

**BY-LAWS**  
**OF**  
**CARY BASKETBALL ASSOCIATION**  
**(A not for profit corporation organized under**  
**the laws of the State of Illinois.)**

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**ARTICLE I**  
**NAME AND INCORPORATION**

Section 1.     Name. The name of this organization shall be "Cary Basketball Association." Hereafter in these By-Laws the organization may be referred to as the "Association."

Section 2.     Nature. The Association shall be a non-profit corporation organized under the laws of the State of Illinois; and, its purpose shall be educational, recreational and charitable.

Section 3.     Location. The principal offices of the Association shall be at 2615 Three Oaks Road, Suite 2A-1, Cary, Illinois.

Section 4.     Purposes. The purposes of the Association as stated in its Articles of Incorporation are:

(A) To be organized and operated exclusively for educational, recreational, civic and charitable purposes, all as contemplated and permitted by Section 501 (C) (3) of the Internal Revenue Code of 1954, as amended, and in connection therewith exclusively for the welfare and benefit of the Cary community and neighboring communities (hereinafter referred to as the "Cary Community") to assist in the performance of the educational, recreational and charitable purposes of the Cary Community, by providing funds and property for educational, recreational and charitable purposes for which funds may not otherwise be available to the Cary Community.

(B) Within the framework and limitations of these purposes:

(i) to assist in developing, sustaining, holding and increasing the facilities and programs of the Cary Community for educational and recreational opportunities related to youth basketball for and services to its staff, participants and community by encouraging gifts of money and property and by such other means as may seem advisable from time to time, and other activity deemed appropriate in support of and on behalf of the Cary Community;

(ii) to receive and hold or disburse gifts; to act without profits as trustee of educational, recreational or charitable trusts; to administer gifts, grants or loans of

money or property, real or personal, whether made by public governmental, educational, or recreational bodies, local, state or national, or by corporations or natural persons, and whether in the form of conventional express trusts or otherwise; to become a party to contracts, trust instruments and agreements of any type or description and to execute negotiable instruments as trustee or otherwise; to execute negotiable obligations, as trustee or otherwise in order to effectuate either the creation or organization of trusts for the execution of the purpose hereof. Where the terms and conditions imposed by the donors of any forms of gifts make immediate transfer to entities other than the Association right and proper, the Association shall transfer absolutely and in full all right, title to an interest in such property transferred, assigned or conveyed by any and all persons whatsoever, whether such property be in the form of money, real or personal property, to or for the use and benefit of the specified entity, subject to said terms and conditions of said donors and subject also to the right of the specified entity to refuse such proffered gifts, if conditions attached thereto be deemed unsatisfactory or unacceptable. Whenever any such gift, when made as memorials, involve maintenance, provision for such maintenance shall be included in the gift unless this requirement is waived by the Board of Directors of the Association; and

(iii) to do such other acts and undertake such other enterprises as in the judgment of the Board of Directors of the Association shall tend to promote the interests and welfare of the Cary Community.

(C) To make contributions to organizations that qualify as exempt organizations under that Section 501 (C) (3) of the Internal Revenue Code of 1954.

#### Section 5. General Provisions.

(A) No part of the net earnings of the Association shall inure to the benefit of, or be distributable to its directors, officers, or other private persons, except that the Association shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of its purposes. No substantial part of the activities of the Association shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Association shall not participate in, or intervene in (including publishing or distribution of statements) any political campaign on behalf of any candidate for public office. Notwithstanding any other provision of these articles, the Association shall not carry on any other activities not permitted to be carried on (a) by a corporation exempt from federal income tax under Section 501 (C) (3) of the Internal Revenue Code of 1954 or (b) by a corporation, contributions to which are deductible under Section 170 (C) (2) of the Internal Revenue Code of 1954.

(B) Upon the dissolution of the Association, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Association, dispose of all of the assets of the Association exclusively for the purposes of the Association in such manner, or to such

organization or organizations organized and operated exclusively for charitable, literary, scientific educational or recreational purposes as shall at the time qualify as an exempt organization or organizations under Section 501 (C)(3) of the Internal Revenue Code of 1954 as the Board of Directors shall determine. Any such assets not so disposed of shall be disposed of by the Circuit Court of McHenry County, Illinois, exclusively for such purposes or to such organization or organizations, as said Court shall determine, which are organized and operated exclusively for such purposes.

