

**BY-LAWS
OF THE
VALLEY LAKES
COMMUNITY ASSOCIATION**

BY-LAWS
OF
THE VALLEY LAKES COMMUNITY ASSOCIATION, INC. ("ASSOCIATION")

Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Declaration of Covenants, Conditions, Restrictions and Easements for the Valley Lakes Community, as amended from time to time ("Declaration"), initially recorded in the Office of the Recorder of Deeds, Lake County, Illinois, on June 19, 1998, as Document 4154272.

ARTICLE I
OFFICES

The Association shall continuously maintain in the State of Illinois 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.

ARTICLE II
MEMBERS

SECTION 1. CLASSES OF MEMBERS. The Association shall have one (1) class of members (each, a "Member"; collectively, the "Members").

SECTION 2. QUALIFICATION OF MEMBERS. Each Unit Owner, including Declarant, or an affiliate of Declarant, shall be a Member of the Association commencing on the date such Unit Owner becomes the Record Owner of such Unit irrespective of the inclusion, exclusion, incorporation by reference, or any specific expression or lack thereof to such effect in any deed or other document of conveyance. Ownership of a Unit shall be the sole qualification for membership in the Association, which membership shall be appurtenant to and shall not be separated from such ownership.

If more than one Person is the Record Owner of a portion of the Developed Property, such as a Unit, all such Persons shall be Members of the Association; provided, however, that the voting right for a portion of the Developed Property, such as a Unit, shall be determined in accordance with Article II, Section 3 hereof.

Any Person who holds an interest in a Unit merely as security for the payment or performance of an obligation, or any Person in possession of a parcel of land or Unit under a contract to purchase such parcel or Unit, shall not be a Member of the Association.

SECTION 3. VOTING RIGHTS. Members of the Association, including Declarant, or an affiliate of Declarant, shall be entitled to cast the greater of: (1) one vote for each Unit owned; and (2) that respective number of votes calculated by multiplying (i) the total number

of acres of land in a Unit, carried to three decimal places, by (ii) three (3), with the product rounded upward to the next whole number. If any Unit for which one vote may be cast should be further divided in accordance with the consent of Declarant, one vote may be cast for each Unit resulting from any such division.

If more than one Person is the Record Owner of any one Unit, such Persons shall be entitled to only one vote and such voting right for that Unit shall be exercised as such Persons mutually agree. In the absence of agreement, the Board of Directors may decide who may cast the vote with respect to such Unit.

All votes by Members at any Members' meeting shall be cast either in person or by proxy or by individual ballot delivered to the Secretary of the Association prior to the call for a vote on the matter or matters for which such individual ballot is to be cast, and all such voting shall be conducted in accordance with such procedures as may be adopted from time to time by the Board of Directors.

The Association shall have the power to suspend the voting rights of any Member for any period during which an Assessment levied by the Association against such Member's Unit is due and remains unpaid.

SECTION 4. TERMINATION OF MEMBERSHIP. Membership in the Association shall continue until the date that a successor-in-title becomes the Record Owner of such Unit following the sale, transfer or other disposition thereof, at which time the membership in the Association of the former Record Owner of such Unit shall terminate and the new Record Owner of such Unit shall automatically become a Member. Such membership may not be sold or transferred or disposed of other than in conjunction with the sale or transfer or disposition of such ownership interest to which it is appurtenant.

ARTICLE III

MEETINGS OF MEMBERS

SECTION 1. INITIAL MEETING. Upon conveyance by Declarant of eighty-five percent (85%) of the maximum number of Units which may be located in Neighborhoods 1 through 17, as delineated on the Final Development Plan, the Members of the Association shall hold an initial meeting, hereinafter referred to as the "Initial Members Meeting." The Initial Members Meeting shall be held not more than ninety (90) days after the date that eighty-five percent (85%) of the maximum number of Units which may be located in Neighborhoods 1 through 17, as delineated on the Final Development Plan, have been conveyed by Declarant, and shall be designated by written notice of the Initial Board, delivered to each Member not less than thirty (30) days prior to the date fixed for the Initial Members Meeting.

