



lake carroll

ASSOCIATION

By-Laws

January 1, 2015

Membership Approved December 1, 2013

Changes to:

No changes in 2014 for 2015

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PREAMBLE

WHEREAS, the Lake Carroll Association is an Illinois not for profit corporation whose Membership is comprised of Owners of lots at Lake Carroll; and

WHEREAS, Lake Carroll is a private, four season, recreation oriented, residential community whose common ownership of amenities, facilities and common areas are for the use and enjoyment by Property Owners, their families and guests; and

WHEREAS, the Lake Carroll Association is governed by an elected Board of Directors; and

WHEREAS, the By-Laws of the Lake Carroll Association sets forth certain rights and obligations of the Membership and the Board of Directors; and

WHEREAS, the Membership has adopted the following purposes and objectives

- * Conduct the Association's affairs in keeping with the highest ethical, moral and legal standards.
- * Enforce the Declaration equitably and uniformly.
- * Adopt rules and regulations for the general welfare of Lake Carroll.
- * Provide for the safety and security of Lake Carroll.
- * Protect and preserve the eco-system of Lake Carroll.
- * Maintain common properties, buildings, facilities, roads and other improvements within Lake Carroll.
- * Communicate with Property Owners concerning decisions made in their behalf.
- * Provide recreational activities and educational programs for the benefit of the Property Owners, their families and their guests.

NOW THEREFORE, the Members, based upon the foregoing Preamble, adopt the following By-Laws of the Lake Carroll Association.

ARTICLE I. GENERAL

Section 1. Name

This Association is incorporated under the general Not For Profit Corporation Act of Illinois as Lake Carroll Association (LCA), formerly known as POA, hereinafter referred to as the "Association."

Section 2. Location

The principal office of the Association shall be at such place as designated by the Board.

ARTICLE II. DEFINITIONS

The following terms as used in these By-Laws are defined as follows:

- A. "AMENITY" means all Association owned common areas located at Lake Carroll and including but not limited to the following: Aquatic Center, beach area, campground, conference center, east and west marina areas, equestrian area, fish hatchery, golf course, and clubhouse, (including pro shop and restaurant), lake, Pell Park, Recreation Center, ski hill, tennis courts, trail system, and all the common areas, greenways, roadways and parking areas.
- B. "ASSOCIATION" means the Lake Carroll Association, a corporation organized under the general Not For Profit Corporation Act of the State of Illinois and a Common Interest Community Association as defined in the Common Interest Community Association Act of the State of Illinois.
- C. "BOARD" means the Board of Directors of the Association.
- D. "BY-LAWS" means the By-Laws of the Association of which these definitions are a part. By-Laws are subservient to the LCA Declaratory Statements of Covenants and Restrictions (Russwood, Lake Carroll Holdings and Patten). By-Laws are subservient to the General Not For Profit Corporation Act, the Common Interest Community Association Act and other applicable State and Federal laws, unless those laws indicate that specific provisions of the By-Laws take precedence.
- E. "CO-OWNER" means all persons owning an interest in a Lot as evidenced by recorded deed or other recorded legal instrument, including but not limited to a contract purchaser and a beneficiary of a trust holding title to a Lot, containing the names of such Co-Owners. There is no limit to how many owners may be listed on a deed of property.

- F. "CO-OWNER MEMBER" means all persons other than the "Member" owning an interest in a Lot as evidenced by recorded deed or other recorded legal instrument, including but not limited to a contract purchaser and a beneficiary of a trust holding title to a Lot, containing the names of such Co-Owner Member.*

* Prior to July 15, 1989 Co-Owner Members were allowed. On July 15, 1989 a "Plan Agreement of Merger" between Lake Carroll Association and Deer Run Association was agreed to. Any Co-Owner Members prior to the merger date are to be allowed or "grandfathered". After the effective date of merger, no additional Co-Owner Members shall be allowed. The 2009 by-law amendment stated Co-Owner Memberships were disallowed after recognizing that they were prohibited by the 1989 Merger Agreement; therefore additional Co-Owner Members were recognized as a "grandfather allotment". No Co-Owner Members have been recognized after January 1, 2010.

- G. "COMMITTEE" OR "COMMITTEES" means the standing Committees specified in the Declaration or a Committee established by the Board from time to time to govern and/or advise on operations of the Association.
- H. "COMMON AREA" means all of the real property designated as such in the Supplemental Declaration; all real property which may be later annexed to the Development as Common Area, and all real property acquired by the Association, whether from the Declarant or otherwise, together in each instance with all improvements which may be at any time constructed thereon, including, but not limited to, recreational and community facilities, lakes, parks and streets.
- I. "DECLARATION" OR "DECLARATIONS" means the Declaration of Covenants and Restrictions for Deer Run on Lake Carroll and related supplements dated to 1989 and/or the Declaration of Covenants for Lake Carroll dated the 15th day of May, 1972, as these may be supplemented, combined or amended from time to time by the Association Members.
- J. "DESIGNATION" means formal notification to the Association for inclusion in official records of the Association of the various rights, privileges, etc. of Owners.
- K. "DEVELOPMENT" means Lake Carroll as the same may be shown on the development maps thereof, recorded from time to time.
- L. "FRACTIONAL INTEREST" means an ownership interest in a Lot and/or residence in which said interest holder is permitted to use said Lot and/or residence for a defined time period, such as a week, month or calendar quarter, during any given year, such as a timeshare interest or

periodic use interest.

- M. "GENERAL MANAGER" means the individual charged with the responsibility of seeing that the policies, directives, and resolutions of the Board are carried out. The General Manager shall have the general powers and duties of management as may be prescribed by the Board and these By-Laws.
- N. "GUEST" means Member invitees. Guests are subject to the obligations stipulated in By-Laws Article III. Section 3
- O. "LAKE" means the body of water, approximately 640 acres located on the development and constituting one of the amenities at Lake Carroll.
- P. "LAKE CARROLL" means the same as "Development" and encompasses the geographic area considered the real property of the Association.
- Q. "LESSEE" means a person who rents a Lake Carroll dwelling from a Lessor. A Lessee may be a Member, a Tenant, Regular Occupant, or a Periodic Occupant.
- R. "LESSOR" means an Owner who leases their Lake Carroll dwelling to others.
- S. "LOT" means any numbered lot designated on the plat and recorded as real property located in Lake Carroll that is subject to assessments (as hereinafter defined).
- T. "MEMBERS" means categories of persons defined and detailed herein and recorded as such on the records of the Association for voting and/or other purposes.
1. "CLASSES OF MEMBERS". There shall be Members and Associate Members.
 2. "MEMBERS" means each owner, shall by reason of ownership, become a member of the Association
 3. "ASSOCIATE MEMBER" means if not otherwise a member, each of the following shall be associate members of the Association.
 - a. The spouse and children of a member who have the same principal residence as the member.
 - b. Persons who may be Tenants/Regular Occupants of dwelling situated within the Development.
 - c. Persons who by virtue of contractual agreements with the Declarant are entitled to membership in the Association.
 - d. The spouse and children of a Co-Owner Member who have the same principal residence as the Co-Owner Member who were grandfathered in prior to 1/1/2010.
- U. "OFFICERS" of the Association shall be President, Vice President, Secretary, Treasurer or other Officer designation of the Association as

included in Article VIII of these By-Laws with appropriate responsibilities in conjunction with the office to which elected.

