

The By-Laws of
ROCK COVE TOWNHOUSE ASSOCIATION, INC.
an Illinois not-for-profit corporation

ARTICLE I
NAME OF CORPORATION

The name of this corporation is ROCK COVE TOWNHOUSE ASSOCIATION, INC.

ARTICLE II
PURPOSE AND POWERS

2.01 PURPOSES: The purposes of this Association are to act on behalf of its members collectively, as their governing body for civic functions and other purposes, with respect to the preservation, care, maintenance, replacement, improvement, enhancement, operation and administration of both real and personal property and for the promotion of the health, safety and welfare and the common use and enjoyment thereof by members of the Association, all on a not-for-profit basis. These By-Laws are subject to the provisions of the Declaration of Covenants, Conditions, Restrictions and Easements for Rock Cove Townhouse Association (the "Declaration") recorded on June 14, 1989, in the office of the Recorder of Deeds in Jo Daviess County, as Document No. 197941. All terms used herein shall have the meanings set forth in the Declaration.

2.02 POWERS: The Association shall have and exercise all powers as are now or may hereafter be granted by the General Not-For-Profit Corporation Act of the State of Illinois, the Declaration and these By-Laws.

ARTICLE III
OFFICES

3.01 REGISTERED OFFICE: The Association shall have and continuously maintain in this state a registered office and a registered agent whose office is identical with such registered office, and may have other offices within or without the State of Illinois as the Board may from time to time determine.

3.02 PRINCIPAL OFFICE: The Association's principal office shall be maintained at the office of the managing agent engaged by the Association.

ARTICLE IV
MEETINGS OF MEMBERS

4.01 VOTING RIGHTS: Any or all members may be present at any meeting of the members, but the voting rights shall be vested exclusively in the Voting Members; provided, that, prior to the Turnover Date the voting rights shall be vested exclusively in the Declarant and the Voting Members shall have no voting rights. From and after the Turnover Date, each Voting Member shall be entitled to one vote for each Dwelling Unit in the Association which he represents. The Voting Members may vote in person or by proxy. All proxies shall be in writing, revocable, valid only for eleven (11) months from the date of execution and filed with the secretary.

4.02 PLACE OF MEETING; QUORUM: Meetings of the members shall be held at the principal office of this Association or at such other place in Jo Daviess County as may be designated in any notice of a meeting. All meetings shall be conducted in accordance with the rules and provisions set forth in Roberts Rules of Order as from time to time published. Voting Members representing at least 10% of the total votes shall constitute a quorum. Unless otherwise expressly provided herein or in the Declaration, any action may be taken at any meeting of the Owners at which a quorum is present upon the affirmative vote of a majority of the votes represented at such meeting.

4.03 ANNUAL MEETINGS: The initial meeting of the Owners ("Initial Meeting") shall be held upon thirty (30) days written notice given by the Declarant. If not called earlier by the Declarant, the initial meeting of the Owners shall be held no later than thirty (30) days after the Turnover Date. Thereafter there shall be an annual meeting of the Owners on the second Saturday of March of each succeeding year, or at such other reasonable time or date (not more than thirty (30) days before or after such date) as may be designated by written notice of the Board of Directors delivered to the Owners not less than ten (10) days prior to the date fixed for said meeting.

4.04 SPECIAL MEETINGS: Special meetings of the members may be called at any time for the purpose of considering matters which, by the terms of the Declaration, require the approval of all or some of the Owners or for any other reasonable purpose. Said meetings shall be called by written notice, authorized by a majority of the Board of Directors, or by Voting Members representing twenty percent (20%) of the total votes, and delivered not less than ten (10) days prior to the date fixed for said meeting. The notices shall specify the date, time, and place of the meeting and the matters to be considered.

4.05 NOTICE OF MEETINGS: Notices of meetings required to be given herein may be delivered either personally or by mail to the members, addressed to such person at the address given by him to the Board of Directors for the purpose of service of such notice or the Dwelling Unit of the Owner if no address has been given to the Board of Directors. A notice of meeting shall include an agenda of business and matters to be acted upon or considered at the meeting.

