

BY-LAWS
OF
HERITAGE LAKE ASSOCIATION, INC.
3/7/14 Proposed

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ARTICLE I ASSOCIATION STRUCTURE

Section 1. Business Name

The name of this corporation is Heritage Lake Association, Inc.

Section 2. Definitions

The following terms, wherever referred to in these By-Laws or any other Association Instruments, shall have the meaning stated as follows:

“Association” means the Heritage Lake Association, Inc

“Association Instruments” means By-Laws, Articles of Incorporation, CCE&Rs, Rules and Regulations, and Erosion Control and Drainage Channel/Bank Stabilization rules, each as amended

“Board” means the Association Board of Directors

“CCE&Rs” means the Declaration of Covenants, Conditions, Easements and Restrictions of the Heritage Lake Subdivision

“CICAA” means the State of Illinois Common Interest Community Association Act (765 ILCS 160/) as amended

“In good standing” means that Members have the privilege to notice, voting, and use of Association property and facilities, and whose privileges have not been suspended per Section 4 of Article III in these By-Laws

“Lot” means each numbered residential property as described and set forth in the plat maps of the Subdivision

“Majority” means more than 50%

“Member”, means the person who is the Owner or a designated co-owner of record in good standing and is entitled to notice and to vote. Good standing is not required for assessing, billing or collecting the Owner’s financial obligations

“Not For Profit Act” means the State of Illinois General Not For Profit Act of 1986 (805 ILCS 105/) as amended

“Owner” means any persons or entities whose estates or interests, individually or collectively, hold fee simple absolute ownership of a Lot

“Reserves” means Regular Assessment funds paid by the Owners, which are held by the Association for a specific purpose as specified by the CCE&Rs and the By-Laws

“Subdivision” means Heritage Lake Subdivision, a subdivision of a part of Mackinaw Township in Tazewell County, Illinois, as shown on the plats filed with the Recorder’s Office for Tazewell County, Illinois

Section 3. Principal Office

The principal office of the Association shall be in Mackinaw Township, Illinois at a specific location as may be designated by the Board.

Section 4. Governing Instruments

The Association shall be governed by the following instruments. The instruments are shown in the order of their governing priority.

- a. Common Interest Community Association Act (CICAA)

- b. Declaration of Covenants, Conditions, Easements and Restrictions (CCE&Rs)
- c. Articles of Incorporation
- d. By-Laws
- e. Rules and Regulations
- f. Erosion Control and Drainage Channel/Bank Stabilization regulation
- g. State of Illinois General Not For Profit Act of 1986, except where the Not For Profit Act requirements are mandatory

ARTICLE II ASSOCIATION PURPOSES AND POWERS

Section 1. Purposes

The purposes for which the corporation is organized are:

- a. To promote pleasure, social recreation and sports activities for its members, their family and guests and to develop and maintain a recreationally oriented environment in the Subdivision;
- b. To provide a means whereby the streets, parks, lakes, recreational areas, amenities and recreational facilities within the Subdivision as may be conveyed to the Association or established by it, may be operated, maintained, repaired, and replaced;
- c. To provide a means for the publication and enforcement of all regulations necessary, as shall be determined by the Board, to the governing of the residential character, covenants, easements, and restrictions of all property within the Subdivision; and
- d. To administer and operate property owned by the Association.

Section 2. Powers

The Association shall have powers consistent with law and the Governing Instruments, and shall include the following:

- a. To acquire real or personal property by gift, purchase, or other means;
- b. To own, hold, enjoy, lease, operate, maintain, convey, sell, assign, transfer, mortgage or otherwise encumber, or dedicate for public use, any real or personal property owned by it;
- c. To construct, maintain and operate recreational facilities of all kinds within the Subdivision;
- d. To care for vacant, unimproved or un-kept Lots;
- e. To maintain, rebuild, repair, beautify and otherwise care for all streets, project parks, pedestrian easements and drainage improvements within the Subdivision not subject to maintenance by government authority;
- f. To pay taxes and assessments, if any levied by any government authority on property owned by it;
- g. To enforce charges, easements, restrictions, covenants, conditions and agreements existing upon or created for the benefit of the real property in the Subdivision;

- h. To appoint committees as may be necessary to, or convenient in, the discharge of any of its obligations or powers;
- i. To enforce any Association Instruments;
- j. To sue to collect any charges not paid and to foreclose any lien granted to it;
- k. To borrow money, contract debts, and issue bonds, notes and debentures, and secure the payment or performance of its obligations;
- l. To pay for and discharge all expenses and obligations incurred in carrying out these powers;
- m. To contract for and pay any premiums for fire, casualty, liability and other insurance, including indemnity and other bonds;
- n. To contract and pay for maintenance, gardening, utilities, materials, supplies and services relating to property or facilities owned or operated by it and to employ personnel reasonably necessary to administer its affairs including legal counsel and accountants;
- o. To levy dues, assessments, fines, and penalties as may be provided by any Association Instruments and to file liens against the individual Lots or to take any other action provided by law to collect or enforce payment of charges;
- p. To alter, amend, repeal, or rewrite Association Instruments, consistent with law, except as limited by the Association Instruments;
- q. To impose fees or other charges regarding the use of Association common property and facilities; and
- r. To use all powers permitted by law and the Governing Instruments for the administration of its affairs and the attainment of its purposes.