- V. "PERIODIC OCCUPANT" means a person who is a member who occupies a dwelling rented from a Lessor for a period of time less than 6 months.
- W. "REGULAR OCCUPANT" means a person who is not a Lot owner who occupies a dwelling on a Lot as their principal residence.
- X. "RULES AND REGULATIONS" means and refers to the current Rules and Regulations booklet, and are subservient to the Association Declaratory Statements of Covenants and Restrictions and By-Laws.
- Y. "TENANT" means a person who is not a Lot Owner who occupies a dwelling on a Lot rented from a Member for a period of time not less than 6 months

ARTICLE III. MEMBERSHIP OBLIGATIONS

Section 1. Categories of Membership

- A. There shall be Members and Associate Members in the Association.
- B. Co-Owner Members who were grandfathered prior to 1/1/2010. Co-Owner Members grandfathered prior to 1/1/2010 must continue to meet the eligibility requirements as specified in the Declarations, By-Laws, and Rules and Regulations or their rights and privileges as Co-Owner Members will lapse.
- C. Associate Members paying appropriate dues who were grandfathered prior to 1/1/2010
- D. Associate Members who are considered Tenants/Regular Occupants are considered in "good standing" upon paying appropriate membership dues as determined from time to time by the Board of Directors.

Section 2. Privileges

- A. All members shall be entitled to use of the amenities subject to the provisions of the Declarations, these By-Laws, and such other rules and regulations as may be established by the Board, including but not limited to the payment of dues or assessments on a current basis.
- B. Members shall be entitled to lease their Lake Carroll dwelling to others subject to the provisions of State and County regulations, the Declarations, these By-Laws, and such other rules and regulations as may be established by the Board.
- C. Leasing of a Lot which does not have a dwelling shall not be

- permitted.
- D. Sub-Leasing shall not be permitted.
 - E. Leasing to non-members for a period of time less than six (6) months shall not be permitted.
 - F. Associate Members, upon payment of associate membership dues as are from time to time assessed, shall have the right to use all amenities of the Association but shall have no voting privileges and may not serve as Directors of the Association.

Section 3. Responsibilities

- A. Each member shall agree to and be aware of the Declarations, By-Laws and Rules and Regulations of the Association and shall be subject to them.
- B. Members and Associate Members including those Associate Members who are considered Tenants/Regular Occupants and Co-Owner Members allowed under the “grandfather” exemption are considered in “good standing” upon paying appropriate membership dues as well as all other assessments and charges on a current basis as determined from time to time by the Board of Directors.
- C. All Members are responsible for the actions of their guests whether or not the Member is present on Lake Carroll environs during the duration of the guests’ visit.

Section 4. Suspension of voting privileges and Member privileges

- A. The Board shall suspend voting privileges of any Member, and the privilege of any Member to use the Association’s amenities for any period during which Association dues, assessments or other charges remain unpaid.
- B. The Board may suspend any and all privileges of any member for a single egregious act, any continuing or repeated violation(s) of the provisions of the Declaration, these By-Laws and/or the Rules and Regulations of the Association after the existence thereof shall have been declared by the Board. Prior to the suspension of a Member’s privilege to use the common area, the Board will give the offending Member an opportunity for a hearing. The hearing will be conducted by the Board, and the offending Member will be afforded an opportunity to be represented by an attorney and allowed to question any witnesses or review statements relative to the violation giving rise to the possible suspension.
- C. Suspension of Member privileges shall be enforced by the Board and requires action by 2/3 vote of the Board of Directors.

Section 5. Voting Rights

There shall be one vote and one voting Member for each lot. This includes a set of lots designated in a contiguous lot agreement between the owner and the Association. If there are multiple owners because of the grandfather clause only one member shall be entitled to vote on any issue where the vote of members is required.

Section 6. Certificate of Membership

Certificates of Membership and/or amenity cards as proof of membership in the Association may be issued to Members in accordance with By-Laws Article II, Definitions, paragraph R. Records (including names, addresses, and telephone numbers) of all Members shall be maintained by the Association.

Section 7. Termination

- A. Membership, for Members and Associate Members, terminates upon the sale of their property.
- B. When an Associate Member ceases to live at the same principal residence as the Member, their Membership terminates.
- C. Co-Owner Members allowed under the “grandfather” exemption must be continuous or the grandfather exemption terminates. The grandfather membership is non-transferable. Co-Owner Members are considered in “good standing” upon paying appropriate membership dues.
- D. Such person/persons shall remain liable for all Association charges incurred prior to the giving of written notice to the Association that such person is no longer eligible for Membership.

ARTICLE IV. MEETINGS OF MEMBERS**Section 1. Place of Meetings**

Any meeting of the Members of the Association shall be held in the State of Illinois at such place therein as may be stated in the notice of such meeting.

Section 2. Annual Meeting

The Annual Meeting of the Association shall be held on the first Sunday of December each year.

Section 3. Special Meetings of the Association

Special meetings of the Association may be called by the Board at any time in the manner herein provided. A special meeting may be called by a written

request to the Board of Directors of no less than fifty (50) Members who would have a right to vote at such meeting. At a special meeting, no business shall be conducted except that stated in the notice of said meeting.

Notice of the special meeting shall set forth the purpose of such meeting. If the stated purpose of the special meeting will not serve any legitimate purpose, as determined by a vote of 2/3rds of the then constituted Board of Directors, the request for such special meeting may be dishonored and in that event, the purpose for which said special meeting was requested shall be placed on the agenda of the next Annual Meeting of the Association.

Section 4. Notice of Meetings of the Association

Written notice of the place, date and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten (10) days nor more than thirty (30) days before the date of the meeting by mail to each Member entitled to vote at such meeting. Such notice shall be deemed to have been delivered when deposited in the United States mail, addressed to the Member at his address as it appears on the records of the Association, with postage prepaid. Provided further, such notice may be published in any newspaper or publication printed under the auspices of the Association and distributed generally among Members of the Association.

