

Lakes *of the* North

A Residential Recreational Community

Member Amended

By-Laws

Lakes of the North Association

Nonprofit Corporation Number 874047

Association Management Offices (AMO)

5950 Skytrails Court

Mancelona, MI 49659

Telephone (231) 585-6000

Hours Monday thru Friday 9:00-5:00

MEMBER AMENDED BY-LAWS

Amended October 1976, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1993, 1994, 1995, 1998, 1999, 2000, 2002, 2003, 2005, 2007, 2009, 2010, 2011, 2012, 2013, 2014, 2015, and 2017.

PREFACE

The Rules and By-Laws must be read in conjunction with the Michigan Non-Profit Corporation Act. If the By-Laws conflict with the Michigan Non-Profit Corporation Act, the Non-Profit Act will prevail. Any questions or correspondence regarding this document should be made at the Association Management Offices.

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BY-LAWS OF LAKES OF THE NORTH ASSOCIATION

ARTICLE I

Name

Section 1 The name of the corporation defined in the following articles shall be Lakes of the North Association, hereinafter referred to as the Association, which shall maintain offices at a designated place within the limits of the development area known as Lakes of the North.

ARTICLE II

Purpose

Section 1 To foster and advance rules and regulations deemed to be in the best interest of the Association and the development known as Lakes of the North.

Section 2 To own, acquire, build, administer and maintain community properties and facilities; to administer and enforce the covenants and restrictions contained in the Declaration of Restrictive Covenants and in these By-Laws; to collect and disburse assessments and charges as permitted by the Declaration of Restrictive Covenants and these By-Laws; and to do all things necessary and incidental, as permitted by law and under the Articles of Incorporation, to promote the common benefit and enjoyment of property owners of Lakes of the North.

Section 3 In all procedural matters not inconsistent with specific provisions of the By-Laws as then approved and amended, the most current edition of Robert's Rules of Order shall control.

ARTICLE III

Membership

Section 1 Every person or entity who owns or holds an equitable interest in any lot whether as land contract vendee or fee holder, but excluding Developer(s), who is subject to these covenants and to assessment by the Association shall be a member of the Association, provided that any such person or entity who holds such interest merely as security for the performance of an obligation shall not be a member.

- A) Except as provided for in item B) below, all lots that have present multiple ownership shall designate a principal owner among the multiple owners, who shall be registered as the principal owner at the Association offices, and that owner, and his or her spouse shall be the person(s) that have membership privileges in the Association (in accordance with ARTICLE III, Section 3(A) of the L/N By-Laws), in conformance with ARTICLE III, Section 1 of the Restrictive Covenants. All other persons having an interest in said lot or lots as a multiple owner, for whatever reason, shall have the status of guests of the principal owner.
- B) All single individuals having an interest in a lot or lots, shall designate no more than two of the said owners as principal owners, and those designees shall be the persons that have membership privileges in the Association (in accordance with ARTICLE III, Section 3(A)) of the Lakes of the North Association By-Laws), and in conformance with ARTICLE III, Section 1 of the Lakes of the North Association Restrictive Covenants. All other persons having an interest in said lot or lots as a multiple owner, for whatever reason, shall have the status of guest of the principal owner. For the purpose of election or Appointment to the Board of Directors and/or the Rules and By-Laws Committee, only one owner of a lot or lots may be designated as principal owner to be elected or appointed to the Board of Directors and/or the Rules and By-Laws Committee.

Section 2 Persons not holding such an interest in any lot may become non-voting members of the Association under terms and conditions prescribed by the Board of Directors.