ARTICLE V
BOARD OF DIRECTORS

5.01 IN GENERAL: The affairs of the Association and the direction and administration of the property shall be vested in the Board of Directors (hereinafter referred as the "Board"), which shall consist of three (3) persons ("Directors"). Each Director shall be an Owner or a Voting Member.

5.02 DEVELOPER DESIGNATED BOARDS: Anything herein to the contrary notwithstanding, until the first meeting of the members after the Turnover Date the Board shall consist of three (3) persons from time to time designated by the Declarant, who shall serve at the discretion of the Declarant. During such period the Owners may elect from among themselves that number of non-voting counselors to the Board as the Declarant may, in its sole discretion, permit.

5.03 BOARDS AFTER TURNOVER DATE: From and after the first meeting of the Owners (which shall be held no later than thirty (30) days after the Turnover Date), each member of the Board shall be an Owner or a Voting Member, or both. Within sixty (60) days after the election of a majority of the Board other than those designated by the Declarant, the Declarant shall deliver to the Board:

(a) Original copies of the Declaration, these By-Laws, the Association's Articles of Incorporation and the Association's minute book.

(b) An accounting of all receipts and expenditures made or received on behalf of the Association by the Declarant designated Boards.

(c) All Association funds and bank accounts.

(d) A schedule of all personal property, equipment and fixtures belonging to the Association including documents transferring the property to the Association.

In the event an Owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, then any officer or director of such corporation, partner or such partnership, beneficiary of such trust or manager of such other legal entity, shall be eligible to serve as director. Each director shall serve a term of one year or until his successor is appointed and qualified.

5.04 ELECTION: Each Director shall hold office until his term expires or until his successor shall have been elected or qualified. Directors may succeed themselves in office. In all elections for members of the Board, each Voting Member shall be entitled to the number of votes equal to the number of Directors to be elected multiplied by the number of Dwelling Units in the Residential Association which the Voting Member represents and cumulative voting shall be permitted. The candidate or candidates receiving the highest number of votes with respect to the number of offices to be filled shall be deemed to be elected.

5.05 ANNUAL MEETINGS: The Board shall hold an annual meeting within ten (10) days after the annual meeting of the members at such place as shall be fixed by the Directors at the annual meeting of the Owners, and no notice shall be necessary to the Director in order legally to constitute such meeting, providing a majority of the Board is present.

5.06 REGULAR MEETINGS: Regular meetings of the Board shall be held at such time and place as shall be determined at the annual meeting or, from time to time, by a majority of the Directors, provided that not less than two such meetings shall be held during each fiscal year. Notice of regular meetings of the Board shall be given to each Director, personally or by mail, at least two (2) days prior to the day named for any such meeting and such notice shall state the time and place of such regular meeting and such notice shall be posted conspicuously on the Premises so as to inform the Owners of such meetings.

5.07 SPECIAL MEETINGS: Special meeting of the Board may be called by the President or at least one-third (1/3) of the Directors then serving.

5.08 WAIVER OF NOTICE: Before or at any meeting of the Board any Director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Director at any meeting of the Board shall be a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

5.09 QUORUM: A majority of the Directors setting from time to time shall constitute a quorum for the election of officers and for the transaction of business at any meeting of the Board, provided, that if less than a majority of the Directors are present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice. Except as otherwise expressly provided herein or in the Declaration, any action may be taken upon the affirmative vote of a majority of the Directors present at a meeting at which a quorum is present.

5.10 COMPENSATION/REIMBURSEMENT FOR EXPENSES: Directors shall receive no compensation, except as expressly provided in a resolution duly adopted by the affirmative vote of 75% of the total votes. Upon the presentation of receipts or other appropriate documentation, a Director shall be reimbursed by the Association for reasonable out-of-pocket expenses incurred in the course of the performance of his duties as a Director.