Section 3. Limitation of Powers

Association limitations of power shall include, but are not limited to the following:

- a. The Association shall have no power to levy assessments on any property other than Lots;
- b. The Association shall have no power to borrow in excess of the current value of its properties;
- c. The Association shall have no power to carry on a business or trade for profit.

ARTICLE III MEMBERSHIP

Section 1. Membership Classification

There shall be two classes of Membership in the Association, Members and Associate Members. Anyone who owns a Lot may be a Member of the Association by reason of ownership.

Section 2. Members

Lot ownership is transferable only upon the conveyance of title and any other attempted transfer or assignment of ownership shall be null and void. Evidence of conveyance shall be provided to the Association, and Membership for one new Owner will only be recognized and valid after payment of an Association transfer of

title fee to be paid by the new Owner. If the new Owner fails to provide evidence of conveyance, then for billing purposes, the Association may rely on Tazewell County public records and may assess an administrative fee to be paid by the new Owner.

Owner's are required to provide the Association evidence of ownership, Member designation if there is more than one Owner, and names, addresses, and Lots owned of Member and co-owners. Owner shall submit that information in a completed Association Owner Registration Form. Failure to provide this information, following notice of this requirement or any status change, by the next Record Date may suspend voting rights. In the absence of evidence of ownership provided to the Association, then for billing purposes, the Association may rely on Association records or Tazewell County public records and may assess an administrative fee to be paid by the Owner.

Where no Owner or co-owner is a natural individual, the Member's voting rights may only be preserved by proxy.

The Owner of more than one Lot shall be entitled to only one membership. However, the Owner has all of the liabilities and duties of ownership of each Lot separately.

During an installment contract for purchase, the seller may expressly retain rights of Membership in writing until transfer of title. The seller, as the Owner, will continue to be sent billing notice for assessments. The purchaser in good standing, upon evidence of purchase and possession of a Lot, although not a Member, shall have the rights of Membership if not retained by the seller. Purchaser shall also submit a completed Association Contract for Purchase Registration Form to have the rights of Membership.

Section 3. Associate Members

- a. The following shall be entitled to Associate Membership in the Association:
 - i. One co-owner of any Lot by virtue of their co-ownership status, but Associate Membership of co-owners prior to March 22, 2014 is not limited to one co-owner;
 - ii. Any natural individual who is a resident in any single family residential building within the Subdivision;
 - iii. One natural individual, as may be designated by the Owner, where no Owner or co-owner is a natural individual; and
 - iv. The spouse/domestic partner and children of a Member, or an Associate Member as provided in parts i, ii and iii above, who share the same primary residence as the Member or Associate Member.
- b. Persons qualifying under more than one of the above categories shall only be entitled to a single Associate Membership.
- c. Associate Members shall have no vote or right to notice of Member Meetings. Associate Members that are not co-owners shall not be required to pay assessments, but Associate Members who are co-owners shall be liable with the Member to pay any assessments.

- d. Associate Membership shall cease automatically upon termination of the status giving rise to Membership.
- e. Any Owner entering into a lease agreement shall deliver a copy of the signed lease to the Association or if oral, a memorandum of the lease, not later than the date of occupancy or 10 days after the lease is signed, whichever occurs first. Owner shall also submit a completed Association Lease Registration Form for lessee to be recognized as a resident or as an Associate Member.

Section 4. Membership Rights and Suspension

Members and Associate Members and their guests, shall have the use of any property or facilities owned by the Association, subject to the provisions of the Association Instruments. Members shall have the right to notice and to vote as provided in these By-Laws and may assign the right to notice.

The right to use the property or facilities owned by the Association by any Member, co-owner, and Associate Member and their guests, and the notice and voting rights of the Member and co-owners may be suspended for the following:

- a. Unpaid Association fees and assessments or charges, including fines, owed by the Member, co-owner or Associate Member; or
- b. Violations of any Association Instruments by any Member, co-owner, Associate Member or guests as determined by the Board.

ARTICLE IV MEMBER MEETINGS

Section 1. Place of Member Meetings

Member Meetings shall be held in Mackinaw Township, Illinois, at the place stated in the notice as designated by the Board.

Section 2. Record Date

The Board shall set a date to determine the Members entitled to notice of and to vote at Member Meetings, and to qualify Director candidates for placement on an election ballot. This Record Date shall not be more than 60 days or less than 30 days prior to the date of the meeting. When a Record Date is set, only Members of record in good standing or a designated co-owner on that date shall be entitled to notice of and to vote at the meeting. Any transfer of ownership after fixing of the Record Date shall qualify any new Owner in good standing as a Member with voting rights.

Section 3. Annual Member Meetings

An Annual Member Meeting shall be held at a date and time during the month of March each year as determined by the Board. The meeting may be used to elect Directors where any Director vacancy exists and to transact other business.