(C) The Association shall distribute its income for each tax year at such time and in such manner as not to become subject to the tax on undistributed income imposed by Section 4942 of the Internal Revenue Code of 1954. Further, the Association shall not engage in any act of self-dealing as defined in Section 4941 (d) of the Internal Revenue Code of 1954 nor retain any excess business holdings as defined in Section 4943 (C) of the Internal Revenue Code of 1954, nor make any investments in such manner as to incur tax liability under Section 4944 of the Internal Revenue Code of 1954, nor make any taxable expenditures as defined in Section 4945 (d) of the Internal Revenue Code of 1954.

(D) All references in these By-Laws to a particular section of the Internal Revenue Code of 1954 shall mean and include, as now enacted or as hereafter amended, such section and any provision of Federal law as is or may be hereafter be applicable.

## ARTICLE II BOARD OF DIRECTORS

Section 1. The regular membership of the Board of Directors shall consist of:

Forty (40) to Forty-Four (44) Cary Community members for the offices set forth in the List of Director offices. A list of the Board of Directors will be included in the minutes of the annual meeting and maintained throughout each fiscal year by the Secretary.

In the event of a vacancy in this category, the current President will accept nominations to fill vacancies from any active Director. Candidates to be nominated will be from the Cary Community, who can best provide effective and dynamic leadership to the Association. Candidates should be selected by considering all relevant factors, including, but not limited to, standing in the community, relevant educational, recreational, business or practical experiences, and past contributions to the Association, the Cary Park District (hereinafter referred to as the “Park District”) and/or Cary Community. A majority vote of the Board of Directors shall be required to elect a nominated candidate to a position on the Board.

Section 2. Election of Directors. At each annual meeting of the Board of Directors there shall be elected those directors described in Section 1 of this ARTICLE II. At least one (1) month prior to the annual meeting, the President shall accept nominations for the positions described in Section 1. Directors shall use the criteria heretofore described in nominating candidates for election to full terms on the Board.

Section 3. Term and Qualification. All directors shall serve a term of one (1) year or until the first to occur of their resignation, cessation of principal residence in the Cary Community, death or removal for cause. The words, "principal residence", shall mean the present intention to establish and maintain one's primary residence within the Cary Community. In the event of a factual dispute over this issue, a majority vote of the Board of Directors shall be the final decision maker on the issue.

Any person elected pursuant to Section 1 may serve multiple terms, but no more than two consecutively unless other candidates are not available to fill the positions.

Section 4. Power and Duties. The Board of Directors shall manage the affairs of the Foundation, and shall exercise all of its powers, consistent with these By-Laws and applicable state and federal laws.

Section 5. Removal or Resignation of Directors. Any director may be removed for cause by a majority vote of the Board of Directors, upon notice of charges against that director given in writing by the President or Secretary, at least twenty (20) days before action on his removal is taken. The resignation of a director for any reason may be accepted by a majority vote of the Board of Directors.

Section 6. Vacancies. Any vacancy occurring in the Board of Directors shall be filled as provided in Section 1 of this Article II. A director so appointed to fill a vacancy shall be appointed for the unexpired term of his predecessor in office.

Section 7. Regular Meetings. There shall be at least three (3) regular meeting of the Board of Directors annually, including one annual meeting. The Board of Directors may provide by resolution the time and place for the holding of the additional regular meetings of the Board and the Secretary shall give notice by first class mail of said additional meetings.

Section 8. Annual Meetings. The annual meeting of the Directors shall be held on the second Wednesday of May. If such day be a legal holiday, the meeting shall be held at the same hour on the next succeeding Thursday or on some other day designated by the Board of Directors.

Section 9. Special Meetings. Special meetings of the Board of Directors may be called by the President at his discretion, and must be called by the President on the written request of three (3) or more members of the Board of Directors. Special meetings shall be called at any reasonable time and place determined by the President, but no later than (2) weeks after such request for a meeting has been received by the President or within such time as is necessary for the President to receive approval of the date of meeting from the directors.

Section 10. Notice. Notice of any special meeting of the Board of Directors shall be given by written notice delivered personally or sent by mail, fax or e-mail to each director at the director's

address as shown by the records of the Association not sooner than three (3) days prior to the date of any such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed envelope so addressed, with postage thereon prepaid. If notice be given by fax or e-mail, such notice shall be deemed to be delivered the day the fax or e-mail is transmitted to the director. Any director may waive notice of any meeting. Insofar as practicable the subject or subjects to be considered at any special meeting shall be specified in the notice, but subjects not so specified may nevertheless be considered and acted upon at such meetings.