Section 5. Quorum

A quorum at either a special meeting or the Annual Meeting shall be ten (10) percent of the Members entitled to vote at such meeting in person or by proxy.

The vote of 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 Members, unless a greater proportion is required by law.

Section 6. Proxies

Every Member entitled to vote or execute consents shall have the right to do so either in person or by a written proxy executed by such Member and filed with the Secretary of the Association. Proxies shall be valid only for the meeting or the adjourned meeting (to a date and time certain) for which they are issued.

The basis on which proxy voting will take place shall include a "yes", "no", or "abstain" option for each item presented to the Membership.

Section 7. Rules of Order

Robert's Rules of Order Revised shall prevail.

ARTICLE V. DUTIES OF MEMBERS**Section 1. Payment of Assessments.**

All charges or assessments levied by the Association shall be paid to it on or before the date or dates fixed by resolution of the Board. All Members and Co-Owner Members shall be liable for payment of assessments regardless of whether said Member or Co-Owner Member utilizes the Association amenities. If not so paid, the amount of such assessment, plus any other charges thereon, including interest at the maximum limit provided by law per annum from date of delinquency and the costs of collection, including attorneys' fees, if any, shall constitute and become a lien on the lot so assessed. Where the assessment has not been paid by the Member or Co-Owner Member the Board shall cause to be recorded in the office of the County Recorder of Deeds a Notice of Assessment Lien which shall state the amount of such assessment and such other charges and a description of the Lot which has been assessed and for which a lien for said unpaid assessment shall attach. Such Notice of Assessment Lien shall be signed by the Secretary of the Association on behalf of the Association.

Upon payment of said assessment and charges, or other satisfaction thereof, the Board shall, within a reasonable time, cause to be recorded the satisfaction and release of said lien the cost of which shall be paid for by the Member. Such Member or Co-Owner Member who has failed to pay said assessment on any Lot owned shall be denied further use of any Association amenities unless and until all past due assessments have been paid in full, regardless of the year incurred.

All Associate Members who are desirous of using the Association amenities shall be obligated to pay individual assessments against that individual Associate Membership prior to being permitted to utilize any Association amenities. No lien shall attach to any Notice of Assessment levied against any Associate Member. However, no Associate Member nor their family members shall be permitted use of any Association amenities unless and until all past due assessments have been paid in full, regardless of the year incurred.

Section 2. Priority of Lien

Conveyance of any lot shall not affect any lien for assessments provided herein. Such lien shall be prior to all other liens recorded subsequent to said assessment.

Section 3. Enforcement

The lien provided herein may be foreclosed by the Association by suit, in like manner as a mortgage and, in such event, the Association may be a bidder at the foreclosure sale. The Association shall be entitled to collect in such proceedings all expenses of foreclosure including, but not limited to, reasonable attorney's fees, the costs of documentary evidence, abstracts and other title reports. The Association may also pursue any other remedy against any Owner owing money to it which is available to the Association by law or in equity for the collection of debt.

Section 4. Proof of Payment

Upon request, the Association shall furnish a statement certifying that all assessments then due have been paid or indicating the amount then due.

Section 5. Transfer of Membership

The Association shall not be required to transfer memberships on its books or to allow the exercise of any rights or privileges of membership on account thereof to any Owner or to any person claiming under them unless or until all assessments and charges to which they are subject have been paid.

ARTICLE VI. BOARD OF DIRECTORS**Section 1. Number of Directors**

The Board of Directors shall be comprised of seven (7) members.

Section 2. Term

Directors shall serve for a term of three (3) years on a staggered term basis. Said term of office shall begin immediately following the adjournment of the Annual Meeting.

Section 3. Qualifications of Directors

To be eligible to serve on the Board, an individual must:

- A. Be at least 21 years of age.
- B. Be a member of the Association in good standing.

- C. Only one member of the same family shall be eligible to serve on the Board at the same time.

Section 4. Election of Directors

Election to the Board shall be by a ballot as hereinafter provided. Election shall be held annually. At such election, each Member, entitled to vote, may cast as many votes as they are entitled to exercise under the provisions of these By-Laws.

- A. Election Petition Form - Any Member in good standing may obtain an Election Petition form at the Association Office on or after August 1st and shall file with the Secretary of the Association or designate by the last Association business day in August a statement of candidacy for election as a Director of the Association together with an endorsement of his/her candidacy signed by at least fifty (50) voting Members in good standing.
- B. Ballot - All elections to the Board shall be made on a ballot which shall:
1. Describe the vacancies to be filled.
 2. Set forth the names of those standing for election.
 3. Each Member entitled to vote shall receive one (1) ballot for each lot for which he/she is the voting Member.
 4. The completed ballots shall be returned as follows:
 - a. Each ballot shall be placed in a sealed envelope marked "Ballot" and not marked in any other way.
 - b. 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.
 - c. Such ballot envelope shall be placed in another sealed envelope which shall bear on its face the name and signature of the Member, the Member's lot number and such other information as the Board may determine will serve to establish the right to cast the vote or votes presented in the ballot or ballots contained therein.
 5. The ballots shall be returned to the Secretary of the Association or a designated recipient at such time and address as the Board may determine.
 6. Upon receipt of each return, the Secretary of the Association shall immediately place it in a safe or other locked place until the day fixed by the Board for counting of such ballots. On that day, the external envelopes containing the ballot envelopes shall be turned over, unopened, to a committee consisting of the Secretary of the Association and counters and tabulators appointed by the Board of

- Directors, along with Association Staff appointed to help coordinate with the Secretary of the Association.
7. The committee shall then adopt a procedure which shall establish:
 - a. That the signature of the Member is on the outside envelope, that such Member is a Member in good standing; and
 - b. That the committee shall proceed to the opening of the ballot envelopes and the counting of the votes. A candidate may not participate in the counting process. If any ballot envelope is found to contain more than one (1) ballot, all ballots contained in such envelope shall be disqualified; and
 - c. That immediately following the tabulation of the results, unless a review of the procedure is demanded by the members present, the election results shall be made public; and
 - d. That in case of a tie, the winner will be determined through the drawing of names; and
 - e. That all outside envelopes, ballots and statements of candidacy shall be retained by the Secretary for the period of one (1) year.

