

EXHIBIT B

By-Laws of The Nature's Cove at Valley Lakes Townhome Association, Inc.

ARTICLE I Name and Location

The name of the corporation is The Nature's Cove at Valley Lakes Townhome Association, Inc., an Illinois not-for-profit corporation (hereinafter referred to as the "***Townhome Association***"). The principal office of the Townhome Association shall initially be located in Schaumburg, Illinois, but meetings of the members and the Board may be held at such places within the State of Illinois, County of Lake, as may be designated by the Board.

ARTICLE II Definitions

Except as expressly defined herein, all capitalized terms are used in these By-Laws with the same meaning as such terms are used in the Declaration.

ARTICLE III Meetings of Members

Section 1. Annual Meetings. The first annual meeting of the members shall be held upon ten (10) days' prior written notice given by Declarant to the members. The first annual meeting shall be held no later than the first to occur of the following events (unless otherwise required by any Federal Entity):

- (a) in the event all of the Add-On Property has been subjected to the terms of the Declaration, within ninety (90) days after the 75% Date;
- (b) in the event less than all of the Add-On Property has been subjected to the terms of this Declaration, five (5) years after the 75% Date, unless any portion of the Add-On Property is subjected to the terms of this Declaration after the 75% Date and prior to the expiration of the five (5) year period that, when including such portion of the Add-On Property, causes less than seventy-five percent (75%) of the then existing Lots to be sold and conveyed by Declarant to purchasers;
- (c) ten (10) years after the date the first Lot is conveyed by Declarant to a third party purchaser; or
- (d) upon written notice of election by Declarant sent to the Townhome Association as of the date specified in the notice.

Each subsequent regular annual meeting of the members shall be held on the same day of the same month of each year thereafter at the hour of 7:00 p.m. If the day for the annual meeting of the members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the members may be called at any time after the first annual meeting by (a) the president of the Townhome Association, (b) the Board, (c) upon written request of the members who are entitled to vote a total of one-fourth (1/4) of the total votes of the Class A membership, or (d) upon request of the Class B membership.

Section 3. Notice of Meetings. Except as may be otherwise provided by the Declaration, written notice of each meeting of the members shall be given by, or at the direction of, the secretary of the Townhome Association or person authorized to call the meeting by mailing a copy of such notice, postage prepaid, at least ten (10) days, but not more than thirty (30) days, before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Townhome Association or supplied by such member to the Townhome Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting and, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence at the meeting of members entitled to cast, and/or of proxies entitled to cast, ten percent (10%) of the total votes of each class of membership shall constitute a quorum for any action, except as otherwise provided by Laws, in the Articles of Incorporation, the Declaration or these By-Laws. If a quorum is present, the affirmative vote of a majority of the total votes present, either in person or by proxy, shall be the act of the members, unless otherwise provided by Laws, in these By-Laws or in the Declaration. If, however, such quorum shall not be present or represented at any meeting, a majority of those members present in person or by proxy may adjourn the meeting to another time, but may not transact any other business. The adjournment shall specify the date for the adjourned meeting, which shall not be more than thirty (30) days from the date of the initial meeting.

Section 5. Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary of the Townhome Association. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his or her Lot.

Section 6. Voting Rights. The Townhome Association has two (2) classes of voting membership, which classes of membership are more specifically described in Article III of the Declaration.

ARTICLE IV
Board of Directors; Selection; Term of Office

Section 1. Number. The affairs of the Townhome Association shall be managed by the Board. Until the first annual meeting of the members, the Board shall consist of three (3) directors designated by Declarant.

Section 2. Election. At the first annual meeting of the members, the members shall elect three (3) directors. Two (2) directors shall be elected for a term of one (1) year and one (1) director for a term of two (2) years. At each annual meeting thereafter, the members shall elect the vacancies for directors as they come due on the expiration of a director's term for a term of two (2) years. Directors may succeed themselves.