SECTION 2. ANNUAL MEETING. Commencing one year after the Initial Members Meeting and continuing for each year thereafter, there shall be an annual Members meeting with an election to fill the offices of the directors whose terms are then expiring, hereinafter referred to as an "Annual Members Meeting." Each Annual Members Meeting shall be held on the first Monday of April of each year, or at such other reasonable date, not more than sixty (60) days before or after such date, as may be designated by written notice of the Board of Directors delivered to each Member, not less than ten (10) days prior to the date fixed for such Annual Members Meeting. The voting procedures for each director to be elected at an

Annual Members Meeting shall be the same as the voting procedures provided herein for the election of directors at the Initial Members Meeting.

SECTION 3. SPECIAL MEETINGS. Special meetings of the Members may be called at any time for the purpose of considering matters which, by the provisions of the Declaration or the Articles of Incorporation or these By-Laws of the Association, require the approval of the Members or for any other purpose, which meetings are hereinafter referred to as "Special Members Meetings." Special Members Meetings may be called by the President, the Board of Directors, or the Members having, in the aggregate, not less than a majority of the total votes of the Association. Special Members Meetings shall be held as provided in the Association Bylaws.

SECTION 4. PLACE OF MEETING. The Board of Directors may designate by resolution any place within the State of Illinois as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the registered office of the Association in the State of Illinois.

SECTION 5. NOTICE OF MEETINGS. Written or printed notice stating the place, day 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) nor more than sixty (60) days before the date of the meeting, or in the case of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets not less than twenty (20) nor more than sixty (60) days before the meeting, either personally or by mail, by or at the direction of the President, or the Secretary, or the officer or persons calling the meeting, to each Member entitled to vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail, addressed to the Member at such Member's address as it appears on the records of the Association, with postage thereon prepaid. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken.

SECTION 6. INFORMAL ACTION BY MEMBERS. Any action to be taken at any annual or special meeting of the Members entitled to vote, or any other action which may be taken at a meeting of the Members entitled to vote, may be taken without a meeting and without a vote, if a consent in writing, setting forth the action so taken, shall be signed (a) by the Members having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voting, or (b) by all of the Members entitled to vote with respect to the subject matter thereof. If such consent is signed by less than all of the Members entitled to vote, then such consent shall become effective only if at least ten (10) days prior to the execution of the consent a notice in writing is delivered to all the Members entitled to vote with respect to the subject matter thereof, and after the effective date of the consent, prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be delivered in writing to those Members who have not consented in writing.

SECTION 7. QUORUM. The presence in person or by proxy or by individual ballot delivered to the Secretary of the Association at any Members meeting of those Members representing the majority of the total votes of the Association shall constitute a quorum for the transaction of business, unless the vote of a greater number is required by the Illinois General Not For Profit Corporation Act of 1986 ("Act") or the Articles of Incorporation. Unless otherwise expressly provided herein or required by the Illinois Statutes or the Articles of Incorporation of the Association, any action may be taken at any Members meeting at which a

quorum is present in person or by proxy or by individual ballot delivered to the Secretary of the Association, as provided in Article II, Section 3 hereof, upon the affirmative vote of the majority of those votes cast by such Members present at such meeting in person or by proxy or by individual ballot delivered to the Secretary of the Association as provided in Article II, Section 3, hereof. If a quorum is not present at any meeting of Members, a majority of the Members present may adjourn the meeting at any time without further notice. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting. Withdrawal of Members from any meeting shall not cause failure of a duly constituted quorum at that meeting.

SECTION 8. PROXIES. Each Member entitled to vote at a meeting of Members or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for him by proxy, but no such proxy shall be voted or acted after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

SECTION 9. FIXING RECORD DATE FOR VOTING. For the purpose of determining Members, or in order to make a determination of Members for any other purpose, the Board of Directors may fix in advance a date as the record date for any such determination of Members, such date in any case to be not more than sixty (60) days and, for a meeting of Members, not less than ten (10) days, or in the case of a merger, consolidation, dissolution or sale, lease or exchange of assets, not less than twenty (20) days, immediately preceding such meeting. If no record date is fixed for the determination of Members, the date on which the notice of the meeting is delivered shall be the record date for such determination of Members. When a determination of Members entitled to vote at any meeting of Members has been made as provided in this Section, such determination shall apply to any adjournment thereof.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. GENERAL POWERS. The affairs of the Association shall be managed by and under the direction of its Board of Directors.