Section 5. “No Contest” Election of Directors

In any given year, when the number of declared and approved candidates to be elected to the Board of Directors equals the number of vacancies, the protocol as described in Article VI. Section 4, shall be modified as follows:

- A. At the close of the period when Association members in good standing may submit candidacy applications and said candidates have been qualified to stand for election to the Board, the current Board of Directors shall by resolution declare that the roster of candidates is closed.
- B. The Board shall further announce that the number of candidates is equal to the number of vacancies that are to become available.
- C. The Board shall further then instruct the Board’s Secretary to publish a timely announcement in the *Lake Carroll News* that the normal protocol of electing Board directors as specified in Article VI. Section 4 is changed during the forthcoming election and the provisions of the “No Contest” Election of Directors shall be invoked.
- D. The Board shall thereafter at a regular meeting put forth a resolution designating that the candidates standing for election to the Board of Directors are to be considered elected filling the vacancies created by the expiring terms.
- E. The future Directors designated within the aforesaid protocol shall be introduced and sworn in during the forthcoming Annual Meeting of the Association.

Section 6. Powers/Duties

Without limiting the general powers that may be provided by law, the Declarations, or these By-Laws, the Board of Directors shall govern the affairs of the Association which shall include, but not be limited to, the following:

- A. Retain a corporate seal as the seal of the Association.
- B. Attend meetings regularly and arrive adequately prepared.
- C. Protect the integrity of the common areas, reserved areas, and amenity facilities.
- D. Disclose any potential or actual conflict of interest related to Board action on any matter appearing before the Board.
- E. Adopt policies for the Association which will consist of such resolutions adopted by the Board of Directors that fulfill the purposes of the Association.
- F. Adopt and publish Rules and regulations governing the use of amenities, facilities and common areas and the personal conduct of Members and their guests; and adopt sanctions for violations. After notice and an opportunity to be heard, the Board of Directors may levy reasonable fines and/or sanctions for violations of the Declaration, By-Laws, or Rules and Regulations of the Association.
- G. Send to each Member notice of annual and special meetings.
- H. Elect Officers of the Association as stated in Article VIII of these By-Laws, and appoint Committees as stated in Article IX.
- I. Hire and supervise a General Manager
 1. Develop with the General Manager an annual operational plan.
 2. Review operational plan with the General Manager quarterly.
 3. Conduct performance evaluations of the manager.
- J. Keep a complete record of all its actions and apprise the Membership about the Association's corporate affairs at regularly scheduled Board Meetings.
- K. Financial Responsibilities
 1. Designate a banking institution or institutions as depository for the Association's funds and the Officer or Officers authorized to make withdrawals there from and to execute obligations on behalf of the Association.
 2. Perform other acts the authority for which has been granted herein 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 shall be sufficient evidence for any person 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 they may pledge or assign future revenues of the Association as security therefore.
3. By resolution, collect dues, fees, and any assessments for each year and fix time of payment.
 4. Develop with the advice of the Finance Committee, Steering Committee and the General Manager an annual budget.
 - a. A preliminary proposed budget will be provided to all Property Owners prior to budget hearings.
 - b. At least two (2) open hearings within (10) days of each other will be scheduled and conducted for membership input.
 - c. Subsequent to the open hearings a meeting of the Board, General Manager, Finance Committee and Steering Committee will be conducted to finalize a proposed budget.
 - d. The finalized proposed budget shall be submitted to the Board for concurrence and a recommendation that it be forwarded to the Membership for approval at the Annual Meeting.
 - e. Upon approval of the annual budget, the Board shall manage and control both income and expenditures of the Association's operating fund and its fixed asset funds throughout the year. Provided further, if deemed necessary, the Board may exceed said approved budget by no more than ten per cent (10%) without having to call a special meeting of the Membership.
 - f. Should the Membership not approve a proposed annual budget, the prior year's dues and fees will continue into the next budget year, collecting same dues and fees as in prior year and expending only that portion of monies allocated to the prior year's operating budget, until a new budget is passed within the first quarter of the new fiscal year.
 5. Develop and maintain a multi-year financial plan to include the following:
 - a. A replacement schedule for all existing fixed assets of the Association.
 - b. A plan for new and future major fixed asset expenditures.
 - c. A projection of estimated operational expenditures, fixed asset expenditures and dues assessments.
 6. Establish and maintain a fixed asset reserve fund for the purpose of replacing fixed assets and funding future major fixed asset or capital improvement expenditures, including projects that may require the association to take on debt. The intention is to have a planned percentage of dues allocated to fixed assets each year that represents the average fixed asset needs, and the fixed asset reserve fund can be

used to level out the fixed asset budget where the requests may be above or below the allocated dues. The fixed asset reserve fund may also be used to save for future fixed asset projects.

- a. The fixed asset reserve fund shall have a minimum of \$100,000 and be capped at a maximum of \$1,000,000. This cap may be temporarily increased for the purpose of funding specific future major fixed asset expenditure(s) by a two-thirds majority vote of the Board of Directors.
- b. Each year a planned amount of dues collected is budgeted for fixed asset replacements and fixed asset expenditure allocations. All funds received for fixed assets but not authorized for expenditure by a vote of the Board of Directors in a given year shall be transferred to the fixed asset reserve fund, including fixed asset income in excess of budget and income derived from the sale of fixed assets.
- c. If the balance of the fixed asset reserve fund on October 1 is below the minimum value, the next year's fixed asset budget shall include a deposit into the fixed asset reserve fund that is at least the smaller of \$35,000 or the amount necessary to bring the fund back up to its minimum value.
- d. If the balance of the fixed asset reserve fund on October 1 exceeds its cap, the excess shall be itemized as a withdrawal from the fixed asset reserve fund and used as additional income on the next year's fixed asset budget in order to reduce the fixed asset reserve fund to its cap value. The approval for this withdrawal shall be made as part of the overall annual fixed asset budget approval.
- e. The withdrawal of funds from the fixed asset reserve fund shall be limited by:
 - i. The Board may authorize a total amount of withdrawal from the fixed asset reserve fund each year for fixed asset expenditures not to exceed ten percent (10%) of the total amount in the fund at the prior fiscal year end as adjusted following the annual audit for unallocated fixed asset funds as provided for in 6(b) above. Withdrawals made in this manner may only be used to fund expenditures included in the current year's fixed asset budget in the event those expenditures exceed the total amount budgeted for fixed assets expenditures, or for items in the fixed asset replacement schedule.
 - ii. The Board may authorize withdrawals from the fixed asset reserve fund for expenditures relating to emergencies or mandated by law. As used herein, "emergency" means a danger

