall be conducted except that stated in the notice of said meeting.

Section 4. Notice of Meetings of the Association. Written notice of any meeting of the Association (i.e., the Principal Members) shall be set out in a Newsletter or the like published under the auspices of The Association and mailed to all Principal Members not less than thirty (30) days nor more than fifty (50) days before that meeting.

- The notice shall specify the place, date and time of such meeting.
- In the case of a special meeting (i.e. other than the Annual Meeting), the purposes of the meeting and matters to be considered shall be specified in the notice.

- The publication and mailing of the notice shall be under the supervision of the Secretary.

Section 5. Quorum. A quorum at either a special meeting or the Annual Meeting shall be ten percent (10%) of the Principal Members. A majority of the votes entitled to be cast at any meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by the Principal Members, unless a greater proportion is required by law.

ARTICLE V The Directors

Section 1. Powers. The Board shall:

(a) Manage and control the affairs of the Association. The Board by its motions and resolutions, but not as individual Directors, may give authorizations to the President, the other officers, and the General Manager. Only the President is authorized to supervise and give directions to the General Manager. Only the General Manager is authorized to supervise and direct other employees of the Association and to delegate supervisory authority to other employees on his staff.

In the event that the President is not available, his duties shall be fulfilled by the following succession of authority:

- First Vice President
- Second Vice President
- Treasurer
- Longest serving Director currently seated on the Board.

(b) Adopt a corporate seal as the seal of the Association.

(c) Designate a banking institution or institutions as depository for the Association's funds; designate the officer or officers and agents authorized to make withdrawals; make and manage investments of such funds; and execute obligations on behalf of the Association.

(d) Perform other acts as authorized in the Restrictions, these By-Laws, or by law, including the borrowing of money for Association purposes. A resolution by the Board that the interests of the Association require the borrowing of money is sufficient evidence for any entity that the borrowing is for a proper corporate purpose. The Board may, if it determines that the same shall be reasonably necessary, assign, pledge, mortgage or encumber any Association property as security for such borrowing, and it may pledge or assign future revenues of the Association as security therefore. Any such pledge or assignment of future revenues must be approved by a vote of at least 2/3 of the entire Board.

(e) Adopt and amend such Regulations relating to the use of Association property, and sanctions for noncompliance therewith, as the Board deems reasonably necessary or appropriate for the best interests of the Association and its members. The Regulations may be applicable to:

- (i) improvements and maintenance, and the conduct of certain activities, on any lot, but such Regulations shall uniformly apply to all lots;
- (ii) the use and enjoyment of Association property; and

- (iii) sanctions (including monetary fines) for non-compliance with any of the Regulations.

The Board may also establish and levy reasonable fees for the issuance of building permits or the use of Association property. The Board shall also authorize employment of a sufficient number of persons to adequately perform the operational functions of the Association, including the procurement and maintenance of Association property. Further, the Board may adopt reasonable rules of order for the conduct of the meetings of the Principal Members, and with reference thereto, the ruling of the chairman of the meeting shall be final on procedural questions upon which no rules have been adopted.

(f) Prior to each Annual Meeting, adopt an annual budget (operating and capital improvements) to be presented for approval by the Principal Members at such Annual Meeting. Upon approval, the Board shall, taking into consideration other sources of income that the Association may have, levy the annual assessment, sometimes referred to as “dues,” for each lot for the following year. The budget shall be adopted only after the Principal Members shall have had an opportunity to review the same and to comment thereon, either at hearings held thereon or through such other means as the Board may direct. In the event the Association membership should fail in any given year to approve a proposed budget for the next year, then the next year’s annual budget will be the annual budget for the given year together with an increase measured by, but not to exceed, the increase in the latest “Consumer Price Index for all Urban Consumers (CPI-U)” published by the Bureau of Labor Statistics,

Upon the adoption and approval of the operating budget, the Board shall be bound by the same and shall not authorize expenditures which may exceed the total amount budgeted, as aforesaid, by more than fifteen percent (15%) without having called a special meeting to approve such variations.

(g) By resolution, appoint committees of the Association. Such committees may be temporary or permanent and shall have such powers and responsibilities as the Board may direct.

(h) All committee rules, regulations or procedures imposed on the general membership must be approved by the Board.

Section 2. Number of Directors. The number of Directors shall be seven (7). Directors shall be Principal Members of the Association [See definition of Principal Member in the Blue Book].