Section 3. Removal. From and after the first annual meeting of the members, any director may be removed from the Board, with or without cause, by a document signed by the members having not less than seventy-five percent (75%) of the total vote of the Townhome Association. In the event of death, resignation or removal of a director, his or her successor shall be selected by the remaining members of the Board and shall serve until the time of the next election of directors. In the event that the term of the directorship vacated as above shall not have expired at the time of the next election following the appointment of a successor by the remaining Board members as provided above, in addition to the directorships normally to be filled at that election, the members shall also elect a director to serve the remaining unexpired term of the directorship vacated.

Section 4. Compensation. No director shall receive compensation for any service he or she may render to the Townhome Association; provided, however, any director may be reimbursed for his or her actual expenses incurred in the performance of his or her duties.

Section 5. Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting that they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V
Nomination and Election of Directors

Section 1. Nomination. Nomination for election to the Board shall be made from the floor at any applicable annual meeting. Such nominations may be made from among members only. The Board may also solicit candidates for up to sixty (60) days prior to the annual meeting, and place the names of the candidates in nomination before the annual meeting by written notice to the members.

Section 2. Election. Election to the Board shall be by secret written ballot. At such election, the members or their proxies may cast, in respect to each vacancy, as many votes as

they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected.

ARTICLE VI Meetings of Directors

Section 1. Annual Meetings. Annual meetings of the Board shall be held at such place and hour as may be fixed from time to time by resolution of the Board. Should any such meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Board shall be held when called by the president of the Townhome Association, or by any two (2) directors, after not less than three (3) days' notice to each director.

Section 3. Quorum. The majority of the number of directors then constituting the Board shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

Section 4. Voting. Each member of the Board shall have one (1) vote.

ARTICLE VII Powers, Duties and Liability of the Board of Directors

Section 1. Powers. The Board shall have the power to:

- (a) Perform, exercise, transact, permit or consent to any and all actions or functions that the Board deems necessary or appropriate to enforce, abide by or act in accordance with the terms and provisions of the Declaration, including, without limitation, the power to engage or contract for the services of others, including the Master Association, and make purchases for the maintenance, repair, replacement and operation of those facilities that the Townhome Association is obligated or permitted to maintain pursuant to the Declaration;
- (b) Suspend the voting rights of a member during any period in which such member shall be in default in the payment of any assessment or other expenses levied by the Townhome Association;
- (c) Exercise any and all powers and duties permitted by the Illinois General Not-For-Profit Corporation Act, as amended, and the Declaration; and
- (d) Procure and maintain any insurance which the Board deems necessary or appropriate to protect the Townhome Association, its Board, officers,

members, agents, employees and other similarly situated individuals from any and all claims, liabilities, expenses, costs, damages or causes of action.

Section 2. Duties. It shall be the duty of the Board to:

- (a) Cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the members at the annual meetings of the members or at any special meeting when such statement is requested in writing by sixty percent (60%) of the Class A members who are entitled to vote;
- (b) Supervise all officers, agents and employees of the Townhome Association and see that their duties are properly performed;
- (c) Fix the amount of the assessments against each Lot as provided in the Declaration, and foreclose the lien against any Lot for which assessments are not paid after the due date or bring an action against the Owner personally obligated to pay the same, and otherwise ensure the compliance by each Owner with the Declaration and these By-Laws;
- (d) Issue, or cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;
- (e) Cause all officers or employees having fiscal responsibilities to be bonded as it may deem appropriate;
- (f) Cause the Townhome Association to maintain those portions of the Townhome Property that it is obligated or permitted to maintain pursuant to the terms of the Declaration;
- (g) Pursuant to the Declaration, procure and maintain insurance that the Board deems necessary or appropriate to protect the Townhome Association, its Board, officers, members, agents, employees and other similarly situated individuals from any and all claims, liabilities, expenses, costs, damages or causes of action; and
- (h) Maintain at all times monies for contingencies and replacements in an amount deemed reasonably necessary to be utilized as the Board deems appropriate for repairs, improvements, maintenance or other needs.