- to or a compromise of the structural integrity of the common areas or any of the common facilities of the Association or a danger to the life, health or safety of the Membership.
- iii The Membership may approve withdrawals from the fixed asset reserve fund each year not to exceed a total of \$250,000 to fund fixed asset expenditures, as part of the annual fixed asset budget approval, or at a Special Meeting called for that purpose.
 - iv. Any amount of withdrawal from the fixed asset reserve fund that brings the total withdrawal from the fund to \$250,000 or more in a year shall be approved in a separate resolution submitted to the Membership at the Annual Meeting, or at a Special Meeting called for that purpose. The resolution shall identify which fixed assets expenditures will not be made in the event that the resolution fails.
 - v. Any amount of withdrawal from the fixed asset reserve fund for debt repayment shall be approved in a separate resolution submitted to the Membership at an Annual Meeting.
 - f. All withdrawal requests from the fixed asset reserve fund shall be accompanied with an indication whether or not the withdrawn money will be replaced, and if so, the plan for how the money will be replaced.
7. Establish and maintain a capital improvement fund for the purpose of funding debt payments, principle and/or interest, resulting from the Association's financing of major capital improvements. The fund may also be used to accumulate funds for future major capital improvements.
- a. Major capital improvements are defined as improvements which have to be funded by long term debt.
 - b. Membership approval must be voted as a separate line item for all contributions to or withdrawals from this fund and must be obtained at the next annual meeting of the Association or at a Special Membership Meeting called by the Board.
 - c. Source of Funds:
 - i. Funds will come from that portion of annual membership dues approved by the Membership for the purpose(s) of this fund or other sources within the Board's authority.
 - ii. The maximum portion of annual dues that may be assigned by the Membership to this fund is to be limited to 10% of the total dues assessment in any one calendar year as approved by a majority of

members entitled to vote and constituting a quorum as described in Article IV. Section 5 of these By-Laws.

- d. Expenditures from the fund may only be made for the Membership approved purpose(s) of the fund, that is long term debt payments of principle and/or interest or upfront down payment(s), for member approved major capital improvement project(s).

Section 7. Removal

No Director may be removed except as covered under the State of Illinois Statutes.

Section 8. Vacancy

- A. If any vacancy exists on the Board of Directors, the Board of Directors shall fill the vacancy with the person receiving the next highest number of votes in the most recent election who was not elected to the Board.
- B. If the list of Board of Director Candidates who ran for the Board in the most recent election is exhausted, the Board, by 2/3 majority vote of the remaining Members, shall fill the vacancy within sixty (60) days of the date of the vacancy from a list of interested members.
- C. A Director appointed to fill a vacancy shall be appointed until the next Annual Meeting of the Association or until a Special Meeting of the Membership to fill the vacancy for the balance of the term is held. If a Director is appointed until the next Annual Meeting and the term of the position that was filled by the appointed Director is unexpired after the annual meeting, that position shall be considered vacant again.
- D. If multiple vacancies exist at the next election, they shall be filled in order based on the length of the unexpired term, filling the longest unexpired term with the person who receives the most votes.
- E. Members holding 20% of the votes of the Association may request a meeting of the Membership to hold an election to fill the vacancy for the balance of an unexpired term. Such election shall nullify any appointment made by the Board for that vacancy. A Special Meeting of the Membership shall be called for purposes of filling a vacancy on the Board no later than 30 days following the filing of a petition signed by Membership holding 20% of the votes of the Association requesting such a meeting.
- F. A Director elected to fill a vacancy shall be elected for the unexpired term of his or her predecessor in office.
- G. A Member who is elected or appointed to fill the vacancy shall resign from any position or seat held on any of the Standing Committees of the Association.

- H. The new Director upon filling the position on the Board shall, unless otherwise agreed to by the Board, become a liaison to a Standing Committee that has been vacated due to the vacancy on the Board.

Section 9. Code of Ethics

Prior to adjournment of the Annual Meeting, or as soon as feasible thereafter, new Board Members shall sign the following Code of Ethics: “As a Member of this Board, I will consider myself a “trustee” of this organization and do my best to ensure that it is well-maintained, financially secure, growing and always operating in the best interests of those we serve.”

Section 10. Code of Conduct

Prior to the adjournment of the Annual Meeting, or as soon as feasible thereafter, new Board Members shall sign the following Code of Conduct: “As a Member of the Lake Carroll Association Board of Directors, I shall do my utmost to represent the member interests by adhering to the following commitments:

- A. I shall represent all members of the LCA honestly and equally and refuse to surrender my responsibilities or allow my responsibilities to be influenced by special interest or partisan groups.
- B. I shall avoid any conflict of interest or the appearance of impropriety which could result from my position, and shall not use my Board membership for personal gain or publicity.
- C. I shall recognize that a Board Member has no legal authority as an individual and that decisions can be made only by majority vote at a board meeting.
- D. I shall take no private action that might compromise the Board or administration and shall respect the confidentiality of privileged information.
- E. I shall abide by majority decisions of the Board, while retaining the right to seek changes in such decisions through ethical and constructive channels.
- F. I shall encourage and respect the free expression of opinion by my fellow Board Members and others who seek a hearing before the Board.”

Section 11. Oath of Office

After signing the Code of Ethics and Code of Conduct, new Board Members will recite the following Oath of Office. “I do solemnly swear that I will support the Constitution of the United States, the Constitution of the State of Illinois, Declaratory Statement of Covenants and Restrictions of Lake Carroll, the By-Laws, and the duties of Director to the best of my ability.”

Section 12. Conflict of Interest

A member of the Board may not enter into a contract with a current board member, or a corporation or partnership in which a board member or a member of his or her immediate family has a 25% or more interest, unless notice of intent to enter into the contract is given to lot owners within 20 days after a decision is made to enter into the contract and the lot owners are afforded an opportunity by filing a petition, signed by 20% of the Membership, for an election to approve or disapprove the contract.

ARTICLE VII. MEETINGS OF DIRECTORS**Section 1. Meetings**

The Board shall meet at least quarterly. Special meetings of the Board may be called by the President or any two Directors and shall be held at such place as the call or notice of the meeting shall designate. The notice of a special meeting shall be given by the President in writing or orally to each Member of the Board at least three (3) days prior to the date of said special meeting. After adoption of a resolution setting forth the times of regular meetings, no notice of such meetings shall be required. In case of emergency, the 3-day notice period may be waived. The Board shall give the Members notice of all Board meetings at least 48 hours prior to the meeting by sending notice by using a prescribed delivery method or by posting copies of notices of meetings in entranceways or other conspicuous places in the common areas at least 48 hours prior to the meeting.