The Board shall give each Member written notice of each Annual Member Meeting either: a) in person, b) by mail, charges prepaid, addressed to the Member at the address appearing on the records of the Association, or c) by any other delivery

method that is approved in writing by the Member and authorized by any Association Instruments. Notice shall also be posted in writing on all Association bulletin boards and on the Association web-site. All notices shall be posted, and sent to each Member entitled to notice not less than 10 but not more than 30 days, before each Annual Member Meeting, and shall specify the date, time, place and purpose of the meeting.

In the case of a continued or reconvened Annual Member Meeting, a Special Member Meeting may be called by a Majority of the votes present, in person or by proxy, at the original meeting. The Special Member Meeting shall be held not more than 45 days from the original meeting date.

Section 4. Special Member Meetings

Special Member Meetings may be called by the President, by the Board, or by not less than 20% of the votes of the Members. In the case of a continued or reconvened Annual or Special Member Meeting, a Special Member Meeting may be called by a Majority of the votes present, in person or by proxy, at the original meeting. Notice of a Special Member Meeting and Members rights at the Meeting shall be provided the same as for Annual Member Meetings.

Section 5. Inspectors

Not less than 5 days prior to Member Meetings a Majority of the Board shall appoint an independent committee of Inspectors consisting of not less than three Members or Associate Members. The Inspectors shall have the following duties:

- a. Oversee the collection of ballots and other voting materials;
- b. Determine and report the number of valid votes represented at the meeting, based on their review of the validity and effect of proxy votes and the eligibility and number of votes allowed for each Member;
- c. Establish and report quorum requirements;
- d. Count all votes and report the results; and
- e. Conduct the election and voting with impartiality and fairness to all the Members.

The committee shall provide its report in writing at the Member Meeting, signed by all Inspectors whether in agreement or in dissent. The report of the Majority of Inspectors will be considered as primary evidence of voting results at the meeting.

Section 6. Proxies

Except in business to be handled by direct mail, each Member entitled to vote at Member Meetings shall have the right to do so either in person or by proxy. A written proxy shall a) be executed by the Member or his duly authorized agent, b) bear the date of execution, and c) be submitted to the Board prior to the meeting or to the Inspector Committee at the meeting. No proxy shall be valid after the expiration of 11 months from the date of its execution unless the person executing it specifies the length of time the proxy is to continue in force. The Member that executed the proxy,

if present in person at the meeting, may retract the proxy and vote in person. Proxy voting is limited to Members and is not available to co-owners.

Section 7. Member Meeting Quorum

The presence of at least 20% of the eligible votes of the entire Membership, in person or by proxy, at a Member Meeting shall constitute a quorum for the transaction of business. The Members present at the meeting may continue to do business until adjournment even though the withdrawal of enough Members may leave less than a quorum. A continued or reconvened meeting shall require the presence of at least 10% of the eligible votes of the entire Membership, in person or by proxy, to constitute a quorum for the transaction of business.

As provided in the CCE&Rs, Lots owned by the Association shall be excluded from quorum calculations at Member Meetings.

Section 8. Member Voting

- a. Members on the Record Date shall be entitled to one vote for each Lot owned by the Member on any matter that comes before the Membership for vote. Vote may be by voice, show of hands, roll call, or Association issued ballot as determined by the Board.
- b. Voting rights shall be given in the following priority when ownership information has been provided to the Association as required in Section 2 of Article III:
 - i. If the Owner of a Lot who is designated in writing as the Member is present at a Member Meeting, that person will be entitled to vote;
 - ii. If the Member is not present in person, but has designated a proxy, that person may vote for the Member;
 - iii. If the Member is not present in person or by proxy, then if only one other co-owner is present, that co-owner may vote;
 - iv. If the Member is not present in person or by proxy, then if more than one other co-owner is present, the co-owner designated as the voting co-owner in writing to the Association by the Record Date may vote;
 - v. If the Member is not present in person or by proxy, and if more than one co-owner is present and no co-owner has previously been designated in writing as a voting co-owner, then one co-owner may vote if agreed upon by all other co-owners present at the meeting.
- c. When ownership information has not been provided to the Association as required in Section 2 of Article III, then the Owner most recently recognized as the Member on the records of the Association will be entitled to vote. As provided in the CCE&Rs, Lots owned by the Association shall not be entitled to votes at Member Meetings.
- d. Except as otherwise provided by law or by any Association Instruments, an affirmative Majority of the votes cast at Member Meetings where a quorum is present shall prevail.

- e. The following matters shall require at least a two-thirds affirmative vote by the Members voting at Member Meetings where a quorum is present to prevail:
 - i. Amendment of the Articles of Incorporation.
 - ii. Replacement or removal of streets, parks, lakes, recreational areas, amenities and recreational facilities within the Subdivision.
- f. The following matters shall require a two-thirds affirmative vote of all eligible votes of the entire membership at Member Meetings where a quorum is present to prevail:
 - i. Removal of a Board Member as a Director
 - ii. Enter into mergers and consolidations
 - iii. Mortgage Association owned property
 - iv. Dedicate property
 - v. Dissolve the corporation

Section 9. Election of Directors

Directors shall be elected by Association issued ballot at Member Meetings. Members shall have the right to vote by mail as specified in Robert's Rules of Order Newly Revised. Votes shall be counted in the presence of the Membership at the meeting if any Member so moves.