Section 3

- A) Each member in good standing (with assessments paid on all lots owned) and his/her immediate family under age 21 living in that household and non-member guests when accompanied by the member or the member's immediate family shall be entitled to the use and enjoyment of the common properties and facilities subject to restrictions adopted by the Board of Directors.
- B) Guests of the member when not accompanied by the member shall be entitled to the use and enjoyment of the common properties and facilities subject to restrictions adopted by the Board of Directors, upon presentment to the Association Management a written authorization in a form prescribed by the Board of Directors which authorization shall specify the names of all guests authorized, the period covered by the authorization, and an unconditional acceptance of all responsibility for any damage or financial loss to the Association or its property occasioned by the aforesaid use by said unaccompanied guests.

Section 4 Membership is conveyed upon each principal owner under ARTICLE III, Section 1(a) of the Restrictive Covenants. The privileges of membership (in good standing) are subject to payment of annual and special assessments, and to the member obeying published rules and regulations of the Association.

- A) The privileges of membership shall be automatically suspended where annual or special assessments are delinquent for thirty (30) days, unless the suspension is stayed due to hardship by action of the Board of Directors. Where membership has been suspended for non-payment of annual or special assessment, the membership shall be reinstated upon payment of said delinquent assessment, penalties, and reasonable expenses of collection.
- B) The privileges of membership may also be suspended by action of the Board of Directors for infraction of the published rules and regulations of the Association for a period not to exceed thirty (30) days.
- C) Any assessments not paid on the due date are delinquent and shall be enforced pursuant to the Restrictive Covenants.
- D) Only the designated principal owner of a lot or lots (ARTICLE III, Section 1 (A)) who is in good standing, with all assessments fully paid on all lots owned, may be a candidate for elected or appointed office on the Board of Directors or Rules and By-Laws Committee of the Association, but not at the same time. All members and spouses who are in good standing with assessments fully paid on all lots owned may be appointed or confirmed to other committees by Board action.

In order to be a candidate for the Board of Directors or the Rules and By-Laws Committee, the following criteria must be met.

1. The candidate must be a property owner in Lakes of the North for at least two (2) years.
 2. It is recommended the candidate be an active member of at least one (1) committee for a minimum of one (1) year prior to running for the Board of Directors or the Rules and By-Laws Committee.
 3. Prior to July 1 of that election year, it is recommended the candidate attend at least one (1) Board of Directors meeting before running for the Board of Directors or one (1) Rules and By-Laws Committee meeting before running for that committee.
 4. The candidate must complete and return all required material included in the "Candidate Packet".
 5. Any Lakes of the North employee who is a Lakes of the North member can neither serve on nor run for a seat on the Board of Directors or the Rules and By-Laws Committee during employment.
- E) All members shall have the responsibility to notify the Secretary of any change of address, sale or transfer of property.

ARTICLE IV
Voting Rights

Section 1 Each lot shall be entitled to one (1) vote; a member shall be entitled to as many votes as the number of lots which he or she (and his or her common owners, if any) owns. Each lot shall have but one vote irrespective of the number of common owners thereof, which vote shall be cast as such common owners agree.

ARTICLE V
Membership Meetings

Section 1 Annual Meetings The regular Annual Meeting of the Association shall be held on the second Saturday of October, at Lakes of the North, in the State of Michigan at such time and place as the Board of Directors shall determine.