Section 2. 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 3. Open Meetings

Board meetings shall be open to all Members of the Association in good standing. A majority of the voting Directors can call for a closed meeting to discuss litigation, to consider information regarding appointments, employment or dismissals, and to discuss violations of rules and regulations of the Association by a Member. Notwithstanding the foregoing, the Board shall be empowered to conduct workshops whenever deemed appropriate. No official vote may be taken at these workshop meetings.

Section 4. Rules of Order

Robert's Rules of Order Revised shall prevail.

ARTICLE VIII. OFFICERS**Section 1. Enumeration of Officers**

The Officers of the Association shall be President, Vice-President, Secretary, and Treasurer and such other Officers as the Board may from time to time by resolution create. Officers appointed by the Board that are not Directors have no voting privileges.

Section 2. Election of Officers

All officers shall be elected immediately following the Annual Meeting.

Section 3. Term

The Officers shall serve one year terms. The President and Treasurer shall be limited to three (3) successive one (1) year terms. Other Officers may be re-elected annually.

Section 4. Duties

The duties of the Officers are as follows:

- A. The President shall be the principal executive Officer of the Association, except as otherwise determined by the Board, and shall be vested with the powers and duties generally incident to the office of President of a not for profit corporation.
- B. In the absence of the President, the Vice-President is temporarily empowered to act and shall be vested with the powers and duties of the President.
- C. The Secretary shall keep the minutes of the business and other matters transacted at the meetings of the Board and Members. The Secretary shall mail, or cause to be mailed, all notices required under the By-Laws. The Secretary shall have the custody of the corporate seal and records and maintain a list of the Members and their addresses and perform all other duties incident to the office of Secretary.
- D. 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 5. Removal of Officers

Any Officer may be removed from office when, in the judgment of the Board, the best interests of the Association will be served by such removal. The act to remove any officer must be by a 2/3 vote of all Board Members.

ARTICLE IX. COMMITTEES

Section 1. Standing Committees

The standing committees of the Association shall be:

- A. Architectural/Environmental
- B. By-Laws
- C. Campground
- D. Clubhouse
- E. Finance
- F. Golf
- G. Infrastructure
- H. Lake Conservation
- I. Recreation
- J. Safety
- K. Steering
- L. Wildlife Management

Each Committee shall consist of chairperson and two or more members. The chairperson will be elected by the committee members at the first committee meeting of the year. If a chairperson gives up the chair due to resignation or other cause, a new chairperson will be elected at the next meeting. The election results must be included in the minutes of the committee meeting. The Board will assign members of the Board of Directors to serve on each Committee as liaison. The Board President and General Manager shall be ex-officio members on all Committees. The liaison Board Member shall have no vote. The General Manager may appoint a staff member as an additional liaison to all committees. The Staff Member shall have no vote.

The Board may appoint other Committees as it deems desirable. The Board shall seek Committee nominees and make appointments. Committee member appointments and removals are by majority vote of the Board of Directors. Effective January 1, 2015, each member of a committee, unless removed as

provided by a majority of the Board of Directors, shall continue as such until their successor is appointed and has qualified. In addition to making appointments from time to time when vacancies arise, the Board of Directors shall consider and review all committee appointments at the March 2015 Regular Board Meeting and every three years thereafter.

It shall be the duty of each Committee to receive comments from Members involving Association functions, duties and activities within its field of responsibility. Committees may propose conjoined activities with other cognizant committees when a proposed project or activity exceeds an individual committee's capabilities or its mission statement. It shall dispose of such comments, as it deems appropriate or refer them to other Committees or the Board.

Each standing Committee will make recommendations to the Board. Such recommendations will be in writing. Rejection, acceptance, or modifications by the Board will be announced at regular Board meetings.

Section 2. Architectural/Environmental Committee

The Architectural/Environmental Committee reviews and approves plans for proposed construction, rip rap, septic systems and other improvements to lots, recommends building code rules and regulations to the Board for approval and enforces such rules and regulations. The Committee has authority to institute fees and fines in accordance with Board approved schedules. A qualified member of one of the allied physical design professions (civil engineer, architect, land planner, etc.) is included in its membership. The Lake Carroll building inspector shall work with the A/E Committee.

Section 3. By-Laws Committee

The By-Laws Committee shall provide information and recommendations to the Board of Directors affirming that the By-Laws and land use of the Lake Carroll Development are in compliance with the governing documents. It shall promote recognition of the reciprocal benefits and responsibilities of the provisions of the Declaratory Statements of Covenants and Restrictions and By-Laws. It shall facilitate expanded understanding, availability, and dissemination of the governing documents. It shall receive and review all requests for revisions and additions to the By-Laws. It shall forward requests to be reviewed by the Board's counsel and submit them to the Board of Directors for review and approval prior to their presentation to Membership.

Section 4. Campground Committee

The Campground Committee concerns itself with the campground environs. The committee reviews the use and maintenance of the campground and recommends to the Board on such issues as rules of camping, length of stay, fee structure, and other matters pertaining to the campground area. The campground host shall serve as an integral part of this committee and may use the committee as a source of information.

Section 5. Clubhouse Committee

The Clubhouse Committee shall promote the preservation and enhancement of the Clubhouse environment including the ambience of both internal and external areas of the facility. It shall promote both the social and business enterprise by way of recommendations to the Board of Directors. The Clubhouse Manager and Golf Professional shall be an integral part of this committee.

Section 6. Finance Committee

The Finance Committee will oversee the compilation of the annual operating and fixed asset budgets, provide revenue generation and/or cost containment recommendations, investigate variances to the budget and perform special projects related to financial issues of the Association as assigned by the Board of Directors.

Section 7. Golf Committee

The Golf Committee shall promote the preservation and enhancement of the golf course environment including the golf course proper. The committee shall encourage golf course management practices which promote the health of the golf course. The Golf Committee also recommends to the Board rules of play, fee structures and other matters pertaining to the Golf Course. The Golf Professional and the Golf Course Superintendent shall be an integral part of this Committee.

Section 8. Infrastructure Committee

The Infrastructure Committee shall plan for the preservation, maintenance and enhancement of all buildings, roads, parks and common areas and any other amenities not herein defined. The maintenance manager shall be an integral part of this Committee.

Section 9. Lake Conservation Committee

The Lake Conservation Committee shall promote the preservation of the lake environment, including the dam, shoreline, beaches and docks. It shall review the lake management practices concerning the health of the lake, and encourage proper watershed and lake use management to help guarantee the proper lake water quality for the future. The lake manager shall be an integral part of this Committee.