Members shall not have the right to cumulate their votes, but are limited to one vote for each candidate up to the number of Directors being elected. Members are entitled to a separate ballot for each lot owned. The candidates receiving the highest number of votes shall be elected, up to the number of Director seats open for election. All other voting rules and exceptions specified in Section 8 of this Article shall apply to the election of Directors.

ARTICLE V BOARD OF DIRECTORS

Section 1. Powers

The Board and its Directors shall have the following powers:

- a. To manage and control the business affairs of the Association.
- b. To select and remove officers, agents and employees of the Association and prescribe powers and duties for them;
- c. To make or amend Association Instruments, except as limited by the Governing Instruments; and
- d. To exercise the powers provided to the Association by the Governing Instruments.

Section 2. Code of Conduct

The Association Code of Conduct is intended to provide guidance with ethical issues and a mechanism for addressing unethical conduct. The Code of Conduct shall define Director and Executive Committee Member: a) responsibilities, b) professional conduct, c) disclosure and resolution of conflicts, and d) acknowledgment of obligations.

Section 3. Number, Qualification, Term and Compensation

There shall be seven authorized Director positions. In order to be placed on the ballot or to be considered to fill a Director vacancy, candidates shall: a) be a Member, b) be in good standing by the Record Date, and c) sign the Code of Conduct.

If there are multiple Owners of a single Lot, only one of the Owners shall be eligible to serve as a Member of the Board at any one time, unless the Lot Owner owns another Lot independently. Directors shall be elected to a term of not more than three years, but, may succeed themselves without limits. Directors may hold office until their respective successors are elected. Directors shall serve without compensation.

Section 4. Vacancies

Director vacancies may be filled by a two-thirds affirmative vote of all of the remaining Directors until the next Annual Member Meeting. A Special Member Meeting may be held at the request of at least 20% of the votes of the entire Membership to fill the vacancy for the balance of the term. The Member Meeting shall be called no later than 30 days following a Member request by submission of a signed petition to the President of the Board. Director vacancies shall be deemed to exist in case of a) death, resignation, or removal of any Director, b) increase in the authorized number of Directors, c) Members failure to elect Directors to fill vacancies that may exist at a Member Meeting, or d) a vacancy declared by the Board.

No reduction of the authorized number of Directors shall have the effect of removing any Director from office prior to the expiration of the term of the Director.

ARTICLE VI BOARD OFFICERS

Section 1. Officer Appointment

Officer positions shall be appointed by the Board and shall include a President, one or more Vice Presidents, a Secretary and a Treasurer. The Board may also appoint other officers, including one or more Assistant Secretaries. Officers of the Board must be Directors and any Director may hold more than one office, except those of President and Secretary. Each officer shall hold office until resignation, removal, or becoming disqualified to serve. Officers may be appointed at any time to fill an officer vacancy.

Section 2. Officer Removal and Resignation

Any officer may be removed by a Majority vote of the Directors in office at any Regular or Special Board Meeting. Any officer may resign at any time by giving written notice to the Board. Resignations shall take effect when notice is received or at the time specified.

Section 3. President

The President shall be the chief executive officer of the Association and shall, subject to the control of the Board, have general supervision, direction and control of the business and officers of the Association. The President shall preside over Board and Member Meetings, except as otherwise provided in these By-Laws. The President shall be a member of all standing committees and shall have other powers and duties as may be prescribed by the Board, the Governing Instruments, or Robert's Rules of Order.

Section 4. Vice President

In the absence or disability of the President, the Vice President designated by the Board shall perform all the duties of the President, and when so acting, shall have all the powers and restrictions of the President. Vice Presidents shall have other powers and duties as may be prescribed by the Board, the President, by the Governing Instruments, or Robert's Rules of Order.

Section 5. Secretary

The Secretary shall keep minutes of all Board, Member and Executive Committee Meetings at the principal office or other place as the Board may order. Meeting minutes shall include: a) the date, time, and place, b) whether a Board, Member, or Executive Committee Meeting, c) whether Regular or Special, and, if Special, how authorized and the notice given, d) the names of the Directors present at Board and Member Meetings, e) the names of the Executive Committee Members present at Executive Committee Meetings, and f) the number of Members present, in person or by proxy, at Member Meetings. The Secretary shall keep a record giving the names and addresses of the current Association Members, the description and number of Lots owned by each Member, and which Members are in good standing and entitled to vote. The Secretary shall give notice of all Board and Member Meetings as required by the CICAA, the Not For Profit Act and these By-Laws, and shall have other powers and duties as may be prescribed by the Board, the President, the Governing Instruments, or Robert's Rules of Order. In the absence or disability of the President and the Vice President, the Secretary shall preside over Board and Member Meetings.