- A) Thirty (30) days notice of the Annual Meeting of the Association shall be given to each member by mail, addressed to the member's last known address as recorded with the Association. Thirty (30) days notice shall be defined as notice of said meeting mailed no less than thirty (30) calendar days prior to the scheduled date of the meeting.
- B) If the Annual meeting shall not be held on the day designated for lack of a quorum, such meeting shall be called and proceedings may be had thereat as an Annual Meeting, provided, however, that the notice of such meeting shall be thirty (30) days notice. Thirty (30) days notice shall be defined as notice of said meeting mailed no less than thirty (30) calendar days prior to the scheduled date of the meeting.
- C) The notice shall set out in reasonable detail the business to be brought before the meeting in order that those casting mail ballots may be permitted to express their desires. At the Annual Meeting, members present may make suggestions covering such items that they feel should be brought before the membership. If any such suggestions are approved by proper resolutions of those members present, it shall be the duty of the Board of Directors to consider such suggestions at the next Regular Board Meeting.
- D) The order of business at the Annual Meeting shall include: Welcome and Call to Order, Roll Call, Proof of Notice of Meeting, Reading of Minutes and Approval, Officers Reports, General Manager's Report, Committees Reports, Election Results, Awards, and Adjournment. "Robert's Rules of Order" shall be followed.
- E) Members shall cast their votes either in person or by mail ballot when duly filed with the secretary. Proxy votes are not an acceptable form of voting as regards the election and/or recall of Board Members. The form of the ballot shall be determined by the Board of Directors.
- F) A member must be in good standing in order for him or her to participate in membership voting.
- G) It shall be the duty of the Secretary to prepare a list of the members entitled to vote at each meeting against which list all members voting, whether by mail or in person, shall be checked either by the Secretary or by some individual designated by the Board of Directors.
- H) The presence of one hundred (100) votes, either in person or by mail ballot shall constitute a quorum for the transaction of business, except for when the subjects of special assessments for capital improvements and change in the basis and maximum of annual assessments are considered, wherein the quorum shall be as required in Article V of the Declaration of Restrictive Covenants.
- I) Resolutions shall be determined by the majority of the total votes cast in person and/or by mail ballots on each individual issue.

Section 2 Special Meetings Special Meetings of the Association may be called by the Board of Directors at a meeting of the Board convened for that purpose or a regularly scheduled meeting, and upon affirmative vote of seven (7) of nine (9) Board Directors, and shall be called by the President whenever requested by written petition containing 300 or more signatures of voting

members, as defined in Article IV, Section 1 of these By-laws, who are in good standing. Anything contained in Article IV, Section 1 to the contrary notwithstanding, for the purpose of meeting this 300 signature requirement, a voting member's signature may only count as one signature, irrespective to the number of lots owned by that member. Such petition requesting the special meeting shall clearly state the purpose for which the meeting is to be called.

- A) Thirty (30) days notice of meetings of the Association shall be given to each member by mail, addressed to the member's last known address as recorded with the Association. Thirty (30) days notice shall be defined as notice of said meeting mailed no less than thirty (30) calendar days prior to the scheduled date of the meeting.
- B) If the Special Meeting shall not be held on the day designated for lack of a quorum, such meeting shall be called and proceedings may be had thereat as a Special Meeting, provided, however, that the notice of such meeting shall be thirty (30) days' notice. Thirty (30) days notice shall be defined as notice of said meeting mailed no less than thirty (30) days prior to the scheduled date of the meeting.
- C) The notice shall set out in reasonable detail the business to be brought before the meeting and be limited to the items set out in the notice, in order that those casting mail ballots may be permitted to express their desires. It shall be the duty of the Secretary to include with the notice of any special membership meeting any such suggestions or requests as may be properly presented in writing and endorsed by three hundred (300) or more members in good standing, provided such requests are received at least sixty (60) days prior to the meeting date.
- D) Members may cast their votes for Special Meetings in person or by proxy when duly filed with the Secretary. The form of the proxy shall be determined by the Board of Directors, except in the case of a recall. Those members presenting the recall petitions shall submit a legal ballot with the petition.
- E) A member must be in good standing in order for him or her to participate in membership voting.
- F) It shall be the duty of the Secretary to prepare a list of the members entitled to vote at each meeting against which list all members voting, whether by mail or in person, shall be checked, either by the Secretary or by some individual designated by the Board of Directors.
- G) The presence of one hundred (100) votes, either in person or by mail ballot shall constitute a quorum for the transaction of business, except when the subjects of Special Assessments for capital improvements and change in basis and maximum of annual assessments are considered, wherein the quorum shall be as required in Article V of the Declaration of Restrictive Covenants.
- H) Resolutions shall be determined by the majority of the total votes cast in person and/or by mail ballots on each individual issue.
- I) In the event that the purpose of the Special Meeting is to recall the Board of Directors or Individual members thereof, (G) above shall apply. A majority of the votes cast shall decide the recall, and the Board of Directors shall thereupon declare the result binding upon the Association.

