

LAKEWOOD ORCHARD HOMEOWNERS ASSOCIATION
BY-LAWS

Article 1
Name and Location

The name of the corporation is LAKEWOOD ORCHARD HOMEOWNERS ASSOCIATION, hereinafter referred to as the "Association." The principal office of the corporation shall be located at 2700 W. Higgins Road, Suite 100, Hoffman Estates, Illinois 60195, but meetings of Members and Directors may be held at such places within the State of Illinois as may be designated by the Board of Directors.

Article 2
Definitions

2.1 "Association" shall mean and refer to Lakewood Orchard Homeowners Association, an Illinois not-for-profit corporation, its successors, and assigns.

2.2 "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the Development recorded in the Office of the Recorder of Deeds of Lake County, Illinois.

2.3 "Developer" shall mean and refer to Lakewood Orchard Phase III, LLC, a Delaware limited liability company and its agents, successors, and assigns.

2.4 "Development" shall mean and refer to that certain real property described in the Declaration and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

2.5 "First Mortgagee" shall mean and refer to those holders of first mortgages on Units who are defined as being "First Mortgagees" in Article I of the Declaration.

2.6 "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration.

2.7 "Owner" shall mean and refer to the record owner, whether one or more persons or entities and including the Developer where applicable, of the fee simple title to any Unit which is a part of the Development, but shall not mean or refer to a mortgagee unless and until such mortgagee has acquired title pursuant to foreclosure or any proceeding or transfer in lieu of foreclosure.

2.8 "Turnover Date" shall mean and refer to the earlier of (a) the date Developer elects voluntarily to turn over to the members of the Association the authority to appoint the Board, or (b) the earlier of (i) four (4) months after seventy-five (75%) percent of the units have been conveyed to purchasers of units or (ii) three (3) years after the first unit is conveyed to a member.

2.9 "Unit" shall mean a platted lot other than a platted lot designated as a common area or for common use or benefit.

Article 3

Membership and Voting Rights

3.1 Qualifications for Membership. Every person or entity who is a record owner of a fee or undivided fee interest in any Unit in a portion of the Development shall be a Member of the Association and said membership shall be appurtenant to said Unit, and each purchaser of any Unit by acceptance of a deed therefor covenants and agrees to be a Member of the Association whether or not it shall be so expressed in any such deed or other conveyance, provided that any such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a Member.

3.2 Voting Rights of Members. The Association shall have two classes of voting membership:

- (a) Class A. Class A Members shall be all those Owners as defined in Section 1.10 of the Declaration with the exception of the Developer. Class A Members shall be entitled to one vote for each Unit in which they hold the interest required for membership by Section 8.4 of the Declaration. When more than one person holds such interest in any Unit, all such persons shall constitute one Member. The vote for such Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Unit.
- (b) Class B. The Class B Member shall be the Developer. The Class B Member shall be entitled to three (3) votes for each Unit in which it holds the interest required for membership by Section 8.4 of the Declaration, provided that the Class B membership shall close and be converted to Class A membership on the Turnover Date.

3.3 Conditions of Continued Membership. As provided in the Declaration, the rights of membership are subject to the making of capital contributions called for by the Association and the payment of annual and special assessments levied by the Association, the obligation for which capital contributions and assessments are imposed against each Owner of a Unit and which are secured by a lien upon the Unit and against which the call for contribution or assessment is made. A Member who is delinquent in payment of such capital contribution or assessment will be subject to additional charges, all of which may be enforced by any legal action against the Owner, and/or foreclosure of the aforesaid lien.

3.4 Suspension of Membership Rights. The membership rights of any person whose interest in the Development is subject to the making of capital contributions and the payment of assessments under Section 3.3 hereof, whether or not he be personally obligated to pay such capital contributions and assessments, may be suspended by action of the Board of Directors during the period when a capital contribution or assessment or installment of either remains

unpaid; but, upon full payment of such assessment or installment, his rights and privileges shall be automatically restored.

Article 4 Meeting of Members

4.1 Annual Meetings. The first annual meeting of the Members shall be held no later than sixty (60) days after the Turnover Date, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter, at the hour of 8 o'clock p.m. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

4.2 Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors or upon written request of the Members equaling one-fourth (1/4) of all the votes of the Class A membership.

4.3 Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of the secretary or person authorized to call the meeting, by mailing a copy of such notice postage prepaid, at least 15 days before such meeting to each Member entitled to vote thereat, addressed to the Member's address last appearing on the books of the Association, or supplied by such Member to the Association for the purpose of notice. Such notice shall specify the place, day, and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

4.4 Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or be represented.