SECTION 2. NUMBER, TENURE AND QUALIFICATIONS. Upon incorporation, the Association shall be managed by an initial Board of Directors which shall consist of three (3) directors, and their successors appointed by Declarant, hereinafter referred to as the "Initial Board," and upon such appointment, the Initial Board shall elect a President, a Vice-President, a Secretary and a Treasurer, and may elect one or more Assistant Secretaries and Assistant Treasurers, who shall hold office until respective successors shall have been duly elected and qualified. The Initial Board and its successors shall hold office until the conveyance by Declarant of eighty-five percent (85%) of the maximum number of Units which may be located in Neighborhoods 1 through 17, as delineated on the Final Development Plan, at which time the Members of the Association shall hold the Initial Members Meeting, as provided in Article III, Section 1, and shall elect a Board of Directors, hereinafter referred to as the "Regular Board."

The Regular Board shall consist of three directors. There shall be three directors elected to the first Regular Board. Each Member shall have the number of votes as specified in Article II, Section 3. The Member of the first Regular Board receiving the highest number of votes shall hold office for a two-year term or until a respective successor has been duly elected and qualified, the remaining two directors shall hold office for a one-year term or until

— respective successors shall have been duly elected and qualified, and, thereafter, all directors shall hold office for a two-year term or until respective successors shall have been duly elected and qualified.

— Directors need not be residents of Illinois or Members of the Association. The number of directors may be increased to any number from time to time by the amendment of this Section.

— **SECTION 3. REGULAR MEETINGS.** A regular meeting of the Board of Directors shall be held after the Initial Members Meeting, and a regular meeting of the Board of Directors shall also be held after each subsequent Annual Members Meeting. The Board of Directors may provide, by resolution, the time and place for the holding of additional regular meetings of the Board without other notice than such resolution.

— **SECTION 4. SPECIAL MEETINGS.** Special meetings of the Board of Directors may be called on the order of the President or on the motion in writing of a majority of the directors. Meetings may be conducted by telephonic or other telecommunications. At least four (4) days' notice of such special meeting shall be given by mail or personal service to each director, unless said notice is waived in writing by all directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place as the place for holding any special meeting of the Board of Directors called by them. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting, unless specifically required by law or by these By-Laws.

— **SECTION 5. QUORUM.** The presence in person or by individual ballot delivered to the Secretary of the Association prior to the call for a vote on the matter or matters for which such individual ballot is to be cast of those Members of the Board of Directors representing the majority of the total votes of the Board of Directors shall constitute a quorum for the transaction of business, and the action of the majority of those votes cast by those Members of the Board of Directors present in person or by individual ballot delivered to the Secretary, as aforesaid, shall be the action of the Board of Directors. If a quorum is not present, the majority of those present may adjourn the meeting to another date.

— **SECTION 6. MANNER OF ACTING.** The act of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by statute, these By-Laws, or the Articles of Incorporation. The three directors elected to the Regular Board shall each be entitled to cast one vote on all matters coming to a vote before the Regular Board. The Members of the Initial Board and the Members of the Regular Board, including their successors, the officers of the Association and the managing agent, shall not be liable for any error of judgment or acts or omissions made in good faith while acting in their capacity as directors, officers or managing agent. All contracts and agreements entered into by the Board of Directors, officers and the managing agent shall be deemed executed by such parties as agent for the Unit Owners or for the Association, as the case may be.

— **SECTION 7. RESIGNATION AND REMOVAL OF DIRECTORS.** A director may resign at any time upon written notice to the Board of Directors or to the President or Secretary. A resignation is effective when the notice is delivered unless the notice specifies a future date.

One or more directors may be removed with or without cause, subject to the following: (i) A director may be removed by the affirmative vote of two-thirds of the votes present and voted, either in person or by proxy (ii) no director shall be removed at a meeting of Members entitled to vote unless the written notice of such meeting is delivered to all Members entitled to vote on removal of directors. Such notice shall state that a purpose of the meeting is to vote upon the removal of one or more directors named in the notice. Only the named director or directors may be removed at such meeting.

SECTION 8. VACANCIES. If a Member of the Regular Board resigns, is removed or is otherwise unable to act in such capacity, the Board of Directors shall have the power to fill any such vacancy by appointing as successor a Member of the Association, unless the Articles of Incorporation, a statute or these By-Laws provide that a vacancy or a directorship so created shall be filled in some other manner, in which case such provision shall control. Any successor director so appointed shall serve for the unexpired term of the director being replaced.