Section 10. Safety Committee

The Safety Committee reviews the safety rules and regulations of the Association and recommends appropriate revisions to the Board. The Committee is responsible for monitoring security in its enforcement and public service duties, particularly as it pertains to controlling vehicular safety on the Association's roads, trails and the lake's waterways, and fire safety in Lake Carroll's environs. It presents relevant matters to the Board. The security chief shall be an integral part of this committee.

The Committee shall establish and maintain the hearing panel selected from its members. This panel may deliberate concluded testimony and questioning in closed session upon a motion duly made, seconded and approved by a majority of the panel's members.

Section 11. Recreation Committee

The Recreation Committee shall encompass all recreation activities under the control of the Association's Recreation Director. The committee shall promote the enhancement of the recreation environment; encourage maintenance and management practices relative to facilities which include the Recreation Center, Aquatic Center, Ski Hill, and all other activities under the Recreation Director's jurisdiction. The Committee will work to encourage and promote the health of our recreation community. The Committee will serve as a recommending body to the Board for Rules and Regulations that may be related to the recreation environment. The Lake Carroll Recreation Director shall be an integral part of this committee

Section 12. Steering Committee

The Steering Committee develops and examines the long-term needs for the future of Lake Carroll. The committee in conjunction with other standing committees will research, prioritize, and recommend strategies to meet the needs identified. The Committee may establish public relations programs with

local townships, villages, towns and counties as approved by the Board.

Section 13. Wildlife Management Committee

The Wildlife Management Committee shall promote the preservation and enhancement of all appropriate wildlife population within the Lake Carroll environs; specifically related to but not limited to the deer and turkey population. The committee shall encourage proper management practices, such as hunting, which promote the health of Wildlife Management. The Wildlife Management Committee also recommends to the Board rules of hunting, fee structures and other matters pertaining to Wildlife Management. The Lake Manager shall be an integral part of this Committee.

Section 14. Clubs

The Board recognizes various clubs serving specific Member interests. Officers of clubs shall be Association members in good standing.

- A. Clubs shall submit a current list of officers to the Association office each year immediately following their election.
- B. When applicable, By-Laws of clubs or statement of purpose shall be kept on file at the Association office.
- C. Club By-Laws shall be subservient to Association By-Laws and Declaratory Statement of Covenants & Restrictions.

ARTICLE X. RENTALS

Section 1. Administration

- A. REGISTRATION. It shall be the duty and obligation of any Owner who contracts for or permits, either directly or indirectly the use or occupancy of a Dwelling by a Lessee to register with the Association as follows:
 1. Provide acceptable written documentation, as may be appropriate, that a special use permit has been issued by the appropriate governmental authorities.
 2. No less than two (2) weeks prior to the use and/or occupancy of a Lessor's Dwelling by a Lessee, the Lessor shall register as a Lessor with the Association using forms provided by the Association.
 3. A Lessor shall deliver to the Association a copy of the signed lease or if the lease is oral, a memorandum of the lease and the terms of the lease, no less than 10 days prior to occupancy or 10 days after the lease is signed, whichever occurs first. This includes leases between a Lessor and a Member Lessee.

- Additionally, within this time period, the Lessor shall execute a power of attorney authorizing the Board of Directors to act on his/her behalf in evicting the Tenant for failure to adhere to the terms of the Declarations, By-Laws or Rules and Regulations of the Association.
4. A Lessee who wishes to use the amenities as an Associate Member shall register his/her vehicles and pay fees as hereinafter provided as specified in Chapter 1, Section A.3. of the Rules and Regulations.
- B. FEES AND CHARGES**
1. A Lessee who is not a member and wishes to use the amenities as an Associate Member shall pay a Membership fee equal to the annual dues, prorated to the length of the lease.
 2. Lessors shall be held responsible for any unpaid fines or damage to Association property by their Lessees.

Section 2. Rights and Obligations

- A. Lessors are fully responsible for the actions of their non-member Lessees.
- B. A Lessee who is considered a Tenant or Regular Occupant has the right to pay a membership fee, in which case that Lessee shall be considered an Associate Member in good standing.
- C. The terms of all Governing Documents, By-Laws and Rules and Regulations of the Association shall be applicable to Lessees and shall be deemed to be incorporated in any lease for a dwelling owned by a Lessor.
- D. It is the obligation of the Lessor to provide a copy of the By-Laws and Rules and Regulations of the Association to their non-member Lessees.
- E. It is the obligation of the Lessee to be aware of the By-Laws and Rules and Regulations of the Association.
- F. It is the obligation of the Lessor to be a member in good standing, pay, and keep current any and all Association fees, assessments, charges, costs and expenses which may be imposed upon the Lessor by the Association.
- G. It is the obligation of the Lessor to show satisfactory evidence of garbage collection at the dwelling being leased that is acceptable to the Association.

Section 3. Owner Additional Requirements

- A. The Lease must be made expressly subject to the terms of the Declarations, By-Laws, and Rules and Regulations of Lake Carroll.
- B. In the event of any default by any Lessor, his Tenant, or guest in the performance of obligations under the Declarations, By-Laws, or the Rules and Regulations of the Board of Directors, the Board or its agents, shall have such rights and remedies as provided in the Declarations and By-Laws including the right, but not the obligation, to file in the name of the

Lessor to an action for possession against his tenant for the benefit of all other Lessors in the manner prescribed by Article IX of the Illinois Code of Civil Procedure. Any attorney's fees incurred by the Association arising out of a default by any Lessor, his tenant, or guest in the performance of any of the provisions of the Declarations and By-Laws, Rules and Regulations or any applicable statute or ordinance of Carroll County shall be added to, and deemed a part of the assessments and charges under the Declarations.

ARTICLE XI. MISCELLANEOUS

Section 1. Indemnification of Directors, Officers and Employees

- A. Indemnification of Officers and Directors. Neither the Members of the Board, nor the Officers, shall be liable for any mistake of judgment or for any other acts or omissions of any nature whatsoever as Board Members and Officers, except for any acts or omissions found by a court to constitute willful misconduct in performance of their duties. The Association shall indemnify and hold harmless each of the Members of the Board and each of the Officers against all contractual and other liabilities arising out of contracts made by, or other acts of, the Board and Officers when acting in their official capacity as Board Members or Officers of the Association.
- B. Indemnification of Employees of the Association. Every employee of the Association shall not be liable for any mistakes of judgment or for acts or omissions of any nature whatsoever when acting during the course of their employment or when following the directions or policies as promulgated by the Board of Directors or Officers of the Association.
- C. Extent of Indemnification. It is intended that the foregoing indemnifications shall include indemnification against all costs and expenses (including, but not limited to, attorneys fees, amounts of judgment paid and amounts paid in settlement) incurred in connection with the defense of any claims, actions, suits or proceedings whether civil, criminal or administrative. Such indemnification by the Association shall not be operative with respect to any person that was adjudged to be liable for any acts or omissions found by a court to constitute willful misconduct in the performance of their duties or any matter settled or compromised for which there is no reasonable ground for such settlement or compromise.