Section 3. Liability of the Board of Directors. The members of the Board (including without limitation those designated by Declarant pursuant to Article IV, Section 1 hereof) shall not be personally liable to the members of the Townhome Association, and no cause of action

may be brought, for any mistake of judgment or for any other acts or omissions of any nature whatsoever as such Board members, except for any acts or omissions found by a court to constitute willful or wanton misconduct in the performance of a duty, which, for purposes of these By-Laws, means a course of action that shows an actual or deliberate intention to cause harm or which, if not intentional, shows an utter indifference to or conscious disregard for the safety of others or their property.

ARTICLE VIII Duties and Liabilities of Officers

Section 1. Enumeration of Officers. The officers of the Townhome Association shall be a president and vice president who shall at all times be members of the Board, a secretary and a treasurer and such other officers as the Board may determine from time to time.

Section 2. Election of Officers. The election of officers shall take place at each annual meeting of the Board.

Section 3. Term. The officers of the Townhome Association shall be elected annually by the Board and each shall hold office for one (1) year unless any such individual shall sooner resign, or shall be removed or otherwise be disqualified to serve.

Section 4. Special Appointments. The Board may elect such other officers as the affairs of the Townhome Association may require, each of whom shall hold office for such period, have such authority and perform such duties as the Board may from time to time determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 6. Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he or she replaces.

Section 7. Multiple Offices. The offices of secretary and treasurer may be held by the same person. The president may not hold any other office.

Section 8. Duties. The duties of the officers shall be those usually vested in their respective office for a not-for-profit corporation, including, but not limited to, the following:

- (a) President. The president shall preside at all meetings of the Board; shall see that orders and resolutions of the Board are carried out; shall sign all

contracts and other written instruments; and shall co-sign all checks and promissory notes;

- (b) Vice President. The vice president shall act in the place and stead of the president in the event of his or her absence, inability or refusal to act; and shall exercise and discharge such other duties as may be required of him or her by the Board;
- (c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Townhome Association, together with their addresses; and shall perform such other duties as required by the Board; and
- (d) Treasurer. The treasurer shall receive and deposit in appropriate bank accounts all monies of the Townhome Association and shall disburse such funds as directed by resolution of the Board; shall sign all checks and promissory notes of the Townhome Association; keep proper books of account; cause an annual audit of the Townhome Association books to be made by a public accountant at the completion of each fiscal year; and shall and prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy thereof to each of the members.

Section 9. Liability of Officers. The officers of the Townhome Association shall not be personally liable to the members of the Townhome Association, and no cause of action may be brought, for any mistake of judgment or for any other acts or omissions of any nature whatsoever as such officers, except for any acts or omissions found by a court to constitute willful or wanton misconduct in the performance of a duty, which, for purposes of these By-Laws, means a course of action that shows an actual or deliberate intention to cause harm or which, if not intentional, shows an utter indifference to or conscious disregard for the safety of others or their property.

ARTICLE IX Committees

The Board shall appoint committees as deemed appropriate in carrying out its purpose.

ARTICLE X Not-For-Profit Status

Neither the Board, the Townhome Association nor the members shall be deemed to be conducting a business of any kind. All funds collected by the Board shall be held and expended for

the purposes designated in these By-laws and in the Declaration and shall be deemed to be held for the benefit, use and account of all the members.

ARTICLE XI Indemnification

Section 1. Actions other than by or in the Right of the Association. The Townhome 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, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Townhome Association) by reason of the fact that he or she is or was a director, officer, employee or agent of the Townhome Association, or who is or was serving at the request of the Townhome Association as a director, officer, employee or agent of another Townhome Association, 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 (a) acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to the best interests of the Townhome Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, or (b) to the extent permitted by applicable law, is not liable to the members of the Townhome Association pursuant to the provisions of Article VII, Section 3 or Article VIII, Section 9 hereof. 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 the person did not act in good faith and in a manner which he or she reasonably believed to be in, or not opposed to the best interests of the Townhome Association or, with respect to any criminal action or proceeding, that the person had reasonable cause to believe that his or her conduct was unlawful.