Section 3 Regular Board Meetings: The Board of Directors shall hold one (1) or more meetings each quarter year. The schedule of these meetings shall be determined at the organizational meeting following the Annual Meeting.

- A) The schedule of these meetings of the Board of Directors shall be made available via the association website, clubhouse meeting premises, and the Happenings.
- B) If a regular Board meeting shall not be held on the day designated for lack of quorum, such meeting may be rescheduled provided that the notice of such meeting shall be made available via the association website and the clubhouse meeting premises.
- C) Any member of the Board of Directors who misses more than one third (1/3) of scheduled meetings within a term year (i.e. October-September) shall be guilty of nonfeasance of office and shall, upon simple majority vote of the Board, be removed from office.
- D) Any members of the Board of Directors who are unable to physically attend a board meeting may attend two meetings telephonically in any term year (i.e. October-September).

Section 4 Emergency Meetings The President of the Board of Directors may call an emergency meeting of the Board of Directors to be held either telephonically, or in person, provided that all of the following conditions are met:

- A) At least five (5) members of the Board of Directors must participate to meet the quorum requirement as specified in Article VII, Section 8. If the meeting is held telephonically, all participants must be able to hear and talk to each other. An earnest and verifiable effort must be made to contact and include all members of the Board of Directors.
- B) The emergency is of such a nature that immediate Board action is necessary, and if not acted upon, would affect the health, safety, and/or welfare of the membership or the management of the facilities.
- C) The Board action and vote taken at the emergency meeting shall be ratified at the next regularly scheduled meeting.

Section 5 Closed Board Meetings There shall be no closed meetings of the Board of Directors except:

- A) To consider personnel matters such as discipline, suspension, or dismissal of an employee or staff person, or to hear complaints or charges brought against an employee or staff person when the person requests a closed hearing. Any action or vote taken in a closed meeting of the Board of Directors must be ratified at the next regularly scheduled meeting.
- B) To discuss matters of pending or potential litigation and contract renewals. Any action or vote taken in a closed meeting of the Board of Directors must be ratified at the next regularly scheduled meeting.
- C) To interview applicants for management positions to be hired under a contract. The terms of the contract must be explained and voted on at the next regularly scheduled meeting.

ARTICLE VI Election of Directors

Section 1 Thirty (30) days prior to the Annual Meeting, the Secretary shall mail a copy of a list of nominees with biographical resumes to each member of the Association.

Section 2 Directors shall assume their directorship upon election at the Annual Meeting held on the second Saturday in October of each year. A Director may not serve for more than two (2) elected terms consecutively. After a period of one-year following the two terms, he or she may again become a candidate.

Section 3 The Secretary shall prepare a ballot listing all nominees, and shall include the ballot with the biographical resumes and notice of the Annual Meeting. Ballots shall also be provided to each member in attendance at the Annual Meeting who have not previously voted. The nominees receiving the highest number of votes shall fill the vacancies. Where vacancies exist for different terms of directorship, for instance two (2) and three (3) year terms, the nominee or nominees receiving the higher votes shall be elected to the longer terms. In the event of a tie vote, if verified by recount, the tie shall be decided by vote of the Board of Directors including any newly elected Directors.

Section 4 An independent non-member election commission will be retained each year to receive and count the ballots. Each nominee shall have the right to appoint a member in good standing to be present during the receipt and counting of the ballots. This challenger shall not handle any ballots.

Section 5 Any Board Member or Rules and By-Laws Committee Member that has been recalled or found guilty of nonfeasance of office and removed from office shall not be eligible for re-appointment or re-election for a period of three (3) years from date of removal from office.