4.5 Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall be revocable and shall automatically expire upon conveyance by the Member of his Unit.

Article 5 Board of Directors; Selection; Term of Office

5.1 Number. The affairs of this Association shall be managed by a Board of five (5) directors.

5.2 Term of Office. At the first annual meeting, the Members shall elect one director for a term of one year, two directors for a term of two years, and two directors for a term of three years and at each annual meeting thereafter the Members shall elect a director for the position of

the director whose tenure expires on that date for a term of three years. Prior to the Turnover Date the first and subsequent Board shall be appointed by the Developer.

5.3 Removal. Any director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. In the event of death, resignation, or removal of a director, his successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his predecessor.

5.4 Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

5.5 Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of a majority of the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

Article 6 **Nomination and Election of Directors**

6.1 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman, who shall be a Member of the Board of Directors, and two or more Members of the Association who may or may not be Directors. The Nominating Committee shall be appointed by the Board of Directors prior to each annual meeting of the Members, to serve from the close of such annual meeting until the close of the next annual meeting and such appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among Members or non-members of the Association.

6.2 Election. Election to the Board of Directors shall be by secret written ballot. At such election, the Members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. **Cumulative voting is not permitted.** ←

6.3 Election of Initial Board. The election of the initial Board of Directors by the Owners shall be held not later than the Turnover Date. Developer shall give at least twenty-one (21) days notice of the meeting to elect the initial Board of Directors and shall upon request provide any Owner within three (3) working days of the request, the names, addresses, telephone numbers (if in the records of the Association), and weighted vote of each Owner entitled to vote at the meeting. Any Owner shall upon request be provided with the same information, within three (3) working days of the request, with respect to each subsequent meeting to elect Members of the Board of Directors. If the initial Board is not elected by the Owners at the time established, Developer shall at least once a year thereafter conduct meetings to turn over the

Association following the procedures set forth in this Section. Developer shall continue in office until an initial Board is elected or until thirty (30) days after the Developer sends notice of its resignation of Board responsibilities to all Owners entitled to vote at an election for members of the Board, at which time Developer shall have no further rights, duties, or obligations to the Members other than to turn over Association records and documents as herein provided to a duly constituted Board.

Article 7 **Meetings of Directors**

7.1 Regular Meetings. Regular meetings of the Board of Directors shall be held at least semi-annually without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held as scheduled by the Board of Directors.

7.2 Special Meetings. Special meetings of the Board of Directors shall be held when called by the president of the Association, or by any two directors, after not less than three (3) days' notice to each director, provided, however, that attendance or written waiver shall be deemed as conclusive evidence of proper notice.

7.3 Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

7.4 Meetings Open to Members. Meetings of the Board of Directors shall be open to any Owner, except for the portion of any meeting held:

- (a) to discuss litigation when an action against or on behalf of the Association has been filed and is pending in a court or administrative tribunal, or when the Board of Directors finds that such an action is probable or imminent;
- (b) to consider information regarding appointment, employment, or dismissal of an employee; or
- (c) to discuss violation of rules and regulations of the Association or unpaid common expenses owned to the Association.

Any vote on the foregoing matters shall be taken at a meeting or portion thereof open to any Owner. Any Owner may record the proceeding at meetings required to be open by this Article 7 by tape, film, or other means; the Board of Directors may prescribe reasonable rules and regulations to govern the right to make such recordings. Notice of meetings shall be mailed or delivered at least forty-eight (48) hours prior thereto, unless a written waiver of such notice is signed by the persons entitled to notice before the meeting is convened. Copies of notice of meetings of the Board of Directors shall be posted in entranceways, elevators, or other conspicuous places in the project at least forty-eight (48) hours prior to the meeting of the Board of Directors. In the event of a resale of a Unit, the purchaser of a Unit from a seller other than

Developer, pursuant to an installment contract for purchase shall, during such times as he/she resides in the Unit, be counted toward a quorum for purposes of election of Members of the Board of Directors at any meeting of the Owners called for purposes of electing Members of the Board of Directors, and shall have the right to vote for the election of Members of the Board of Directors and to be elected and to serve on the Board of Directors unless the seller expressly retains in writing any or all of these rights. In no event may the seller and purchaser both be counted toward a quorum, be permitted to vote for a particular office, or be elected and serve on the Board of Directors. Satisfactory evidence of the installment contract shall be made available to the Association or its agents. "Installment Contract" shall have the same meaning as set forth in subsection (e) of Section 1 of the Dwelling Unit Installment Contract Act.