- D. Fidelity Insurance. The Association shall obtain and maintain fidelity insurance covering persons who control or disburse funds of the Association for the maximum amount of coverage that is commercially available or reasonably required to protect funds in the custody or control of the Association.

Section 2. Books and Records

- A. Inspection by Members. Copies of the following shall be available for inspection and copying by any Member of the Association, or by duly appointed representative, at any reasonable time at the office of the Association:
1. Recorded Declaration of Covenants and Restrictions and By-Laws and any amendments, Articles of Incorporation, annual reports, and any rules and regulations adopted by the Board,
 2. The Membership register (including names, mailing addresses, and voting rights),
 3. Financial records (excluding personnel records),
 4. Minutes of meetings of the Members, the Board of Directors and of Committees for not less than seven (7) years,
 5. Ballots and proxies related thereto, if any, for any election held for the Board and for any other matters voted on by the lot owners for not less than one (1) year,
 6. With a written statement of a proper purpose such other records of the Board as are available for inspection by members of a not for profit corporation pursuant to Section 107.75 of the General Not For Profit Corporation Act of 1986.
 7. With respect to lots owned by a land trust, a living trust, or other legal entity, the trustee, officer, or manager of the entity may designate in writing, a person to cast votes on behalf of the lot owner and a designation shall remain in effect until a subsequent document is filed with the Association.

A reasonable fee covering the direct out-of-pocket cost of copying and providing such information may be charged by the Association to the Member for providing the information.

- B. Inspection by Perspective Buyer. In the event of any resale of a Lot by an Owner, the Board shall make available for inspection to the perspective purchaser, upon demand, the following:

1. A copy of the Declaration of Covenants and Restrictions, other instruments, and any rules and regulations,
2. A statement of any liens, including a statement of the account of the Lot setting forth the amounts of unpaid assessments and other charges due and owing,
3. A statement of any capital expenditures anticipated by the Association within the current or succeeding two (2) fiscal years,
4. A statement of the status and amount of any reserve or replacement fund and any other fund specifically designated for Association projects,
5. A copy of the statement of financial condition of the Association for the last fiscal year for which such a statement is available,
6. A statement of the status of any pending suits or judgments in which the Association is a party,
7. A statement setting forth what insurance coverage is provided for all lot owners by the Association.

The President of the Board or other designated officer shall furnish the above information within thirty (30) days after receiving a written request for such information.

Where a request for records under this subsection is made in writing to the board or its agent, failure to provide the requested record or to respond within 30 days shall be deemed a denial by the Board.

If the Board fails to provide records properly requested within the time period provided the lot owner may seek appropriate relief and shall be entitled to an award of reasonable attorney's fees and costs if the lot owner prevails and the court finds that such failure is due to the acts or omissions of the Board of Directors.

A reasonable fee covering the direct out-of-pocket cost of copying and providing such information may be charged by the Association to the Lot seller for providing the information.

C. Rules for inspection. The Board shall establish reasonable rules with respect to:

1. Notice to be given to the custodian of records by the Member desiring to make the inspection;

2. Hours and days of the week when such an inspection may be made;
3. Payment of the cost of reproducing copies of documents requested by a Member.

D. Inspection by Directors. Every Director shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and physical properties owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents, at the expense of the Association.

E. Board minutes shall be available to Members and published in the Lake Carroll newspaper within forty-five (45) days of the meeting. Minutes shall be recorded as recommended by Robert's Rules of Order Revised.

Section 3. Dissolution

Upon dissolution of the Association, the assets of the Association remaining after payment of its liabilities shall be distributed in accordance with a plan of distribution adopted by the Board of Directors and approved by the Members pursuant to the Illinois Not For Profit Corporation Act.

If a plan of distribution is not adopted by the Board of Directors within six (6) months after the Members adopt a resolution approving the dissolution of the Association, the assets of the Association not held upon a condition requiring return, transfer or conveyance by reason of the dissolution, shall be transferred or conveyed to one or more domestic entities, societies or organizations engaged in activities substantially similar to those of the Lake Carroll Association, pursuant to a plan of distribution adopted by the Members.

Section 4. Amendments

These By-Laws may be amended by a majority vote of the Members eligible to vote, either in person or by proxy, at the Annual Meeting or a special meeting of the Membership called for the purpose of considering the same.

By-Law amendments must be submitted to the By-Laws Committee which shall review the amendment(s) proposed and submit its report to the Board of Directors. The Board shall review any proposed By-Law amendment(s) prior to presentation to the Membership. Notice of proposed amendment(s) shall be mailed to all Members in good standing not less than ten (10) days nor more than thirty (30) days before the date of the meeting during which said amendment(s) may be considered.

This revision is dated with the effective date as specified in the resolution approving these By-Laws, voted upon by the Membership at a special meeting convened for said purpose, and shall supersede and replace all previous By-Laws of Lake Carroll. Amendments to the By-Laws shall not be valid unless such amendments are duly recorded. Amendments shall be executed and recorded by the President of the Board or other designated officer. An amendment of the By-Laws shall be deemed effective upon recordation, unless the amendment sets forth a later effective date.

Section 5. Fractional Interests Prohibited

The Association shall not recognize nor shall there be permitted fractional interests in any Lot or residence located within the Association.

Section 6. Loan Approval

Effective January 1, 2011, any Fixed Asset or Capital Improvement expenditure which is to be funded, either in whole or in part, by a loan from a financial institution must be approved in advance by a majority of the votes entitled to be cast at the next Annual Meeting of the Association or a Special Meeting at which a quorum is present called by the Board of Directors for said purpose (Article IV. Section 5. Quorum). The question of any such loan, along with any proposed Fixed Asset or Capital Improvement expenditure related thereto, shall be included as a separate line item in the Association's budget proposal and in any accompanying Proxy, it being the specific intent hereof that each Member shall have the opportunity to vote against said proposal without that vote affecting any of the remaining proposed budget expenditures.

Notwithstanding the foregoing, the terms and provisions of this section shall not apply to those instances explained in Article VI. Board of Directors. Section 6. Powers/Duties K. Financial Responsibilities (7).