ARTICLE VII
Board of Directors

Section 1 The Board of Directors shall have a general power to carry on the affairs of the Association. The Board of Directors and Directors individually are required to function and act within the limits set forth in the Restrictive Covenants and these By-Laws. Actions by members of the Board not in compliance with any of the following:

1) the Restrictive Covenants; 2) the By-Laws; 3) State Laws; 4) the Board Code of Ethics; shall constitute malfeasance of office and shall be cause for immediate dismissal from the Board. Such dismissal shall require a simple majority vote of the Board.

Section 2 The Board of Directors shall, upon the death, resignation, or removal from office (for any reason) of a member of the Board of Directors, fill a vacancy by appointing the candidate from the previous election who received the next highest number of votes. In the event there are no more remaining candidates, the Board of Directors would fill the vacancy from the membership at large. The term of appointment in either occurrence will be for the balance of that term's current year, with a replacement for the balance of the term to be elected by the membership at the next Annual Meeting. The term of either appointment will not affect the two elected terms in succession limitation. The Board of Directors shall fill all vacancies on any Committee where the members are appointed by the Board of Directors.

Section 3 The president of the board shall appoint an Ad-Hoc Nominating Committee chair subject to board approval. The chairperson of this Ad-Hoc committee will organize a committee of four (4) additional members subject to board approval. This nominating committee shall then nominate at least as many candidates as there are positions to be filled at the annual meeting of the Association. Members of the Association may nominate other members or themselves as candidates. Such nominations shall be in writing and signed by the members making them. Members submitting an application of a nominee must obtain the prior written consent of said nominee. Each applicant and/or nominee shall be provided a copy of the Restrictive Covenants and Association Rules and By-Laws.

The submission deadline for candidate materials shall be on or before the second Friday of July by 5:00 p.m. The Nominating Committee shall verify that all candidate materials meet application requirements, then place said candidate materials in the hands of the Secretary, along with the nominees of the Nominating Committee.

Section 4 The Board of Directors shall hold its organizational meeting for the selection of President, First Vice-President, and Second Vice-President within two (2) weeks after the Annual Meeting, this meeting to be chaired by the outgoing President.

Section 5

A) The Board of Directors shall have the power to appoint such other officers and agents and to hire such employees as may be necessary for the carrying out of the purpose of the Association.

B) The Board of Directors shall approve all Wage/Salary Classification ranges and fringe benefits for all employees of the Association as recommended by the General Manager.

Section 6 Any officer or agent appointed by the Board of Directors may be removed and replaced by the Board of Directors.

Section 7 The Board of Directors shall consist of nine (9) members. Starting October 1977 three (3) Directors shall be elected each year for terms of three (3) years.

Section 8 A quorum of five (5) members of the Board of Directors is necessary for the transaction of any business. A resolution must pass by a majority of the board members present and voting.

Section 9 The Board of Directors shall authorize the President to appoint:

- A) Such Committees as the Board of Directors deem necessary to carry on the affairs of the Association and it shall define the powers and duties thereof. The Committee so appointed shall hold office during the pleasure of the Board of Directors.
- B) Three permanent board member committees, those being Budget, Operations, and Personnel. Each committee shall be comprised of three board members, appointed each year by the board President. The President also shall appoint three additional members at large to the Budget Committee.

Section 10 The Board of Directors shall appoint an Architectural Control Committee pursuant to Article VI of the Declaration of Restrictive Covenants at Lakes of the North.

Section 11 The Board of Directors shall hold one (1) or more meetings each quarter year.

Section 12 All non-unanimous votes by the Board of Directors shall be recorded by Roll Call.

Section 13 Any and all meetings of the Board of Directors, including but not limited to regular board meetings, work sessions, retreats, etc... shall be open to the members of the Association, except as provided in Article V, Section 5.