5.11 REMOVAL OR RESIGNATION OF DIRECTOR: Any Director may be removed from office, with or without cause, by the affirmative vote of at least two-thirds (2/3) of the Directors then serving at any annual meeting or at a special meeting called for such purpose. Any Director may resign at any time by submitting his written resignation to the Board. If the Director was elected at a meeting of Voting Members, a successor to fill the unexpired term of such a Director may be appointed by a majority of the remaining Directors at any regular meeting or a special meeting called for such purpose and any successor so appointed shall serve the balance of his predecessor's term.

5.12 POWERS AND DUTIES OF THE BOARD: The Board shall have all of the powers and duties granted to it or imposed upon it by the Declaration, these By-Laws, and the Illinois General Not-For-Profit Corporation Act, including, without limitation, the following powers and duties:

(a) To engage the services of a manager or managing agent, who shall manage and operate the Common Area and Townhouse Unit exteriors upon such terms and with such authority as the Board may approve;

(b) To provide for the designation, hiring and removal of such employees and such other personnel, including attorneys and accountants, as the Board may, in its discretion, deem necessary or proper for the effective administration of the Association;

(c) To provide for any maintenance, repair, alteration, addition, improvement or replacement of the

Common Area and Townhouse Unit exteriors for which the Association is responsible under the Declaration and these By-Laws;

(d) To procure fire and extended coverage insurance and other insurance as provided for under the Declaration;

(e) To estimate and provide each Owner with an annual budget showing the Community Expenses;

(f) To set, give notice of, and collect Community Assessments from the Owners as provided in the Declaration;

(g) To pay the Community Expenses;

(h) To own, convey, encumber, lease or otherwise deal with real property conveyed to or purchased by the Association; and

(i) To delegate the exercise of its power to committees appointed pursuant to Article Seven of these By-Laws.

ARTICLE VI OFFICERS

6.01 OFFICERS: The officers of the Association shall be a President, one or more Vice Presidents, a Secretary, Treasurer, and such assistants to such officers as the Board may deem appropriate. All officers shall be elected at each annual meeting of the Board and shall hold office at the discretion of the Board. The President, Secretary and Treasurer shall be Directors and all other officers may, but need not be, Directors.

6.02 VACANCY OF OFFICE: Any officer may be removed at any meeting of the Board by the affirmative vote of the majority of the Directors in office, either with or without cause, and any vacancy in any office may be filled by the Board at any meeting thereof.

6.03 POWERS OF OFFICERS: The respective officers of the Association shall have such powers and duties as are from time to time prescribed by the Board and as are usually vested in such officers of an Illinois Not-for-Profit Corporation including, but not limited to, the following:

(a) The President shall be the Chief Executive Officer of the Association and shall preside at all meetings of the members and at all meetings of the Board and shall execute amendments to the Declaration and these By-Laws as provided in the Declaration and these By-Laws.

(b) The Vice President shall, in the absence or the disability of the President, perform the duties and exercise the powers of such office;

(c) The Secretary shall keep minutes of all meetings of the Owners and of the Board and shall have custody of the corporate seal of the Association and have charge of such other books, papers and documents as the Board may prescribe;

(d) The Treasurer shall be responsible for Association funds and securities and for keeping full and accurate accounts of all receipts and disbursements in the Association books of accounts kept for such purpose.

6.04 OFFICERS' COMPENSATION: The officers shall receive no compensation for their services except as expressly provided by a resolution duly adopted by the Voting Members.

ARTICLE VII COMMITTEE DESIGNATED BY BOARD

7.01 BOARD COMMITTEES: The Board, by resolution adopted by a majority of the Directors in office, may designate one or more committees, each of which shall consist of two or more Directors, which committees, to the extent consistent with law and as provided in said resolution, shall have and exercise the authority of the Board in the management of the Association; but the designation of such committees and delegation thereto of authority shall not operate to relieve the Board, or any individual Director, of any responsibility imposed upon it or him by law.