Article 8 **Powers and Duties of the Board of Directors**

8.1 Powers. The Board of Directors shall have the power to:

- (a) suspend the voting rights of a Member during any period in which such Member shall be in default in the payment of any capital contribution or assessment levied by the Association. Such rights may also be suspended after notice and hearing, for a period not to exceed 30 days for infraction of published rules and regulations;
- (b) exercise for the Association all powers, duties, and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, or the Declaration;
- (c) declare the office of a Member of the Board of Directors to be vacant in the event such Member shall be absent from three (3) consecutive regular meetings of the Board of Directors; and
- (d) employ a manager, an independent contractor, or such other employees or agents as they deem necessary, and to prescribe their duties. Any management contract entered into by the Developer on behalf of the Association shall not bind the Association unless said contract contains a reasonable employment term and a right of termination without cause, exercisable by the Association without penalty, and upon notice of 90 days or less.

8.2 Duties. It shall be the duty of the Board of Directors to:

- (a) cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at the annual meeting of the Members, or any special meeting when such statement is requested in writing by one-fourth (1/4) of the Class A Members who are entitled to vote;
- (b) supervise all officers, agents, and employees of this Association, and to see that their duties are properly performed;

- (c) as more fully provided in the Declaration, to:
 - (i) fix the amount of any capital contribution called for or the amount of the annual or special assessment against each Unit at least thirty (30) days in advance of the due date of such capital contribution or assessment (or the first installment of either, if such contribution or assessment is to be made in installments);
 - (ii) send written notice of each capital contribution or annual or special assessment to every Owner subject thereto at least thirty (30) days in advance of the due date of such capital contribution or assessment (or the first installment of either, if such contribution or assessment is to be made in installments);
 - (iii) take all reasonable steps to obtain payment of capital contributions and assessments (or installments of either) which are not paid within thirty (30) days of their due date, including, without limitation (where such action is required in the Board's judgment), enforcing the Association's lien rights against the delinquent Owner's Unit and bringing any legal action against the Owner personally obligated to pay the same, or both; and
 - (iv) cause a roster of Units to be prepared, stating the amount of any capital contributions and the annual and special assessments applicable thereto, on which roster shall be reported each payment of such contributions and assessments when received; such roster to be kept in the office of the Association and to be open to inspection by any Member and any First Mortgagee during regular business hours.
- (d) issue, or cause an appropriate officer or collecting agent designated by the Board to issue, upon demand by any Member or First Mortgagee, a certificate setting forth whether or not all capital contributions and assessments (or installments thereof) against such Unit which are then due and payable have been paid as of the date of such certificate. A reasonable charge may be made by the Board for the issuance of such certificates. If a certificate states that a capital contribution or assessment (or an installment of either) has been paid, such certificate shall be conclusive evidence of such payment;
- (e) cause a roster of First Mortgagees to be prepared and maintained in a current manner, which roster shall contain the names of all First Mortgagees, and the addresses to which notices to such First Mortgagees are to be sent, and shall identify the Units which are subject to the first mortgages held by such First Mortgagees;
- (f) procure and maintain liability, casualty, and hazard insurance on property owned by the Association, a fidelity bond or insurance policy covering all persons

who are responsible for handling the funds of the Association, directors' and officers' liability insurance for the directors and officers of the Association, if available, and such other insurance as the Board of Directors shall deem to be necessary or desirable in carrying out its responsibilities under the Declaration; and

(g) cause all officers or employees having fiscal responsibilities to be bonded or insured, as it may deem appropriate.

Article 9

Officers and Their Duties

9.1 Enumeration of Offices. The officers of the Association shall be a president and vice president, who shall at all times be Members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

9.2 Election of Officers. The officers shall be elected by majority vote of the directors at the first meeting of the Board of Directors following each annual meeting of the Members except that the initial Board of Directors named in the Articles of Incorporation shall elect the initial officers of the Association at the first meeting of such Board of Directors.

9.3 Term. The officers of the Association shall be elected annually by the Board and (with the exception of the initial officers who shall serve only until the first meeting of the Board after the first annual meeting of the Members) each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or shall be otherwise disqualified to serve.

9.4 Special Appointments. The Board may appoint such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

9.5 Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving notice thereof to the Board, the president, or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and the acceptance of such resignation shall not be necessary to make it effective.

9.6 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

9.7 Multiple Offices. Any offices may be held by the same person, subject to applicable law.

9.8 Duties. The duties of the officers are as follows:

(a) President. The president shall preside at all meetings of the Board of Directors, shall see that orders and resolutions of the Board of Directors are carried out, shall have the power to sign all leases, mortgages, deeds, and other written instruments on behalf of the Association, and shall co-sign all checks and promissory notes of the Association.