ARTICLE VIII

Officers

Section 1 President The President shall be the executive officer of the Association, and shall preside over all meetings of the Association. He or she shall see that all orders and resolutions of the Association are carried into effect. He or she shall have authority to sign checks and all legal documents authorized for his or her signature by the Board of Directors. He or she shall confirm the Chairpersons of all Committees with the exception of the Rules and By-Laws Committee and shall be an ex officio member of all committees except the Nominating Committee and the Rules and By-Laws Committee. The President shall conduct the affairs of the Association in accordance with the recorded Restrictive Covenants, Articles of Incorporation and these By-Laws.

He or she shall be responsible for the preparation of the State of the Association report, to be submitted to the Annual Meeting, and shall file said report with the Secretary fifteen (15) days prior to the Annual Meeting so that it will be available for inspection by the membership. Standing Committees shall be divided and assigned by the President among the members of the Board of Directors.

Section 2 First Vice-President The First Vice-President shall, in the absence of the President, preside at all meetings of the Association and of the Board of Directors. He or she shall be responsible for the coordination of the efforts and reports of such Committees as the President may assign and shall be an ex officio member of all such Committees. He or she shall also perform such other duties as the President may assign.

Section 3 Second Vice-President The Second Vice-President shall, in the absence of the President and First Vice-President, preside at all meetings of the Association and of the Board of Directors. He or she shall be responsible for the coordination of the efforts and reports of such standing Committees as the President may assign and shall be an ex officio member of all such Committees. He or she also perform such other duties as the President may assign.

Section 4 Secretary The Secretary shall have oversight to ensure that: the minutes of all meetings of the Association and of the Board of Directors are taken, officially approved, and preserved in the historical records of the Association. The Secretary shall additionally be responsible to ensure that all notices required by statute, by-law, or resolution are provided, and that a record be kept of the names and addresses of all members of the Association.

The General Manager shall employ an office clerk to serve as a Recording Secretary to fulfill the obligations of the Secretary as outlined above, however, it shall remain the responsibility of the elected Secretary that all the functions of the office are maintained.

Section 5 Treasurer The Treasurer shall have oversight to ensure the financial affairs of the Association are provided for responsibly, as follows:

- A) Collection and custody of all funds paid to the Association, and depositing of same in depositories authorized by the Board of Directors.
- B) The filing of reports as may be legally required, including reports or returns to Internal Revenue Service; and
- C) Payment of all bills and disbursements of funds as may be authorized by the Board of Directors.
- D) Provision of itemized reports monthly to all elected officials and the Chairperson of the Budget and Finance Committee, to include all accounts receivable and payable during the preceding month. A member of the Association in good standing is entitled to receive said report upon written request.

His or her books shall be open to inspection at reasonable times by the President, Board of Directors, and authorized auditors. He or she shall make a full and true report of the financial condition of the Association.

The General Manager shall employ office clerks to perform the duties of the Treasurer as outlined in this Section, however, it remains the responsibility of the elected Treasurer to oversee all matters pertaining to the office.

Section 6 In the event a vacancy occurs among the officers of the Board, the members of the Board shall nominate and elect a current Board member to said office until the next election of officers.

ARTICLE IX Committees

Section 1 The following standing committees shall be operational within the Association: Airport, Architectural Control, Campers Village, Ecology, Friends of Music, Golf, Social Activities, and Sportsmen's.

Section 2 Committee members shall be confirmed by the Board of Directors, and shall be subject to removal by said Board of Directors.

Section 3 Minutes of all Committee meetings shall be made in writing and a copy filed with the Secretary.

Section 4 Reports and recommendations by all Committees to the Board of Directors and/or membership meetings shall be made in writing and a copy filed with the Secretary prior to the meeting.