Section 11. Quorum. Except as otherwise provided by the By-Laws, all actions of the Board of Directors shall be determined by a majority vote. A majority vote is defined as a majority of the quorum. At the annual meeting, a majority of the members of the Board shall constitute a quorum. At all other meetings, one-third (1/3) of the members of the Board shall constitute a quorum. In the absence of a quorum no legal action can be taken unless such action later is approved by letter or other vote of record by sufficient additional members of the Board to constitute a quorum.

Section 12. Place of Meeting. The Board of Directors hereby designates the administrative office of the Park District, the Cary Area Library, or other location as determined by the Executive Board as a place of meeting for any annual meeting, regular meeting or for any special meeting called by the Board. If no designation is made, the place of the meeting shall be the registered office of the Association in the State of Illinois.

Section 13. Committees of the Board of Directors. The Board of Directors shall have full power to constitute such committees as it deems necessary or desirable to advise or assist it in the transaction of the business of the corporation. The members of such committees need not be Directors of the corporation. Each such committee shall have only the authority and responsibility which is expressly delegated to it by the Board of Directors at the time the committee is organized or from time to time thereafter.

### ARTICLE III OFFICERS

Section 1. Officers. The officers of the Association shall be a President, Vice-Presidents (2), a Treasurer, a Secretary and such other officers as may be elected in accordance with the provisions of this article. The Board of Directors may elect or appoint such other officer, including one or more assistant secretaries and one or more assistant treasurers, as it shall deem desirable, such officers to 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 except the offices of President and Secretary. Any officer may also be a Director.

Section 2. Election and Term of Office. The officers of the Association shall be elected for a term of one year by the Board of Directors at any 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 is convenient. Vacancies may be filled or new offices created and filled at any regular or special meeting of the Board of Directors. Each officer shall hold office until his successor shall have been duly elected and shall have qualified.

Section 3.     Removal. Any officer may be removed for cause by a majority vote of the Board of Directors, provided that such officer shall have been notified in writing by the President or Secretary not less than twenty (20) days before such meeting of such charges as may be preferred against him by the majority of the Board of Directors.

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 in accordance with Section 1 of Article II.

Section 5.     President. The President shall preside at all meetings of the Board of Directors. The President may sign, with the Secretary or any other proper officer of the Association 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 or by statute to some other officer or agent of the Association; 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.     Vice-President (2). In the absence of the President or in the event of the President's inability or unavailability to act, a 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. Any Vice-President shall perform such other duties as from time to time may be assigned to the Vice-President by the President or by the Board of Directors.

Section 7.     Treasurer. The Treasurer shall 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 VII of these By-Laws; and in general perform all the duties incident to the office of treasurer and such other duties as from time to time may be assigned to the Treasurer by the President or by the Board of Directors.

Section 8.     Secretary. The Secretary shall keep the minutes of the meetings of the Board of Directors in one or more books provided for that purpose; see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; be custodian of the Association's records; properly execute all documents duly authorized by the Association in accordance with the provisions of these By-Laws; keep a register of the post office address of each member which shall be furnished to the Secretary by such member; and 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. Surety Bonds. If required by the Board of Directors, all officers and employees of the Association, including but not limited to the Treasurer, who handle Association funds shall furnish adequate surety bonds for the faithful discharge of their duties in such amounts and with such sureties as the Board of Directors shall determine. The cost of all surety bonds, if any, shall be paid by the Association.

#### ARTICLE IV MEMBERS

As required by the Illinois Not-For-Profit Corporation Act, these By-Laws expressly state that the Association shall be solely governed by the Board of Directors as provided herein and shall not have members. All residents of the Cary Community, however, are invited and encouraged to participate in helping the Association achieve its goals.

#### ARTICLE V FINANCES/MANAGEMENT

Section 1. The Board of Directors shall, from time to time, set policies and conditions for the receipt of, holding, management, insurance protection or safeguarding of or the disposition of cash, tangible and intangible property, chooses in action, real property (and improvements thereon) and interests therein as are reasonably consistent with the purposes of the Foundation.

Section 2. Auditing of Accounts. The Board of Directors may appoint certified public accountants to audit the accounts of the Foundation.

Section 3. Annual Report. The Treasurer shall keep, or supervise the keeping of, the accounts of the Association in such form as shall be deemed advisable by the Board of Directors, and shall submit an annual report to the Board at the annual meeting, as well as such other reports as may be required of him by the Board of Directors and shall make said reports available for public inspection at the Association office.