Section 6. Treasurer

The Treasurer shall keep and maintain complete and correct accounts of the properties and business transactions of the Association, including accounts of its assets, liabilities, receipts, disbursements, gains or losses. The books of account shall at all times be open to inspection by any Director. The Treasurer shall deposit all moneys and other valuables in the name of and to the credit of the Association with depositories as may be designated by the Board. The Treasurer shall disburse the funds of the Association as may be ordered by the Board, shall render to the Directors, upon request, an account of all of the transactions as Treasurer and of the financial condition of the Association. The Treasurer shall have other powers and duties as prescribed by the Board, the President, the Governing Instruments, or Robert's Rules of Order. In the absence or disability of the President, the Vice

President, and the Secretary, the Treasurer shall preside over Board and Member Meetings.

ARTICLE VII BOARD MEETINGS

Section 1. Place of Board Meetings

Board Meetings shall be held in Mackinaw Township, Illinois, at the place stated in the notice as designated by the Board.

Section 2. Regular Board Meetings

A Regular Board Meeting is a gathering of a quorum of the Directors for the purpose of conducting Board business. Because the Association is not subject to the Illinois Open Meetings Act, Board gatherings for purposes such as planning, review, information sharing, and discussion are permitted and are not considered Regular Board Meetings.

There shall be at least four Regular Board Meetings during each fiscal year for the purpose of conducting the business affairs of the Association. Regular Board Meetings are in addition to Member Meetings and of the Board Meeting immediately following the Annual Meeting. The Board shall give notice of Regular Board Meetings not less than 48 hours prior to the meetings. Notice shall be posted on all Association bulletin boards and on the Association web-site, detailing the date, time, place, and purpose of the meetings.

Prior to any Board Meeting concerning adoption of the proposed Annual Budget or any assessments, the Board shall give each Member written notice. Written notice shall be either: a) in person, b) by mail, charges prepaid, addressed to the Member at the address appearing on the records of the Association, or c) by any other delivery method that is approved in writing by the Member and authorized by any Association Instruments. Notice shall also be posted in writing on all Association bulletin boards and on the Association web-site. All notices shall be made not less than 10 but not more than 60 days prior to the meeting, and shall specify the date, time, place, and purpose of the meeting.

Board Meetings shall be open to Owners, except for any portion of a meeting held in closed session for the following purposes:

- a. To discuss litigation, when an action against or on behalf of the Association has been filed and is pending, or is probable or imminent;
- b. To consider third party contracts;
- c. To discuss information regarding employee sensitive issues;
- d. To discuss violations of Association Rules and Regulations; and
- e. To discuss an Owner's unpaid charges.

Board votes on all matters, including those addressed in the closed session, shall be taken at a portion of the meeting open to the Owners. The Board shall reserve a portion any Board Meeting for comments by Owners, but the duration and meeting order for the Owners comment period is within the sole discretion of the Board.

Immediately following each Annual Member Meeting, there shall be a Regular Board Meeting for the purpose of organization, election of officers, and the transaction of other business. Call and notice of the meeting are waived.

Section 3. Special Board Meetings

Special Board Meetings may be called by the President, by 25% of the Directors, or by any other method prescribed in the Association Instruments. Any Special Board Meeting shall be open to Owners with the same rules, exceptions, and notice requirements as in a Regular Board Meeting.

Section 4. Board Meeting Quorum

A Majority of the Directors shall be necessary, present in person only, to constitute a quorum for the transaction of business, except to adjourn.

Section 5. Director Voting

Each Director present, in person only, at a Board Meeting shall be entitled to one vote on business matters of the Association. An affirmative vote of a Majority of the Directors at the meeting where a quorum is present shall be regarded as the act of the Board. No Director may act by proxy on any matter.

ARTICLE VIII BOARD RESPONSIBILITIES AND RESTRICTIONS

Section 1. Fiscal Responsibilities

- a. Fiscal Year: The fiscal year of the Association shall be January 1 – December 31 and is subject to change as the Board may determine.
- b. Budget Proposal: The Board shall determine a proposed Annual Budget not later than December 1st of each year. The budget shall, at a minimum, specify amounts applicable to reserves, capital expenditures, repairs and real estate taxes. The Annual Budget shall not result in exceeding the limits set forth in Article X of these By-Laws.
- c. Budget Notice: The Board shall give a copy of the proposed Annual Budget to each Member. Delivery shall be either: i) in person, ii) by mail, charges prepaid, addressed to the Member at the address appearing on the records of the Association, or iii) by any other delivery method that is approved in writing by the Member and authorized by any Association Instruments. Delivery shall be at least 30 days, but not more than 60 days prior to adoption by the Board, but not later than December 1st of each year.