ARTICLE X Rules and By-Laws Committee

Section 1 A Rules and By-Laws Committee, consisting of three (3) members, shall be elected at the October Annual Meeting for a three (3) year staggered term as each term of office expires. The Nominating Committee shall nominate sufficient members to fill the expired term of office of the Rules and By-Laws Committee, to be filled at the Annual Meeting. The Rules and By-Laws Committee shall, upon the death, resignation, or removal from office (for any reason) of a member of the Rules and By-Laws Committee, fill a vacancy by appointing the candidate from the previous election, who received the next highest number of votes. In the event there are no more remaining candidates, the Rules and By-Laws Committee would fill the vacancy from the membership at large. The term of the appointment in either occurrence will be for the balance of that term's current year, with a replacement for the balance of the term to be elected by the membership at the next Annual Meeting.

Section 2 The Rules and By-Laws Committee shall be responsible for changes to the Restrictive Covenants and By-Laws. The Committee shall receive proposed amendments from the Board of Directors, and after input from the membership, or at its own initiative, the Committee shall decide upon any further proposed amendments, review them with the Board of Directors, and shall present them in writing to the membership to be voted on only at the Annual Meeting and shall inform the membership of the meaning of all proposed amendments. If member violation of any By-Law is in question, the Committee shall work with the Board of Directors and legal counsel to reach a conclusion regarding the alleged violation.

Section 3 The Rules and By-Laws Committee shall set up a yearly calendar of meetings and this calendar is to be published in the Association newsletter/website. Any member of the committee who fails to attend more than one half (1/2) of the scheduled meetings within a term year (i.e. October – September) shall be guilty of nonfeasance of office and upon a simple affirmative vote of the remaining committee members shall be removed from office. Such vacancy is to be filled as provided in Section 1 hereof.

Section 4 The Board of Directors shall provide an annual budget to the Rules and By-Laws Committee for legal consultation with the Association attorney.

ARTICLE XI Assessments

Section 1 Each owner of property subject to these By-Laws shall pay an annual assessment and such special assessments to the Lakes of the North Association as are approved pursuant to Article V of the Declaration of Restrictive Covenants. It is declared the policy of this Association that special assessments are generally undesirable and shall be levied only in an emergency or under extraordinary circumstances.

Section 2 The Board of Directors shall cause to have prepared a roster of the properties and assessments applicable thereto at least thirty (30) days in advance of such assessments due date. Such assessment roster shall be kept in the office of the Association and shall be open to inspection by any owner. Written notice of the assessment shall thereupon be sent to every owner subject thereto. The Association shall, upon demand at any time, furnish to any owner liable for said assessment a certificate in writing signed by an officer of the Association setting forth whether said assessment has been paid. Such certificate shall be conclusive evidence of payment of any assessment therein stated to have been paid.

ARTICLE XII Finance

Section 1 The fiscal year of the Association shall begin on the 1st day of April of each year.

Section 2 An initial proposed budget covering all anticipated incomes and expenditures of the Association shall be submitted to the Board of Directors at least 90 days prior to the beginning of the next fiscal year. Such budget proposal shall, as judged by the members of the committee, be consistent with the forecast of the current financial situation, and provide for the needs of the Association. The budget proposal shall be consistent with both the short and long term needs and obligation of the Association, and shall be concerned with all financial transactions, i.e. income, capital and operating expenses, wages and employee benefits and related payroll costs, investments, loans, accounting practices, cash management, etc. The initial budget proposal will be prepared by the General Manager and Treasurer and incorporate information and advice provided by the Accounting Department, the Chairpersons of the standing committees and all other appropriate sources. The final budget will be completed by the Board of Directors and adopted at the March Board of Directors meeting.

Section 3 The Board of Directors shall employ a certified public accountant to conduct an audit of all books and accounts of the Association at least once each three (3) years. The certified public accountant shall submit a report of his audit and a certified financial statement showing the financial condition of the Association for the preceding fiscal year (but not later than September 1st following the close of the immediately preceding fiscal year of the Association). Said report and statement shall be available for review by members. In addition, said report and statement shall be given at the Annual Meeting for the Association.

