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DECLARATION
OF COVENANTS, CONDITIONS
AND RESTRICTIONS
FOR SAUGANASH
VILLAGE

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PROTESTION

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DECLARATION OF COVENANTS, CONDITIONS & RESTRICTIONS FOR SAUGANASH VILLAGE

THIS DECLARATION, made this 29th day of December, A.D. 1988, by La Salle National Bank, as Trustee under Trust Agreement dated October 20, 1987, and known as Trust No. 112715 (hereinafter, together with its successors and assigns, called "Developer").

WITNESSETH:

WHEREAS, Developer is the owner of the real property described in Article II of this Declaration and desires to create on portions thereof from time to time a residential community with common open spaces, common areas and other common facilities for the benefit of said community; and

WHEREAS, Developer desires to provide for the preservation of the values and amenities in said community and for the maintenance of said open spaces and other common areas and facilities; and to this end, desires to subject, from time to time, portions of the real property described in Article II, to the covenants, restrictions, easements, charges and liens, hereinafter set forth, when and if the Developer specifically declares from time to time such portions of said real property described in Article II to be included in these Covenants and Restrictions by recording a duly executed written instrument (the "Supplemental Declaration") specifically declaring and describing such portions to be included in these covenants, restrictions, easements, charges and liens, each and all of which is and are

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for the benefit of said portions of property and each owner thereof, and shall attach to and constitute covenants running with the land as to such portions of property at the time of such Supplemental Declaration and not before; and

WHEREAS, Developer has deemed it desirable, for the efficient preservation of the values and amenities in said community to create an entity to which should be delegated and assigned the powers of maintaining and administering the community properties and facilities and administering and enforcing these Covenants and Restrictions and collecting and disbursing the assessments and charges hereinafter created; and

WHEREAS, Developer has caused or will cause to be incorporated under the laws of the State of Illinois, as a not-for-profit corporation, the SAUCANASH VILLAGE HOMEOWNERS ASSOCIATION for the purpose of exercising the functions aforesaid:

NOW THEREFORE, Developer declares that when it makes specific declarations, in the manner aforesaid and referring expressly to this Instrument, regarding portions of the real property described in Article II, such portions of real property shall be held, transferred, sold, conveyed and occupied subject to the covenants, conditions, restrictions, easements, charges and liens (sometimes referred to as "Covenants and Restrictions") hereinafter set forth;

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ARTICLE I

DEFINITIONS

Section 1. The following words when used in this Declaration or any Supplemental Declaration (unless the context shall prohibit) shall have the following meanings:

Association: The SAUGANASH VILLAGE HOMEOWNERS ASSOCIATION, an Illinois not-for-profit corporation, its successors and assigns. For purposes of these Covenants and Restrictions, references to the Association or its Board of Directors shall mean the Developer until such time as the Association is formed.

Board of Directors: The Board of Directors of the Association.

Building: A structure consisting of a series of attached Townhome Units and/or Condominium Units built or to be built within the Development, or a structure used as a community building or for other ancillary and accessory uses.

Common Areas: All those portions of the Development designated as such on plats of subdivision or approved site plans for the real property described herein and all private streets but specifically excluding any portion of the Development subject to the Condominium Property Act of the State of Illinois (the "Act").

Common Facilities: All buildings, improvements and fixtures situated on or in the Common Areas owned by the Association and all personal property owned by the Association.

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Condominium: Any part of a Parcel which has been submitted to the Act.

Condominium Owners Associations: The collective group of condominium associations (as shall be formed by owners of Condominium Units) representing the Owners of Condominiums within the Development, their successors and assigns.

Condominium Unit: Any part of a Parcel which has been submitted to the Act and which has been designated a Unit in the instrument submitting said Parcel to the Act.

Developer: LA SALLE NATIONAL BANK, as trustee aforesaid. To the extent that any provision of this Declaration grants or reserves rights to Developer or requires Developer's consent, Developer shall also mean THE HOFFMAN GROUP, INC., a Delaware corporation, its successors and assigns. The construction lender is not a successor developer unless it elects to be so in writing.

Development: Those portions of the real property described in Article II, and such additions thereto as may hereafter be made pursuant to Article II hereof, as may be specifically declared from time to time by the Developer to be subject to the Covenants and Restrictions in this Declaration, it being intended that the Development may be thereby enlarged from time to time by the inclusion of such portions and that membership in the Association may be thereby enlarged from time to time.

Eligible Mortgage Holder or Eligible Mortgagee: Developer's construction lender and those First Mortgagees who have requested

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the Association to notify them on any proposed action that requires the consent of a specified percentage of Eligible Mortgage Holders or Eligible Mortgagees.

First Mortgagee: The holder of any recorded first mortgage lien on one or more Units.