- d. Budget Adoption: The Board shall adopt an Annual Budget prior to January 1st of each year.
- e. Budget Ratification: Any budget or Separate Assessment may be adopted by the Board. If the sum of Regular and Separate Assessments payable during any fiscal year exceeds 115% of the sum of the preceding fiscal year assessment, the Members may petition for a Special Member Meeting to consider rejecting the adopted budget or assessment. The Board, upon delivery of a written petition within 14 days of Board action by at least 20% of the votes of the entire membership, shall call a Special Member Meeting within 30 days of delivery. The budget or Separate Assessment shall be deemed ratified, unless a Majority of the votes of the Members present, in person or by proxy, reject the adopted budget or Separate Assessment.
- f. Budget Variance: The Board shall disclose to all Members expenses that exceed the total amount of the adopted Annual Budget and identify assessments needed to offset the variance in future budgets.
- g. Bid Requirements: For any service contract or purchase of products or materials over \$10,000, at least three quotes or offers must be sought. It is not mandatory that the lowest bidder be selected and other factors such as location, service, quality, turnaround time, etc. should be considered. Contract duration should not exceed three years without a re-bid process.
- h. Non-Bid Purchases: Due diligence and comparison shopping is expected. Reasonable efforts are expected to find the best value for the Association.
- i. Spending Limits: Each Board must set spending limits for the Board and committee chairs. The prior Board's limits remain in place until the new Board sets its limits at the June Regular Board Meeting. For purchases of products or services of \$7,500 or greater, all Directors shall be notified of the proposed expenditure and be given the opportunity to discuss its merits and to vote on its approval. A Majority approval of the Directors present is required to approve those expenditures.
- j. Financial Reporting: The Board shall employ an independent third party Accounting firm to assist with the financial reporting.

The Board shall, at each Annual Member Meeting, provide the membership a review of each fund, including receipts, expenses and balances for the preceding fiscal year.

The Board shall make available for review to all Members:

- i. A reasonably detailed summary of the receipts, expenses and reserves for the preceding fiscal year;
- ii. An itemized accounting of the expenses actually incurred or paid in the preceding fiscal year. Included shall be an indication of which portions were for reserves, capital expenditures or repairs or payment of real estate taxes. The Board shall provide a tabulation of the amounts collected pursuant to the budget, and showing the net excess or deficit of income over expenditures plus reserves; or

- iii. A consolidated annual independent audit report of the financial status of all fund accounts within the Association.
- k. Checks and Drafts: All checks and drafts, other orders of payment of money, notes or other evidences of indebtedness issued in the name of or payable to the Association shall be signed or endorsed as shall be determined by the Board. Directors may sign checks or drafts, other orders of payment of money for the Association, notes or other evidences of indebtedness issued in the name of or payable to the Association. However, Directors shall not sign checks or drafts if a family member or an Associate Member resulting from the Director is in the employment of the Association in any position where the authority or permissions to sign checks or drafts are part of the responsibility for the position.

Section 2. Director Employment

Directors are prohibited from employment by the Association in any position where signing of checks or drafts, other orders of payment of money for the Association, notes or other evidences of indebtedness issued in the name of or payable to the Association is a part of the responsibility for the position.

Section 3. Contract Restrictions

The Association, as provided in the CICAA, is prohibited from entering into any contract with:

- a. A current Director;
- b. A corporation or partnership in which a Director, their spouse, parents, siblings, children, or Associate Member have a 25% or more interest; or
- c. Anyone in the employment of the Association.

Section 4. Execution of Contracts and Documents

The Board may authorize any officer or agent to enter into any contract or execute any document on behalf of the Association, except as restricted in Section 3 of this Article. Unless otherwise specifically determined by the Board, or otherwise required by law, contracts, and other corporate documents, shall be executed by an Officer on the Board.

Section 5. Review of Fines

The Board shall provide an opportunity to be heard regarding fines for violations of Association Instruments. The Board may, at their discretion, dismiss any fines charged.

Section 6. Executive and Advisory Committees

The Board may create one or more Executive Committees, as provided by the Not For Profit Act, which shall have two or more Directors, a Majority of its membership shall be Directors, and all committee members shall serve at the pleasure of the Board. In order to be appointed to an Executive Committee each committee member shall: a) be a Member, b) be in good standing, and c) sign the Code of Conduct. A Majority of any Executive Committee shall constitute a quorum and a Majority of committee members present and voting at a meeting at which a quorum is present is

necessary for committee action. Meeting minutes shall be taken at the committee meeting.

The Board may create and appoint Members to Advisory Committees which are not required to have Directors as members. Advisory Committees may not act on behalf of the Association or bind it to any action, but may make recommendations to the Board. The formal requirements for Executive Committees are not required for Advisory Committee meetings.

Section 7. Recording of Instruments

The President of the Board or a designated Board Officer shall execute and record any Member or Board approved amendments of CCE&Rs, Articles of Incorporation, and By-Laws. Amendments shall be recorded with the Tazewell County, Illinois Recorder's Office not less than 30 days after approval. Amendments shall not be valid unless duly recorded and shall be effective upon recordation, unless the amendment sets a different effective date.

Section 8. Filing Annual Reports and Articles of Incorporation Amendments

The Board shall file Annual Reports, not later than March 1st each year, and shall file amendments to the Articles of Incorporation with the Secretary of State of Illinois in accordance with the Not For Profit Act.

Section 9. Insurance and Bonding

The Board shall procure and maintain insurance coverage as follows:

- a. Fidelity insurance covering Directors and employees who control or disperse funds of the Association for the maximum amount of coverage that, at the discretion of the Board, is reasonably adequate to protect the funds in the custody and control of the Association;
- b. Property insurance covering Association owned vehicles, equipment and structures;
- c. Liability insurance covering Owner, resident and guest injury on Association property;
- d. Workers Compensation Insurance covering legally required Association employee protection in the case of injury in the performance of Association duties; and
- e. Directors and Officers/Errors and Omissions insurance covering the Board from lawsuits that may arise from a mistake in judgment.