7.02 SPECIAL AND STANDING COMMITTEES: Other committees not having and exercising the authority of the Board in the management of the Association may be designated by a resolution adopted by a majority of the Directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such committee shall be Owners or representative of Owners and the President of the Association shall appoint the members thereof and shall designate a Director to act as a liaison between such committee and the Board. Any member thereof may be removed by the President of the Association whenever

in his judgment the best interests of the Association shall be served by such removal. The powers and the duties of any such standing committee shall be as set from time to time by resolution of the Board. The chairman of each standing committee shall be a Director (who shall act as the liaison between the committee and the Board), and the other members of the committee (which need not be Directors) shall be appointed and removed from time to time by the chairman.

7.03 TERM: Each member of a committee shall continue as such until the next annual meeting of the Board and until his successor is appointed, unless the committee shall be sooner terminated, or unless such member shall be removed from such committee, or unless such member shall cease to qualify as a member thereof.

7.04 CHAIRMAN: One member of each committee shall be appointed chairman.

7.05 VACANCIES: Vacancies in the membership of any committee may be filled by appointments made in the same manner as provided in the case of the original appointments.

7.06 QUORUM: Unless otherwise provided in the resolution of the Board designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

7.07 RULES: Each committee may adopt rules for its own government not inconsistent with the Declaration, these By-Laws or with rules adopted by the Board.

ARTICLE VIII CONTRACTS, CHECKS, DEPOSITS AND FUNDS

8.01 CONTRACTS: The Board may authorize any officer or officers, agent or agents of the Association, in addition to the officers so authorized by these By-Laws, to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Association and such authority may be general or confined to specific instances. In the absence of any such authorization by the Board, any such contract or instrument shall be executed by the President or a Vice President and attested to by the Secretary or an Assistant Secretary of the Association.

8.02 PAYMENTS: All checks, drafts, vouchers or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Association shall be signed

by such officer or officers, agent or agents of the Association, and in such manner as shall from time to time be determined by resolution of the Board. In the absence of such determination by the Board such instruments shall be signed by the Treasurer or an Assistant Treasurer and counter-signed by the President or a Vice President of the Association.

8.03 BANK ACCOUNTS: All funds of the Association not otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board shall elect.

8.04 SPECIAL RECEIPTS: The Board may accept on behalf of the Association any contribution, gift, bequest, or devise for the general purposes or for any special purpose of the Association.

ARTICLE IX
FISCAL MANAGEMENT

9.01 FISCAL YEAR: The fiscal year of the Association shall be established by the Association and may be changed from time to time by a resolution adopted by two-thirds (2/3) of the Board.

9.02 ANNUAL STATEMENT: Within a reasonable time after the close of each fiscal year the Board shall furnish each Owner with a statement of the income and disbursements of the Association for such fiscal year.

9.03 SPECIAL STATEMENT: Within ten (10) days after receipt of a written request from an Owner (together with payment of a reasonable fee, if any, set by the Board) the Board shall provide the Owner with a statement containing the following information:

(a) The status of the Owner's account and the amount of any unpaid assessments or other charges due and owing from the Owner;

(b) A brief description of any expenditures for major repairs, alterations, additions, or improvements to the Community Area which are anticipated within the period of twelve (12) months from the date of the statement; and

(c) The status and amount of any and all Capital Reserves.

9.04 ASSESSMENT PROCEDURE: Community assessments and special assessments shall be made and collected as provided in the Declaration.

ARTICLE X
BOOKS AND RECORDS

The Association shall keep correct and complete books and records of account and shall also keep minutes of the proceedings of its members, the Board, and committees having any of the authority of the Board, and shall keep at the registered or principal office of the Association a record giving the names and addresses of the members. All books and records of the Association may be inspected by any Owner, or his mortgagee, agent or attorney, for any proper purpose at any reasonable time.

ARTICLE XI
SEAL

The Board may provide for a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Association and the words "Corporate Seal, Illinois".

ARTICLE XII
AMENDMENTS

These By-Laws may be amended or modified at any time, or from time to time by the affirmative votes of Voting Members having at least 70% of the total votes, provided that prior to the Turnover Date Section 5.02 and Article XII may not be amended without the written consent of the Declarant, and provided further, that no provision of these By-Laws may be amended or modified so as to conflict with the provisions of the Declaration.

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