Owner: The record owner, whether one or more persons or entities and including the Developer where applicable, of the fee simple title to any Unit situated in the Development but shall not mean or refer to a mortgagee unless and until such mortgagee has acquired title pursuant to foreclosure or any proceeding or transfer in lieu of foreclosure.

Parcel: A portion of a platted lot or approved site plan within the Development upon which one Townhome Unit or two Condominium Units are constructed or are to be constructed.

Parking Area: Those portions of the Common Areas designated as such by the Developer or by the Association.

Townhome Unit: A Parcel upon which a one-family dwelling has been constructed, which dwelling may be attached to one or more other dwellings by common party walls.

Unit: A Condominium Unit or a Townhome Unit.

Walks: Such front, side and rear walks on Common Areas and Units as may be installed or designated by the Developer or the Association.

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ARTICLE II

PROPERTY SUBJECT TO THIS DECLARATION: ADDITIONS THEREOF

The real property, from which the Developer may from time to time declare portions to be specifically included in this Declaration and thereby be held, transferred, sold, conveyed and occupied subject to these Covenants and Restrictions, is located in the City of Chicago, County of Cook, State of Illinois, and is more particularly described on Exhibit A attached hereto, all of which real property shall hereinafter be referred to as "Existing Property."

The portions of the Existing Property described in Exhibit "B" attached hereto, are hereby specifically declared to be subject to this Declaration and included within the covenants and Restrictions hereof, effective upon the recording of this Declaration.

Additional portions of the Existing Property may, at the option of the Developer, be annexed hereto and made subject to this Declaration and included within the Covenants and Restrictions hereof by the Developer, without the consent of the Association or its members, from time to time within the period of seven (7) years from the date of this Declaration. The maximum number of Units that may be added shall be 144 Units. No such additional portions of the Existing Property shall be annexed hereto until all improvements intended for such additional portion are substantially complete. The Supplemental Declaration effecting the annexation shall describe in detail the

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real estate being annexed and shall subject said real estate to this Declaration. All improvements on additional portions of the Existing Property annexed hereto will be consistent with the improvements in the Development in terms of the quality of their construction. The assessments provided for in this Declaration shall apply and voting rights hereunder shall accrue for Units on the dates such Units are made subject to this Declaration. The Owner of each Unit that is so added shall become a member of the Association and as such shall have the same interest in the Common Areas any other member shall have.

ARTICLE III

BUILDING AND USE RESTRICTIONS

Section 1. The Development is hereby restricted to residential dwellings, and ancillary and accessory uses and buildings in connection therewith, including but not limited to community facilities, if any. Except with regard to the Developer, all buildings or structures erected in the Development shall be of a new construction, no buildings or structures shall be moved from other locations to the Development and no subsequent building or structures other than Townhomes or Condominiums shall be built on any Parcel where the Developer has theretofore constructed a Townhome or a Condominium. No building or structure of a temporary character, trailer, basement, tent, shack, barn, or other outbuilding shall be used on any Parcel at any time as a residence either temporarily or permanently.

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Section 2. No animals, livestock, or poultry of any kind shall be raised, bred, or kept on any Parcel except for dogs, cats, or other household pets kept for other than commercial purposes.

Section 3. No "For Rent" or "For Sale" signs, advertising signs, billboards, objects of unsightly appearance, or nuisances shall be erected, placed, or permitted to remain on any Parcel or Unit, nor shall any Parcel or Unit be used in any way or for any purpose which may endanger the health or unreasonably disturb the residents of the Development. No commercial activities shall be conducted in any Building or on any portion of the Development except activities which are intended primarily to serve residents in the Development, or which are permitted by local ordinance and do not cause traffic or parking congestion and which do not disturb the residents of the Development. The foregoing restrictions shall not apply to the commercial activities, signs, and billboards, if any, of the Developer during the construction and sales period or by the Association in furtherance of its powers and purpose set forth hereinafter and in its Articles of Incorporation, By-Laws and Rules and Regulations, as the same may be amended from time to time.

Section 4. Subject to the provisions of Article IV relating to Architectural Control, all equipment, garbage cans, service yards, woodpiles, and storage piles shall be concealed from view of neighboring Units and streets. All rubbish, trash, and garbage shall be regularly removed from the Development and shall not be allowed to accumulate thereon.