ARTICLE IX RECORDS AND ACCESSIBILITY

Section 1. Examination by Members or Owners

The Board shall maintain the following records and make them available for examination and copying by any Member or Owner or their agent, where authorized by the CICAA and these By-Laws, at a reasonable cost per page and at convenient hours:

- a. Copies of recorded Association Instruments, including amendments, and annual reports;
- b. Detailed and accurate records in chronological order of receipts and expenditures, specifying and itemizing maintenance and repair expenses incurred, and copies of contracts, leases, or other agreements entered into by the Board;
- c. Meeting minutes, which shall be maintained for not less than 7 years;
- d. Ballots and proxies related to any elections, which shall be maintained for not less than one year; and
- e. Other records of the Board, not otherwise protected by law, as are available pursuant to the Not for Profit Act.

Section 2. Inspection by Prospective Purchaser

The Board shall maintain the following records and make them available to any prospective purchaser of a Lot for inspection, upon written request by the seller:

- a. Copies of any recorded Association Instruments;
- b. A statement of any liens, including a statement of account of the Lot setting forth the amounts of unpaid assessments and other charges due and owing on the Lot;
- c. A Statement of any capital expenditures anticipated by the Association within the current or succeeding two fiscal years;
- d. A statement of status and amount of any reserve funds and any other fund specifically designated for association projects;
- e. A copy of the statement of financial condition of the Association for the last fiscal year for which a statement was available;
- f. A statement of the status of any pending suits or judgments in which the Association is a party; and
- g. A statement setting forth what insurance coverage is provided for all Owners by the Association.

The President of the Board or a designated Board Officer shall furnish the above information within 30 days after receiving a written request from the seller. A reasonable fee covering the direct out-of-pocket cost of copying and providing the information may be charged by the Association to the seller.

ARTICLE X ASSESSMENTS

Section 1. Regular Assessments

Regular Assessments are for planned expenses and shall include, but are not limited to, general operating expenses, maintenance, equipment, reserves, and planned additions or alterations to Association owned property.

Regular Assessment shall automatically increase each year with the rate of inflation. The rate of inflation shall be determined by the increase in the U. S. Bureau of Labor Statistics Consumer Price Index for all Urban Consumers during the preceding

calendar year. During the years where there is deflation, the assessment shall remain unchanged.

Regular Assessments include the following:

- a. Annual Assessment: Each year the Board shall fix the amount of the Annual Assessment to secure funds for planned expenses in the adopted budget, including the Reserve Repair and Replacement Fund, and the Reserve Emergency Fund. The Annual Assessment shall be levied against each Lot, excluding the exemptions as provided in Section 3 of this Article, and shall be a debt of the Lot Owner. The Board Secretary shall be responsible for mailing billing for the Annual Assessment to each Member. The notice, showing the Annual Assessment due on March 1, shall be mailed prior to February 15th to the address appearing in the records of the Association.

Annual Assessments received shall be distributed to dedicated funds and used in the manner specified in this Section. Each of the funds shall be held in isolated accounts, each of which may be divided into diversified accounts limited to checking, savings, and certificates of deposit. Unless authorized by the Board for a specified reason, no funds are to be kept in cash. The Annual Assessment shall be distributed into the following funds:

- i. General Fund: Annual Assessments received are deposited into this fund, except amounts dedicated to Reserve or Separate Assessment Funds. This fund is for all common Association expenses as provided by the Association Instruments and included in the adopted budget;
- ii. Reserve Repair and Replacement Fund: Any portion of the Annual Assessment as may be determined by the Board may be added to this fund. This fund is only used to repair or replace Association owned property not included in the adopted budget;
- iii. Reserve Emergency Fund: Five percent of billed Annual Assessments shall be added to the Emergency Fund in June of each year. This fund is only used for the following expenses at the discretion of the Board:
 - Relating to a danger to or a compromise of structural integrity of Association owned property or facilities;
 - Relating to a danger to life, health, or safety of anyone on Association property; or
 - As mandated by law.

The Reserve Repair and Replacement Fund, and the Reserve Emergency Fund shall be used prior to adopting any Separate Assessment for their specified purposes.

- b. Reserve Road Fund Assessment: A Reserve Road Fund Assessment shall be levied against only one Lot per Member, excluding the exemptions as provided in Section 3 of this Article, and shall be a debt of the Lot Owner. The Board Secretary shall be responsible for mailing billing for the Reserve Road Fund Assessment to each Member. The notice, showing the assessment due on July 1st, shall be mailed prior to June 1st to the address appearing in the records of

the Association. Reserve Road Funds shall be held in an independent account and shall be used only for the maintenance, repair and upkeep of the roads, roadways and parking areas in the Subdivision.