(b) Vice President. The vice president shall act in the place and stead of the president in the event of his absence, inability, or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board of Directors.

(c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the Members in books to be kept for that purpose; shall keep the corporate seal of the Association and affix it on all papers requiring said seal; shall serve notice of meetings of the Board of Directors and of the Members; shall keep appropriate current records showing the Members of the Association together with their addresses as registered with him by such Members; and shall perform such other duties as are required by the Board.

(d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors, provided, however, that such a resolution shall not be necessary for disbursements made in the ordinary course of business conducted within the limits of a budget adopted by the Board of Directors; shall co-sign all checks and promissory notes of the Association, provided that such checks shall also be signed by the president or the vice president; shall keep proper books of account; shall maintain the roster of assessments referred to in Section 8.2(c) (iv) hereof and the roster of First Mortgagees referred to in Section 8.2(e) hereof; may cause an annual audit of the Association books to be made by a certified public accountant (and shall cause such an audit and provide an audited financial statement for the preceding fiscal year to all mortgagees who request it); shall make a written report monthly to each Director; shall cause the financial statement of the Association to be delivered to each Member prior to the annual meeting of the membership; shall prepare an annual budget for the forthcoming fiscal year and submit it for review and adoption by the Board of Directors; and shall deliver a copy of the adopted budget to each Member.

Article 10 Committees

The Association shall appoint a Nominating Committee, as provided herein. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose or implementing the Declaration.

Article 11 **Books and Records**

Current copies of the Declaration, these By-Laws and other rules concerning the Development, and the books, records, and financial statements of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member, or by holders, insurers, or guarantors of the First Mortgages on the Units.

Article 12 **Indemnification**

12.1 Indemnification of officers and directors. The Association shall indemnify the officers and directors of the Association to the full extent permitted or allowed by the laws of the State of Illinois including any person who, by reason of the fact that he is or was an officer or director of the Association, is made a party or is threatened to be made a party to any litigation, claim, suit, action, or other proceeding of any kind, against expenses (including reasonable attorneys' fees), liabilities, judgments, costs, fines, penalties, amounts paid in settlement, and other losses, actually and reasonably incurred by him in connection with the defense or settlement thereof, if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Association, and if he had no reasonable cause to believe his conduct was unlawful. No indemnification shall be made in respect of any claim or matter as to which such person shall have been adjudged to be liable for gross negligent or willful misconduct in the performance of his duty to the Association.

12.2 Indemnification Non-Exclusive. The indemnification provided hereby shall not be deemed exclusive of any other rights to which those seeking indemnification (whether or not they are officers or directors) may be entitled under any law, agreement, vote of Members, or directors or otherwise, both as to action in official capacities and as to action in other capacities, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors, and administrators of the person being so indemnified.

Article 13 **Assessments**

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments and capital contributions which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which

are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the highest rate permitted by Illinois law, and the Association may bring legal action against the Owner personally obligated to pay the same or foreclose the lien against his property, and interest, costs, and reasonable attorneys' fees of any such action shall be added to the amount of such

assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by abandonment of his Unit.

Article 14 **Corporate Seal**

The Association may have a seal in circular form having within its circumference the words:

LAKWOOD ORCHARD HOMEOWNERS ASSOCIATION

Article 15 **Amendments**

15.1 Amendment. These By-Laws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy.

15.2 Developer's Power to Amend. To comply with governmental requirements, a power coupled with an interest is hereby retained by and granted to the Developer (acting by and through its duly authorized officers), its successors, assigns or designees, as attorney-in-fact to amend this Declaration, the By-Laws of the Association, or the Articles of Incorporation of the Association, for the purpose of either or both (a) compliance with requirements of the Veterans Administration, the Department of Housing and Urban Development, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, any successor to any of such organizations and any other federal, state or local governmental entity or agency, or (b) correcting any typographic or scrivener's error; and (c) meeting requirements of the Internal Revenue Code as now or hereafter amended, (i) relating to organizations exempt from tax or (ii) specifically exempting homeowners' associations from any federal income tax; provided that Developer shall have no obligation to cause any such amendment to be made. The acceptance of each deed, mortgage or other instrument with respect to any Unit which is subject to the Declaration shall be deemed to be a confirmation of such power to such attorney-in-fact and shall be deemed to constitute a consent and agreement to and acceptance, confirmation and ratification of all such amendments.

Article 16 **Miscellaneous**

16.1 Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation of the Association.

16.2 Captions. The paragraph captions in these By-Laws are for convenience only and do not in any way define, limit, describe, or amplify the terms and provisions of these By-Laws or the scope or intent thereof.

16.3 Inconsistencies Among Documents. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.