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REVISION

No exterior additions or alterations to any building in the Development, nor installation, changes or removal of fences, trees, hedges, walls, and other structures, shall be commenced, erected, or maintained, except such as are installed by the Developer in connection with the initial construction in the Development, until the plans and specifications showing the nature, kind, shape, height, materials, locations, and approximate cost of same shall have been submitted to and

ARCHITECTURAL CONTROL COMMITTEE

ARTICLE IV

By-Laws.
 Section 8. No landscaping or gardening of any kind, shall be conducted on any parcel by an Owner and no Owner shall construct any improvement on any parcel, including, but not limited to, fencing, clotheslines, and swingsets, without obtaining the approval of the Board of Directors

Section 7. No Unit shall be leased for a period less than thirty (30) days and any such lease shall be in writing. Such lease shall be subject to the provisions of this Declaration and By-Laws.
 Section 6. No lawn or horticultured chemicals shall be applied to portions of the Development maintained by the Association except by the Association (or with its express permission).

Section 5. Garage doors shall be kept closed at all times when not in use for purposes of removing or installing cars or equipment or for purposes of cleaning and maintenance.

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approved in writing as to harmony of external design and location in relation to surrounding buildings and streets by an Architectural Committee composed of the Board of Directors, or by a representative or representatives designated by the Board of Directors. The members of the Architectural Committee shall not be entitled to compensation for services performed pursuant to this paragraph, but compensation may be allowed to independent professional advisors retained by the Architectural Committee. Private exterior antennas shall not be placed on any building.

Section 1. Every person or entity who is a record owner of a fee interest in any Unit in the Development, shall be a member of the Association and said membership shall be apportioned to said Unit, and each purchaser of any Unit by acceptance of a deed therefor covenants and agrees to be a member of the Association whether or not it shall be so expressed in any such deed or other conveyance, provided that any such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a member. Membership shall be expanded from time to time to the extent of the number of Units within a portion of the existing property and shall be effective the date such portion is by Declaration included within these Covenants and Restrictions and thereby included within the Development.

MEMBERSHIP AND VOTING RIGHTS IN THE ASSOCIATION

ARTICLE V

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Section 2. The same rights, titles, powers, privileges, trusts, duties, and obligations vested in or imposed upon the Association in the Declaration and By-Laws shall be held and performed by the Developer until the earlier of (a) four (4) months after seventy-five percent (75%) of the Units have been conveyed to Unit Owners, or (b) three (3) years after the first Unit is conveyed, at which time control of the Association shall be transferred over to the Unit Owners.

Section 3. The Association shall have two classes of voting membership:

Class A. Class A members shall be all those Owners as defined in Section 1 with the exception of the Developer. Class A members shall be entitled to one vote for each Unit in which they hold the interest required for membership by Section 1. When more than one person holds such interest in any Unit, all such persons shall be members. The vote for such Unit shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Unit.

Class B. The Class B member shall be the Developer. The Class B member shall be entitled to three (3) votes for each Unit in which it holds the interest required for membership by Section 1, provided that the Class B membership shall close and be converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

a) When the total votes outstanding in the Class A

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Section 1. Each Owner shall receive written notice mailed or delivered no less than ten (10) days and no more than thirty (30) days prior to any meeting of the Board of Directors

MEETINGS OF THE ASSOCIATION

ARTICLE VI

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Section 4. In the event of a resale of a Unit, the purchaser of the Unit from a seller other than the Developer pursuant to an installment contract for the purchase shall during such times as he or she resides in the Unit be counted toward a quorum for purposes of election, of members of the Board of Directors of the Association at any meeting of the Unit Owners called for purposes of electing members of the Board, shall have the right to vote for the election of members of the Board of Directors and to be elected to and serve on the Board of Directors unless the seller expressly retains in writing any or all of such rights. In no event may the seller and purchaser both be counted toward a quorum, be permitted to vote for a particular office, or be elected and serve on the Board. Satisfactory evidence of the installment contract shall be made available to the Association or its agents.

Restrictions.
Declaration of Covenants, Conditions and

b) Three (3) years from the execution of this
Class B membership, or
membership equal the total votes outstanding in the

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concerning the adoption of the proposed annual budget or any increase, or establishment of an assessment.

Section 2. For Board of Directors' meetings scheduled for reasons other than discussed above, notice shall be mailed or delivered at least forty-eight (48) hours prior thereto unless a written waiver of such notice is signed by the person or persons entitled to such notice before the meeting is convened. Copies of notices of meetings of the Board of Directors shall be posted in one or more locations designated by the Board of Directors in the proximity of the Units.

Section 3. Meetings of the Board of Directors shall be open to any Owner except for the portion of any meeting held:

(a) to discuss litigation when an action against or on behalf of the Association has been filed or is pending in a Court or administrative tribunal, or when the Board of Directors finds that such an action is probable or imminent;

(b) to consider information regarding appointment, employment or dismissal of an employee, or

(c) to discuss violations of rules and regulations of the Association or unpaid Common Expenses owed to the Association.