- c. Reserve Lake Fund Assessment: A Reserve Lake Fund Assessment shall be levied against only one Lot per Member, excluding the exemptions as provided in Section 3 of this Article, and shall be a debt of the Lot Owner. The Board Secretary shall be responsible for mailing billing for the Reserve Lake Fund Assessment to each Member. The notice, showing the assessment due on October 1st, shall be mailed prior to September 1st to the address appearing in the records of the Association. Reserve Lake Funds shall be held in an independent account and shall be used only for the maintenance, repair and upkeep of the lake, dam, and siltation beds in the Subdivision.

The Association may file liens against each Lot within the Subdivision, or take any other action, as may be provided by law, to collect or enforce payment of delinquent assessments.

Section 2. Separate Assessments

Separate Assessments are for unplanned expenses of the Association. The Board may fix the amount of Separate Assessments necessary to fund expenses not included in the Annual Budget. Separate Assessments relating to emergencies or as mandated by law may be adopted by the Board without Member approval, but may be rejected by the Members, as provided by the CICAA. Members may reject the adopted Separate Assessment if the sum of all Regular and Separate Assessments payable in the current fiscal year exceeds 115% of the sum of all Regular and Separate Assessments payable during the preceding fiscal year.

Separate Assessments include the following:

- a. Any unplanned expenses to Association owned property not relating to emergencies and not mandated by law. Such assessments are subject to approval of a Majority of the Members voting at a Member Meeting;
- b. Any unplanned expenses relating to emergencies or mandated by law. Emergencies means a danger to or a compromise of structural integrity of Association owned property or facilities, and includes a danger to life, health, or safety of anyone on Association property. Such assessments are not subject to Member approval; and
- c. Multi-year assessments may be adopted by the Board. Unplanned Multi-year assessments are subject to approvals as specified in subsections "a" and "b" of this Section.

If total Association expenses exceed the total amount of the approved and adopted budget, the Association shall disclose this variance to each Member and specifically identify the subsequent assessment needed to offset this variance in future budgets.

Upon approval, a Separate Assessment shall be levied against only one Lot per Member, excluding the exemptions as provided in Section 3 of this Article, and shall

be a debt of the Lot Owner. The Board Secretary shall be responsible for billing the Separate Assessment to each Member by a date as shall be set by the Board. Billing for the Separate Assessment shall be mailed to the address appearing in the records of the Association and shall show the amount due on a date as shall be set by the Board.

The Association may file liens against each Lot or take any other action, as may be provided by law, to collect or enforce payment of delinquent assessments.

Section 3. Exemptions

Assessment exemptions shall include:

- a. Association owned Lots;
- b. Any Lots owned by a corporation that may acquire property within the Subdivision for the sole purpose of providing or operating utilities serving the Association; and
- c. Any other exemptions designated by the Board, by law, or by Association Instruments.

Section 4. Obligated Funds

The Board or the Membership shall not take action which would reduce the amount of funds collected during any period of time where funds have been obligated to fulfill existing contractual obligations on behalf of the Association.

ARTICLE XI NON-PAYMENT OF CHARGES

Section 1. Late Fees and Interest

Late fees may be applied after the assessment is 30 days past due and interest may be applied monthly on the unpaid balance until paid in full. These charges shall be determined by the Board and reported in the Association Schedule of Fees. The late fees and applied interest shall be added to the Lot owner's account balance in addition to their assessments. These charges are a debt of the Lot Owner to the Association and payment may be enforced as provided by law.

Section 2. Collection Fees

Fines, and any fees expended or charged by the Association in the collection or enforcement of debt payment of these charges owed by a Member or Associate Member shall be a debt of the Lot Owner. No Association fees pertaining to the collection of a Lot Owner's financial obligations to the Association shall be added to a Lot Owner's common expenses. The Board has the authority to contract with a management agent to include the cost of the management agent's fees incurred by the Association to the amount due from a Lot Owner. A managing agent's fees may be added if related to the costs to collect common expenses for the Association and the fees are set forth in a contract between the managing agent and the Association.

Section 3. Liens

The Association may file liens against each Lot within the Subdivision, or take any other action, as may be provided by law, to collect or enforce payment of any delinquent debt to the Association.

**ARTICLE XII
AMENDMENTS****Section 1. Amending By-Laws**

These By-Laws may be amended by the Board, except Articles X and XII. These exceptions cannot be changed without approval by a Majority of the votes cast at the original Member Meeting, or two-thirds of the votes cast at a continued or reconvened Member Meeting.

IN WITNESS WHEREOF, the undersigned, being the Declarant, herein, has hereunto set its hand this ____ day of _____, 2014.

HERITAGE LAKE ASSOCIATION, INC.
By _____
President

ATTEST:
By _____
Secretary

STATE OF ILLINOIS
SS
COUNTY OF TAZEWELL

BEFORE ME, a Notary Public in and for said County and State, personally appeared, _____ and _____ personally known by me to be President and Secretary respectively of Heritage Lake Association, Inc, an Illinois corporation, and acknowledged the execution by them of the foregoing By-Laws of Heritage Lake Association, Inc. on behalf of said corporation, as officers of said corporation, and pursuant to WITNESS my hand and notarial seal this ____ day of _____, 2014.

NOTARY PUBLIC
(SEAL ATTACHED)