Section 4. Operating Finances. The President or his designee shall prepare an annual budget to be approved by the Board of Directors. The President or his designee shall make all purchases and contractual expenditures for the Association, except as otherwise specifically directed herein. The following table represents how purchases and expenditures will be made for the Association:

TYPE OF ACTION	DOLLAR LIMIT (per occurrence)	PROCESS TO BE USED	WHO APPROVES
Purchase of routine consumables or any ordinary/customary expenses	<\$1000	Consider competitive prices, by bid or otherwise, in light of quality, suitability and other relevant factors	Any Executive Board Member
	>\$1000	Specification and Competitive Bid or recent test of market conditions	Majority vote of the Executive Board
Salaries for Referees, Scorekeepers, and other paid staff	<\$1000	Time Card or equivalent documentation approved by a Director	Treasurer or designee
	>\$1000		Majority vote of the Executive Board
Outside Services	<\$1000	Consider competitive prices, by bid or otherwise, in light of quality, suitability and other relevant factors	Any Executive Board Member
	>\$1000	Specification and Competitive Bid or recent test of market conditions	Majority vote of the Executive Board

ARTICLE VI  
AMENDMENTS OF BY-LAWS AND CHARTER

Section 1. Amendments. The By-Laws of the Association may be amended by a majority vote of all Directors of the Association at any regular or special meeting of the Board, provided notice of the character of the proposed amendment shall have been given to the Directors at least twenty (20) days before such amendment is voted upon.

Section 2. Copy of By-Laws. The Secretary of the Foundation shall at all times keep in the office of the Association a true and correct copy of the By-Laws.

*Revision 2  
Approved – 05/13/09*

ARTICLE VII  
FUNDS AND INVESTMENTS

Section 1. Savings, Checking Accounts and Securities. The Treasurer shall deposit all funds and register securities and other registerable property belonging to the Association in the name of the Association. Deposits may be made in either savings, checking or other accounts, as Treasurer may consider advisable so long as the deposits are Federally insured. Deposits may be made only in depositories that have been approved previously by the Board of Directors. Manual and electronic checks for payment of services and materials may be made by the Treasurer consistent with the requirements of Article V, Section 4.

Section 2. Purchase or Sale of Assets. The Treasurer, when directed by the Board of Directors, shall sell assets owned by the Association and deposit the proceeds as provided in Section 1 next above or invest the proceeds as required by the Board of Directors. Available amounts in the checking and savings accounts shall be invested from time to time by the Treasurer as directed by the Board of Directors.

Section 3. Safekeeping of Assets. All assets other than those needed for general operating purposes owned by the Association or held under its control or the documents of title shall be deposited with or held by banks or trust companies authorized as depositories by the Board of Directors, under safekeeping agreements. The form of each agreement shall provide that the bank or trust company will remit the current income to the Treasurer and the assets may be withdrawn or the proceeds from the payment or sale of securities may be withdrawn only as provided by Section 4 of this article.

Section 4. Withdrawal of Securities. The Secretary shall notify the Treasurer and the depository of all actions of the Board of Directors which involve the withdrawal of assets from safekeeping. The depository shall be authorized upon receipt of such advice from the Secretary to deliver to the Treasurer or to the Treasurer's order assets covered by such action. The President or the chairman of the Executive Committee is authorized to act for either the Secretary or the Treasurer provided that the same officer may not act in both capacities in connection with the same transaction.

ARTICLE VIII  
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. The Association may 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 he 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 foundation or other enterprise, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his 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 the person did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Association, and, with respect to any criminal action or proceeding, had reasonable cause to believe his conduct was unlawful.

Section 2. The Association may 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 he is or was a director, officer, employee, or agent of the Association, or is or was serving at the request of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation or foundation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees) actually and reasonably incurred by him in connection with the defense or settlement of such action or suit, if he acted in good faith and in a manner he reasonably believed to be in, or not opposed to the best interests of the Association, and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association, unless, and only to the extent that the court in which such action of 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) of this Article VIII or in defense of any claim, issue or matter therein, he shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him in connection therewith.

Section 4. Any indemnification under Sections (1) and (2) of this Article VIII (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 he has met the applicable standard of conduct set forth in Sections (1) and (2) of this Article VIII. Such determination shall be made (i) 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 (ii) if such a quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion.

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, as authorized by the Board of Directors in the specific case, upon receipt of an undertaking by or on behalf of the director, officer, employee, or agent to repay such amount, unless it shall ultimately be determined that he is entitled to be indemnified by the Association as authorized in this Article VIII.

Section 6. The indemnification provided by this Article VIII shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under any agreement, vote of disinterested directors, or otherwise, both as to action in his 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. The Association may 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 or foundation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of this Article VIII.

## ARTICLE IX FISCAL YEAR

Section 1. The fiscal year of the Association shall begin on the first day of June and end on the 31st day of May of each year, except that the Association's first year shall begin on the date of incorporation.