Section 2. Actions by or in the Right of the Association. The Townhome 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 Townhome 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 Townhome Association, or is or was serving at the request of the Townhome Association as a director, officer, employee or agent of another Townhome Association, 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 he or she reasonably believed to be in, or not opposed to, the best interests of the Townhome Association, provided that no indemnification shall be made with respect to any claim, issue, or matter as to which the acts or omissions of such person have been found by a court to constitute willful or wanton misconduct in the performance of a duty, unless, and only to the extent that, notwithstanding the provisions of Article VII, Section 3 or Article VIII, Section 9 hereof, 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. Authorization of Indemnification. Any indemnification under Section 1 and Section 2 of this Article (unless ordered by a court) shall be made by the Townhome 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 he or she has met the applicable standard of conduct set forth in Section 1 and Section 2 of this Article. Such determination shall be made (1) by the Board by a majority vote of a quorum consisting of directors who were not parties to such action, suit or proceeding, or (2) if such a quorum is not obtainable or, even if obtainable, a quorum of disinterested directors so directs, by advice of independent legal counsel in a written opinion, or (3) by the members entitled to vote. In any determination denying indemnification, the burden of proof shall be on the Townhome Association to prove by clear and convincing evidence that indemnification should not be allowed.

Section 4. Payment of Expenses in Advance. Notwithstanding any other provisions of this Article, expenses incurred in defending a civil or criminal action, suit or proceeding shall, unless the Board determines otherwise, be paid by the Townhome 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 he or she is not entitled to be indemnified by the Townhome Association as authorized in this Article.

Section 5. Successful Defenses. Notwithstanding any other provisions of this Article to the extent that a director, officer, employee or agent of the Townhome Association has been successful, on the merits or otherwise, in the defense of any action, suit or proceeding referred to in Section 1 and Section 2 of this Article, or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by such person in connection therewith.

Section 6. Provisions Not Exclusive. 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 agreement, vote of members or disinterested directors, or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding such office, and shall continue as to a person who has ceased to be a director, officer, employee or agent, and shall inure to the benefit of the heirs, executors and administrators of such a person.

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

Section 8. Notice to Members. If the Townhome Association has paid indemnity or has advanced expenses to a director, officer, employee or agent, the Townhome Association shall report the indemnification or advance in writing to the members entitled to vote with or before the notice of the next meeting of the members entitled to vote.

Section 9. Definitions. For purposes of this Article, references to "the Townhome Association" shall include, in addition to the surviving corporation, any merging corporation (including any corporation having merged with a merging corporation) absorbed in a merger which, if its separate existence had continued, would have had the power and authority to indemnify its directors, officers, and employees or agents, so that any person who was a director, officer, employee or agent of such merging corporation, or was serving at the request of such merging corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this Article with respect to the surviving corporation as such person would have with respect to such merging corporation if its separate existence had continued.

Section 10. Continuation of Rights. The indemnification and advancement of expenses provided by or granted under this Article shall continue as to a person who has ceased to be a director, officer, employee, or agent and shall inure to the benefit of the heirs, executors, and administrators of that person.

Section 11. Payments a Business Expense. Any payments made to any indemnified party under these By-Laws or under any other right to indemnification shall be deemed to be an ordinary and necessary business expense of the Townhome Association, and payment thereof shall not subject any person responsible for the payment, or the Board, to any action for corporate waste or to any similar action.

ARTICLE XII Amendment

These By-Laws may only be amended by the Townhome Association in the same manner as provided in the Declaration for the amendment of the Declaration. Notwithstanding anything to the contrary contained herein, so long as there is a Weighted Vote Membership, any applicable Federal Entity shall have the right to veto amendments to these By-Laws, so long as the rules and regulations promulgated by such Federal Entity require that it have such veto right.

EXHIBIT C

Add-On Property

NONE