Section 3. Term. A Director shall serve for a term of three years from the time of the Board Meeting following the Annual Meeting at which his election is certified, or until his death, disability, or resignation. In a given year when the terms of two Directors will expire, an election for two Directors will be held to fill the vacant positions. In a given year when the terms of three Directors will expire, an election for three Directors will be held to fill the vacant positions.

Section 4. Election of Directors.

(a) Election of Directors shall be by one printed ballot for each lot, as is hereinafter provided. The Principal Member of each lot shall be entitled to as many votes as the number of Directors to be elected, but with no more than one vote per candidate. Cumulative voting is not permitted. The two (2) or three (3) (as may be the case) persons receiving the largest number of votes in any election shall be elected. There shall be no term limits, either consecutive or otherwise, for Directors.

(b) (i) On any Association office business day in the time span of June first (1st) through June fifteenth (15th), any Principal Member in good standing or his representative may file by personal delivery to the Secretary at the Association office during regular office hours a statement of his candidacy for election as a Director for the term beginning at the Board Meeting immediately following the Annual Meeting, together with endorsements of his candidacy signed by fifty (50) Principal Members in good standing.

(ii). The Secretary of the Association shall cause notice of each candidacy and a brief biographical statement of each candidate to be included in the notice of such Annual Meeting.

(iii) Placement of the candidate's name on the ballot will be based on the order of a candidate filing his statement of candidacy and endorsements with the Secretary.

(iv) When one representative files the statements of candidacy and endorsements for multiple candidates, that representative shall designate the order those candidates' names will appear on the ballot.

(c) All elections to the Board shall be made on printed ballots, which shall:

(i) Set forth the names of those persons who have become candidates for the office of Director in the order in which they have filed their statements and endorsements of candidacy with the Secretary.

(ii) Such ballots shall be prepared and mailed by the Secretary no later than October 31 of each year, one ballot for each lot being mailed to the Principal Member for that lot. The ballots shall be mailed with the mailing of the notice of the Association.

(d) To be valid and counted, completed ballots must be returned no later than the last Saturday of November as follows:

- Each ballot shall be placed in a sealed envelope marked "Ballot" but not marked in any other way.
- Each such "Ballot" envelope shall contain only one (1) ballot, and each voting member shall be advised that because of the verification procedures hereinafter set forth, the inclusion of more than one (1) ballot in any one "Ballot" envelope shall disqualify the return.
- Such "Ballot" envelopes shall be placed in another sealed envelope which shall bear on its face the name and signature of the Principal Member, his lot number, and such other information as the Board may determine will serve to establish his right to cast the vote or votes presented in the ballot contained therein.
- The ballots shall be returned to the Secretary at such address as the Board may from time to time determine.

(e) Upon receipt of each return, the Secretary shall immediately place it in a safe or other locked place until the day fixed by the Board for the counting of such ballots. On that day, the external envelopes containing the "Ballot" envelopes shall be turned over, unopened, to an Election Committee consisting of the Secretary and the then existing Board of Directors or their appointees. The Election Committee shall then follow a procedure, which shall establish:

- (i) That the signature of the Principal Member on the outside of the envelope is genuine; and,
- (ii) That such Principal Member is a member in good standing.

(f) Such procedure shall be executed so that the vote of any Principal Member shall not be disclosed to anyone, including the Election Committee.

(g) The outside envelopes shall thereupon be placed in a safe or other locked place, and the Election Committee shall proceed to the opening of the "Ballot" envelopes and the counting of the votes. If any "Ballot" envelopes are found to contain more than one (1) ballot, all ballots contained in such envelope shall be disqualified. The Election Committee shall certify the results of the count at the Annual Meeting, and the terms of office of the Directors so elected shall commence at the beginning of the first Board meeting after that Annual Meeting.

(h) All outside envelopes, ballots and statements of candidacy shall be retained by the Secretary for a period of one (1) year following that Annual Meeting.

Section 5. Proxies. Except in connection with the election of Directors, every Principal Member may vote or execute consents either in person or by an agent or agents appointed by a written proxy executed by such Member and filed with the Secretary; provided that no such proxy shall be valid after the expiration of eleven (11) months from the date of its execution unless the Member specifies therein the length of time for which such proxy is to continue in force which in no event shall exceed three (3) years from the date of its execution.

Section 6. Meetings of the Board of Directors.

(a) The Board shall meet at least quarterly. After adoption of a resolution setting forth the times of regular meetings, no notice of such meetings shall be required, nor can such meetings be waived. The next Board meeting will be on the Monday after the Annual Meeting.