## ARTICLE X CONFLICT OF INTEREST POLICY

Section 1. The purpose of the conflict of interest policy is to protect this tax-exempt organization's (Organization) interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the Organization or might result in a possible excess benefit transaction. This policy is intended to supplement but not replace any applicable state and federal laws governing conflict of interest applicable to nonprofit and charitable organizations.

### Section 2. Definitions

(A) Interested Person. Any director, principal officer, or member of a committee with

governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.

(B) **Financial Interest.** A person has a financial interest if the person has, directly or indirectly, through business, investment, or family:

- (i) An ownership or investment interest in any entity with which the Organization has a transaction or arrangement,
- (ii) A compensation arrangement with the Organization or with any entity or individual with which the Organization has a transaction or arrangement; or
- (iii) A potential ownership or investment interest in, or compensation arrangement with, any entity or individual with which the organization is negotiating a transaction or arrangement. Compensation includes direct and indirect remuneration as well as gifts or favors that are not insubstantial.

(C) A financial interest is not necessarily a conflict of interest. Under Article 14, Section 3 (B), a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

### Section 3. Procedures

(A) **Duty to Disclose**

- (i) In connection with any actual or possible conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

(B) **Determining Whether a Conflict of Interest Exists**

- (i) After disclosure of the financial interest and all material facts, and after any discussion with the interested person, he/she shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon. The remaining board or committee members shall decide if a conflict of interest exists.

(C) **Procedures for Addressing the Conflict of Interest**

- (i) An interested person may make a presentation at the governing board or committee meeting, but after the presentation, he/she shall leave the meeting

during the discussion of, and the vote on, the transaction or arrangement involving the possible conflict of interest.

- (ii) The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.
- (iii) After exercising due diligence, the governing board or committee shall determine whether the Organization can obtain with reasonable efforts a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.
- (iv) If a more advantageous transaction or arrangement is not reasonably possible under circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors whether the transaction or arrangement is in the Organization's best interest, for its own benefit, and whether it is fair and reasonable. In conformity with the above determination it shall make its decision as to whether to enter into the transaction or arrangement.

(D) **Violations of the Conflicts of Interest Policy**

- (i) If the governing board or committee has reasonable cause to believe a member has failed to disclose actual or possible conflicts of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged failure to disclose. If, after hearing the member's response and after making further investigation as warranted by the circumstances, the governing board or committee determines the member has failed to disclose an actual or possible conflict of interest, it shall take appropriate disciplinary and corrective action.

Section 4. Records of Proceedings

(A) The minutes of the governing board and all committees with board delegated powers shall contain:

- (i) The names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or possible conflict of interest, the nature of the financial interest, any action taken to determine whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed.
- (ii) The names of the persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussion, including any alternatives to the proposed transaction or arrangement, and a record of any

votes taken in connection with the proceedings.

Section 5. Compensation

(A) A voting member of the governing board who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

(B) A voting member of any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services is precluded from voting on matters pertaining to that member's compensation.

(C) No voting member of the governing board or any committee whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation, contractors, are precluded from membership on any committee whose jurisdiction includes compensation matters, either individually or collectively, is prohibited from providing information to any committee regarding physician compensation.]

Section 6. Annual Statements

(A) Each director, principal officer and member of a committee with governing board delegated powers shall annually sign a statement which affirms such person:

- (i) Has received a copy of the conflicts of interest policy,
- (ii) Has read and understands the policy,
- (iii) Has agreed to comply with the policy, and
- (iv) Understands the Organization is charitable and in order to maintain its federal tax exemption it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Section 7. Periodic Reviews

(A) To ensure the Organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status, periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include the following subjects:

- (i) Whether compensation arrangements and benefits are reasonable, based on competent survey information, and the result of arm's length bargaining.

- (ii) Whether partnerships, joint ventures, and arrangements with management organizations conform to the Organization's written policies, are properly recorded, reflect reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit or in an excess benefit transaction.

Section 8.     Use of Outside Experts

(A) When conducting the periodic reviews as provided for in Article 14.G, the Organization may, but need not, use outside advisors. If outside experts are used, their use shall not relieve the governing board of its responsibility for ensuring periodic reviews are conducted.

ARTICLE XI  
GOVERNING LAW

Section 1.     The law of the State of Illinois and, specifically, the Illinois General Not For Profit Corporation Act, as now enacted or as hereafter amended, shall govern this Association.

ARTICLE XII  
MISCELLANEOUS

Section 1.     As used in these By-Laws, the masculine shall include the feminine.