The Board of Directors, however, shall have the authority to request an audit of the books and accounts of the Association more often than each 3 years, if in its discretion it deems it advisable and appropriate to do so. Such audit shall also be made available for review by members and shall be presented to the membership at the first Annual Meeting of the Association following receipt of the requested audit and further, such requested audit shall not be considered as being in lieu of or as a substitution for the 3 year mandatory audit provided for herein above.

Section 4 The Board of Directors shall establish spending level restrictions and budget control procedures.

Section 5 The checks shall be signed by any officer or persons authorized by action of the Board of Directors.

Section 6 A financial statement of the previous fiscal year shall be mailed to the membership in the next Happenings newsletter.

Section 7 All people handling funds for the Association shall be placed under surety bonds, the fee for said bond to be paid by the Association. Upon approval of the Board of Directors, the offices of Secretary and/or Treasurer may be paid positions, with the amount of pay to be determined by the Board of Directors. All other officers will serve without compensation, except that they shall be reimbursed for reasonable expenses incurred in furthering Association business, subject to the approval of the Board of Directors.

Section 8 Assessment funds shall be maintained in accounts bearing interest for the Association until required for transfer to operating checking accounts.

Section 9 All elected or appointed Directors, Committee persons and employees of the Association, their assigns and any businesses in which said person has vested interest, shall not conduct business with the Association during their term of office, or appointment or employment.

Section 10 Any committee, sub-committee, ad-hoc committee, wholly owned subsidiary or any group authorized or empowered by the Board of Directors to conduct business on behalf of Lakes of the North Association will report all legal actions and financial activities on a monthly basis to the General Manager and the to Board of Directors at regular Board meetings.

ARTICLE XIII

Annual Committee Requirements

Section 1 The Chairperson of all committees shall submit to the Board of Directors, and the Chairperson of the Budget and Finance, a written request for financing of projects listed in the request. Chairpersons may, if they so desire, appear in person to further explain any part of their budgetary request. Said request must be submitted to the Administrative Assistant thirty (30) days prior to the Annual Meeting of the Association.

Section 2 Chairpersons shall submit a written report of their committee's accomplishments since the last Annual Meeting. Said report shall be submitted to the Administrative Assistant fifteen (15) days prior to the Annual Meeting for reading and inclusion in the minutes of the meeting.

ARTICLE XIV
Conducting Business Meetings by Mail

Section 1 With the approval of the Board of Directors, business of the Association may be conducted by mail. Notice of the proposed action shall be mailed to the membership by first class mail. A statement setting forth the question at issue shall be included in the mailing along with a ballot. A minimum of twenty-five (25%) percent of bona fide ballots must be returned. If twenty-five (25%) percent or more of the said ballots are returned, a majority of the votes cast shall decide the question at issue, and the Board of Directors shall thereupon declare the result binding upon the Association, unless these By-Laws or the Declaration of Restrictive Covenants provide for some other method for adoption of the question at issue.

ARTICLE XV
Distribution of Assets After Dissolution

Section 1 In the event of dissolution or any other termination of this Association, the Board of Directors shall suggest, for approval by the membership, an institution that qualifies for tax exemption under Internal Revenue Code of 1954, Sec. 501 (C) (3), for the assignment of all the assets of the Association. A special meeting shall be called, which will follow all the rules set out in Article V regarding the procedure for membership meetings. In the event that such membership approves the Board of Directors' suggestion, such dissolution and termination of the Association shall occur.

ARTICLE XVI
Severability Clause

Section 1 In the event any portion of the within By-Laws is declared to be or becomes inoperative under State or Federal Law, the balance of these By-Laws shall remain in full force and effect.

ARTICLE XVII
Amendments

Section 1 These By-Laws may be amended at the Annual Meeting of the Association or under the provisions of Article V, Section 2, of these By-Laws, provided that the notice of such meeting contains a full explanation of the proposed amendment. A simple majority of those votes cast either in person or by Absentee Ballot shall be required to adopt the proposed amendment.