(b) Special meetings of the Board may be called by the President or by a majority of the Board and shall be held at a time and place as the call or notice of the meeting shall designate. Notice of a special meeting may be given in writing or orally at least twenty-four (24) hours prior to the date of said special meeting, or notice thereof may be waived by any Director in writing.

(c) The minutes of all Board meetings, with the exception of Executive Sessions, will be published.

Section 7. Action Without Meeting. Unless prohibited by law, any action which may be taken at a meeting of the Board may be taken without a meeting if authorized in a writing signed

by all of the Directors who would be entitled to vote upon said action at a meeting, Any decisions or action taken must be documented in writing, filed with the Secretary and published.

Section 8. Quorum. A majority of the Directors shall constitute a quorum to transact business of the Board, and the act of the majority of the Directors present at any meeting shall be deemed to be the act of the Board.

Section 9. Vacancies. To ensure a full-member Board at all times, the Board may, by a majority vote of the remaining Directors at a regular Board meeting, appoint Principal Members to fill vacant or vacated positions. Any Principal Member so appointed shall serve out the unexpired term of the vacancy being filled.

ARTICLE VI The Officers

Section 1. Officers. Association officers shall be the President, one or more Vice-Presidents, the Secretary, the Treasurer and such officers and assistant officers as the Board may from time to time elect. Officers shall serve at the will of the Board. Any two (2) or more offices may be held by the same person, except the offices of President and Secretary. An officer need not be a Director.

Section 2. President. Except as otherwise determined by the Board, the President shall be the chief executive officer of the Association and shall be vested with the powers and duties generally incident to the office of President of a not-for-profit corporation, or as may be otherwise set forth in these By-Laws.

Section 3. Vice-President. If the President is absent, or is unable to act, the Vice-President is empowered to act and shall thereupon be vested with the powers and duties of the President.

Section 4. Secretary. The Secretary shall:

- keep the minutes of the business and other matters transacted at the meetings of the Principal Members and of the Board;
- mail, or cause to be mailed, all notices required under the By-Laws;
- have custody of the corporate seal and records;
- maintain a list of the members and their addresses;
- perform all other duties incident to the office of Secretary, and
- utilize and direct assistants to aid in carrying out his duties.

Section 5. Treasurer. The Treasurer shall have custody of the funds of the Association, collect monies due, pay the obligations of the Association out of its funds, and perform such other duties as are incident to the office of Treasurer. The Board may require that the Treasurer be bonded for such amount and under such conditions as the Board may require.

Section 6. Removal of Officers. Any officer may be removed when, in the judgment of the majority of the Board, the best interests of the Association will be served by such removal

ARTICLE VII
Duties of Members

Section 1. Obligation to Comply with Restrictions, Regulations and By-Laws. Each member shall abide by the provisions of the Restrictions, the Regulations, and these By-Laws. Failure to do so shall justify the Board imposing sanctions upon such member. (See Section 9E of the Restrictions.)

Section 2. Payment of Assessments. Any charge levied by the Association against an Owner or member under the powers authorized in the Restrictions, these By-Laws or the Regulations shall be paid when due. Failure to do so shall justify the levying of liens against the lot or fines/charges to the Principal Member. (See Section 9c of the Restrictions.)

ARTICLE VIII
Indemnification of Directors, Officers and Employees

Any person who is involved without his consent in any legal action due to the fact that he is or was a Director, officer or employee of the Association shall be indemnified by the Association against all expenses reasonably incurred by him in connection with or resulting from such legal action. Such expense shall also include amounts paid by him with the consent of the Association acting through its Board in reasonable settlement of such action, except for those matters where it is determined that such person was derelict in the performance of his duties to the Association. This right of indemnification shall apply to matters arising both before and after the time of adoption of these By-Laws and shall not exclude any other legal right of indemnification to which such person may be entitled.

These By-Laws may be amended by affirmative vote of thirty percent (30%) of the Principal Members.

These By-Laws, as amended, shall be effective on and after the date upon which the Board by its resolution declares that a valid vote of approval has been made by ballots cast by the Principal Members.

Wherever and whenever applicable herein, the singular form of any word shall be taken to mean or apply to the plural, and the masculine form shall be taken to mean or apply to the feminine or neuter.

(As amended April 29, 1973)
(As amended January 23, 1982)
(As amended November 28, 1998)
(As amended June 12, 2006)
(As amended September 13, 2010)