SECTION 9. INFORMAL ACTION BY DIRECTORS. Unless specifically prohibited by the Articles of Incorporation or these By-Laws, any other action which may be taken at a meeting of the Board of Directors, or any other action which may be taken at a meeting of the Board of Directors or a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors entitled to vote with respect to the subject matter thereof, or by all the Members of such committee, as the case may be.

SECTION 10. COMPENSATION. The Board of Directors shall not receive any stated salaries for their services, but by resolution of the Board of Directors a fixed sum and expenses of attendance, if any, may be allowed for each regular or special meeting of the Board, provided that nothing herein contained shall be construed to preclude any director from serving the Association in any other capacity and receiving reasonable compensation therefor.

ARTICLE V

OFFICERS

SECTION 1. OFFICERS. The officers of the Association shall be a President, a Vice-President, Treasurer, and a Secretary, and such Assistant Treasurers, Assistant Secretaries or other officers as may be elected or appointed by the Board of Directors. Officers whose authority and duties are not prescribed in these By-Laws shall have the authority and perform the duties prescribed, from time to time, by the Board of Directors. Any two or more offices may be held by the same person.

SECTION 2. ELECTION AND TERM OF OFFICE. The officers of the Association shall be elected annually by the Board of Directors at the regular annual meeting of the Board of Directors. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until such officer's successor shall have been duly elected and shall have qualified or until his or her death, resignation or removal. Election or appointment of an officer or agent shall not of itself create contract rights. The officers shall be subject to the control of the Board of Directors and may be removed by the majority of the votes of the directors at any regular meeting or at any special meeting called for that purpose.

SECTION 3. REMOVAL. Any officer elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Association would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 4. VACANCIES. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

SECTION 5. PRESIDENT. The President shall be the principal executive officer of the Association and shall supervise and control the business and affairs of the Association. The President shall preside at all meetings of the Members and the Board of Directors. He or she may sign, with the Secretary or any other proper officer of the Association thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Association; or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

SECTION 6. THE VICE-PRESIDENT. In the absence of the President or in the event of the President's inability or refusal to act, the Vice-President shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. The Vice-President may sign, with the Secretary or an Assistant Secretary, any contracts, deeds, mortgages, bonds, or other instruments; and shall perform such other duties as from time to time may be assigned by the President or by the Board of Directors.

SECTION 7. THE TREASURER. If required by the Board of Directors, the Treasurer shall give a bond for the faithful discharge of duties in such sum and with such surety or sureties as the Board of Directors shall determine. He or she shall: (a) have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for moneys due and payable to the Association from any source whatsoever, and deposit all such moneys in the name of the Association in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article V of these By-Laws; (b) in general, perform all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned by the President or by the Board of Directors.

SECTION 8. THE SECRETARY. The Secretary shall: (a) keep the minutes of the Members' and of the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of the seal (if any) of the Association, (d) keep a register of the post-office address of each Member which shall be furnished to the Secretary by such Member; (e) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned by the President or by the Board of Directors.

SECTION 9. ASSISTANT TREASURERS AND ASSISTANT SECRETARIES. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Treasurers and Assistant Secretaries, in general, shall perform

such duties as shall be assigned to them by the Treasurer or the Secretary, respectively, or by the President or the Board of Directors.

ARTICLE VI

COMMITTEES

SECTION 1. COMMITTEES OF DIRECTORS. The Board of Directors, by resolution adopted by a majority of the directors in office, may designate one or more committees, each of which shall consist of one or more directors, which committees, to the extent provided in said resolution and not restricted by law, shall have and exercise the authority of the Board of Directors in the management of the Association; but the designation of such committees and the delegation thereto of authority shall not operate to relieve the Board of Directors, or any individual director, of any responsibility imposed upon it or him by law.

SECTION 2. OTHER COMMITTEES. Other committees not having and exercising the authority of the Board of Directors in 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 Members of the Association, and the President of the Association shall appoint the Members thereof. Any Member thereof may be removed by the person or persons authorized to appoint such Member whenever in their judgment the best interests of the Association shall be served by such removal.

SECTION 3. TERM OF OFFICE. Each Member of a committee shall continue as such until the next annual meeting of the Members of the Association and until his successor is appointed, unless the committee shall be sooner terminated, or unless such Member shall cease to qualify as a Member thereof.

SECTION 4. CHAIRMAN. One Member of each committee shall be appointed chairman.

SECTION 5. 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.

SECTION 6. QUORUM. Unless otherwise provided in the resolution of the Board of Directors designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members of such committee present at a meeting at which a quorum is present shall be the act of the committee.

SECTION 7. RULES. Each committee may adopt rules for its own government not inconsistent with these By-Laws or with rules adopted by the Board of Directors.

ARTICLE VII

CONTRACTS, CHECKS, DEPOSITS AND FUNDS

SECTION 1. CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents, 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.

SECTION 2. CHECKS, DRAFTS, ETC. All checks, drafts 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 of Directors.

SECTION 3. DEPOSITS. 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 of Directors may select.

SECTION 4. GIFTS. The Board of Directors may accept on behalf of the Association any contribution, gift, bequest, or device for the general purposes or for any special purpose of the Association.

ARTICLE VIII

FISCAL YEAR

The fiscal year of the Association shall be fixed by resolution of the Board of Directors.

ARTICLE IX

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, Board of Directors, and committees having any of the authority of the Board of Directors, and shall keep at the registered or principal office a record giving the names and addresses of the Members entitled to vote. All books and records of the Association may be inspected by any Member, or his agent or attorney for any proper purpose during reasonable business hours, provided written notice has been given to the Association at least five (5) business days prior to the inspection.

ARTICLE X

DUES, FEES AND ASSESSMENTS

The payment of any dues, fees and assessments shall be in accordance with the Declaration.

ARTICLE XI

WAIVER OF NOTICE

Whenever any notice whatever is required to be given under the provisions of the Act or under the provisions of the Articles of Incorporation or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE XII

INDEMNIFICATION

SECTION 1. The Association shall purchase directors' and officers' liability insurance in such amounts that the officers of the Association deem reasonable. The Association shall also indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Association) by reason of the fact that such person is or was a director, officer, employee or agent of the Association, or who is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding, if such person acted in good faith and in a manner reasonably believed to be in, or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, such person had no reasonable cause to believe the subject conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that a person did not act in good faith and in a manner which such person reasonably believed to be in or not opposed to the best interests of the Association, and with respect to any criminal action or proceeding, that the person had reasonable cause to believe that the subject conduct was unlawful.

SECTION 2. The Association shall indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that such person is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection with the defense or settlement of such action or suit, if such person acted in good faith and in a manner reasonably believed to be in, or not opposed to the best interests of the Association, provided that no indemnification shall be made with respect to any claim, issue or matter as to which such person has been adjudged to have been liable for negligence or misconduct in the performance of duty to the Association, unless, and only to the extent that the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses as the court shall deem proper.

SECTION 3. To the extent that a director, officer, employee or agent of the Association has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding

referred to in Sections 1 and 2, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred in connection therewith.

SECTION 4. Any indemnification under Sections 1 and 2 (unless ordered by a court) shall be made by the Association only as authorized in the specific case, upon a determination that indemnification of the director, officer, employee or agent is proper in the circumstances because such person has met the applicable standard of conduct set forth in Sections 1 or 2. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (b) if such a quorum is not obtainable, or, even if obtainable, if a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (c) by the Members.

SECTION 5. Expenses incurred in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of the director, officer, employee or agent to repay such amount if it shall ultimately be determined that such person is not entitled to be indemnified by the Association as authorized in this Article.

SECTION 6. The indemnification and advancement of expenses provided by or granted under the other sections of this Article shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any By-Law, agreement, vote of the Board of Directors, vote of the Members, or otherwise, both as to action in such person's official capacity and as to action in another capacity while holding such office.

SECTION 7. The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or who is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against such person and incurred in any such capacity, or arising out of such person's status as such, whether or not the Association would have the power to indemnify against such liability under the provisions of this Article.

SECTION 8. If the Association has paid indemnity or has advanced expenses to a director, officer, employee or agent, the Association shall report the indemnification or advance in writing to the Members with or before the notice of the next Members' meeting.

ARTICLE XIII

AMENDMENTS

Unless the power to make, alter, amend or repeal these By-Laws of the Association is vested in the Members by the Articles of Incorporation, these By-Laws of the Association may be made, altered, amended or repealed by the Members or the Board of Directors. The By-Laws may contain any provisions for the regulation and management of the affairs of the Association not inconsistent with law or the Articles of Incorporation.

ARTICLE XIV

RIGHTS RESERVED TO DECLARANT

SECTION 1. CONTROL BY DECLARANT. ANY OTHER LANGUAGE OR PROVISION IN THESE BY-LAWS TO THE CONTRARY NOTWITHSTANDING, prior to the conveyance by Declarant of eighty-five percent (85%) of the maximum number of Units which may be located in Neighborhoods 1 through 17, as delineated on the Final Development Plan, and as determined from time to time pursuant the provisions of the applicable zoning laws and ordinances, including any variations, use permits, amendments and other modifications thereto enacted by the Village of Round Lake, Illinois or any other governmental unit or agency having jurisdiction thereof, Declarant shall have the right, exercisable at any time and from time to time and hereby expressly reserved (i) to remove and to appoint a successor for any Member or Members of the Board of Directors, any officer or officers of the Association, and any management company employed by the Association if, at any time, Declarant determines, in Declarant's sole and absolute discretion, that any such Member, officer or management company is prejudicial to the rights of Declarant reserved or granted pursuant to the Declaration; and (ii) to exercise the rights and discharge the duties and responsibilities of the Trust and to act under the conditions and in the manner provided in Section 5.1 of the Declaration. Declarant shall have the right to amend or modify the Declaration pursuant to Article XI of the Declaration.

SECTION 2. GENERAL RIGHTS. ANY OTHER LANGUAGE OR PROVISION IN THESE BY-LAWS TO THE CONTRARY NOTWITHSTANDING, Declarant shall have the right to execute all documents and undertake any actions affecting the Developed Property which, in Declarant's sole and absolute discretion, are either desirable or necessary to exercise or enforce, either directly or indirectly, any of the rights reserved or granted to Declarant in the Declaration.

SECTION 3. USE OF NAME AND LOGO. Declarant reserves the sole and exclusive right to use the name "Valley Lakes" and the logo thereof. Declarant hereby permits the Association to use the name "Valley Lakes Community Association" for the name of its Association and for no other purpose. Without the express written consent of Declarant, neither the Association nor any Unit Owner may use or license or appropriate the use of the copyright or trademark for the name "Valley Lakes" or any similar name or the logo thereof.

SECTION 4. INDIVIDUAL NEIGHBORHOOD ASSOCIATIONS. Declarant reserves the right to review and, in the sole and absolute discretion of Declarant, approve the Articles of Incorporation, Declaration of Covenants, Conditions and Restrictions, Bylaws, and rules and regulations of any Neighborhood Association created for any portion of the Developed Property, and any Declaration creating covenants, conditions, restrictions or easements to any portion of the Developed Property, and to also so review and approve all amendments to all such documents in its sole and absolute discretion, and no such documents or amendments shall be effective unless and until approved in writing by Declarant. Such documents must be in furtherance of the intents and purposes of the Declaration and must be consistent with the rights, duties, responsibilities, obligations and procedures of the Trust and the Association. No articles of incorporation shall be filed with the Secretary of State of Illinois, and no declaration of covenants, conditions and restrictions shall be effective or filed, and no Bylaws, no Community Association Rules and Regulations and no Trust Rules and Regulations shall be effective, nor shall any amendments to any such documents be effective, unless and until Declarant approves said documents in writing, which approval shall be at the sole and absolute discretion of Declarant. There shall be no other community association and

no homeowner's association formed within the Developed Property and the Property unless and until Declarant approves in writing any such formation.

SECTION 5. RESERVATION OF EASEMENT RIGHTS AND OTHER RIGHTS.

Declarant hereby reserves the exclusive right, in its sole and absolute discretion, to hereafter grant or assign, in whole or in part, to any additional Person for the use and exercise in common (i) any or all of the easement rights reserved or granted by Declarant in the Declaration, or otherwise, for purposes of further serving any part of the Developed Property or for serving any other land not within the Developed Property, and (ii) any right to tap into or connect with any utility system or any other system or facilities within the Developed Property for purposes of further serving any part of the Developed Property or for serving any other land not within the Developed Property; and, further, Declarant shall have the right, exercisable in its sole and absolute discretion, to reserve to itself, its successors and assigns, any additional easement rights for purposes of further serving the Developed Property or for serving any other land not within the Developed Property.

Any property damaged in the exercise of any of the rights reserved by this Article XIV shall be promptly repaired or restored by and at the expense of the Person exercising such rights.