Any vote on these matters shall be taken at a meeting or portion thereof open to any Owner. Any Owner may record the proceedings at meetings by tape, film or other means, subject to reasonable rules and regulations which the Board of Directors may prescribe.

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Section 1. Developer and each purchaser of any Unit, to the extent provided in Section 11 of this Article, by acceptance of a deed or other instrument of conveyance therefor, whether or not it shall be so expressed in any deed or other instrument of conveyance, hereby covenants and agrees, for himself, his heirs, personal representatives, successors and assigns, to pay from and after the date a particular Unit becomes subject to the provisions of this Declaration, to the Association: (a) annual expense assessments or charges, payable monthly ("Expense Assessments"); (b) special assessments ("Special Assessments") for payment of excess real estate taxes (as provided in Section 3 of this Article VII); (c) capital contributions ("Capital Contributions") (described in Section 4 of this Article VII) and (d) condominium insurance assessments ("Condominium Insurance Assessments") (as provided in Section 5 of this Article VII) (Expense Assessments, Special Assessments, Capital Contributions and Condominium Insurance Assessments are all hereinafter collectively referred to as the "Assessments"). Such Assessments are to be fixed, established and collected from time to time as hereinafter provided. Such Assessments (or installments thereof), together with such interest thereon, late charges, and costs of collection thereof as are hereinafter provided, when due and not fully paid shall be a charge on the land, and shall be a

COVENANT FOR CAPITAL CONTRIBUTIONS
AND MAINTENANCE ASSESSMENTS

ARTICLE VII

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lien upon the unit, against which each call for such assessments (or installments thereof) is made until the same shall be paid in full. Each such assessment (or installment thereof), together with such interest thereon, late charges and cost of collection thereof as are hereinafter provided, shall also be the personal obligation of the person who is the Owner of such property at the time when such assessment (or installment thereof) falls due. The Board shall establish and maintain a reasonable Reserve for contingencies, periodic maintenance, repair and replacement. A working capital fund contribution equal to two (2) times the then current monthly Expense Assessment will be collected from the then Owner or the Developer (if the Developer is the Owner) and deposited into a segregated fund of the Association upon the earlier of (1) Developer's conveyance of said unit to an individual purchaser other than its construction lender in a foreclosure or (ii) when control of the Development is transferred to the Association. Any amounts paid into this fund should not be considered as advance payments of regular assessments. The working capital fund cannot be used by the Developer to defray its expenses, reserve contributions or construction costs or to make up any budget deficits. When control of the Development is turned over to the Association, the working capital fund shall be transferred from the Developer to the Association for deposit to a segregated fund. Upon the initial conveyance of each unit from Developer to a purchaser, the purchaser shall reimburse Developer for said capital fund

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contribution. The capital fund contribution shall not be refunded to purchaser upon a subsequent conveyance unless and until the party to whom purchaser conveys deposits a like amount with the Association. The foregoing shall apply to all subsequent conveyances of the Unit so that a capital fund deposit equal to two (2) times the monthly Expense Assessment shall be held by the Association at all times as to each Unit so long as these Covenants and Restrictions are in effect.

Section 7. The Expense Assessments levied by the Association shall be used exclusively for the purpose of promoting the health, safety, pleasure and recreation of the members of the Association and in particular for the maintenance of properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Areas and Common Facilities including, but not limited to, a reasonable amount considered by the Association to be necessary for a reserve for contingencies and replacements (including replacement of improvements to the Common Areas it is obligated to maintain), the payment of liability insurance premiums and premiums for insurance against fire and other hazards on the Common Areas and/or the Common Facilities and the payment of interest, the cost of maintenance, upkeep and repair of the Common Areas and/or the Common Facilities, and the cost of labor, management, supervision and operation necessary or desirable for the use and enjoyment of the Common Areas and Common Facilities.

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If taxes on real estate owned by the Association, as shown by the tax bills received by the Association each year, shall exceed the amounts estimated for such taxes in the budget previously

Article VII.

The Board of Directors may, after consideration of current maintenance costs and future needs of the Association, fix the actual Expense Assessment for any year at an amount less than the maximum Expense Assessment established in accordance with this

responsible for the amount of such excess. established in the estimated budget, the Developer shall be period, the actual expense of the Association exceeds the amounts Developer in the Association's estimated budget. If during such annual Expense Assessment for this Unit established by the Developer to the Unit Owners, each Unit Owner shall pay the prior to the transfer of control of the Association from the

considered two (2) distinct Units.

and later is submitted to the Act, it shall thereafter be which is not subject to the Act is subjected to this Declaration, a vote of the members. Notwithstanding the foregoing, if a Unit by action of the Board of Directors and without the necessity for effective the first day of January of each year on and after 1990 and after January 1, 1990 the Expense Assessment may be increased One Hundred Four and 00/100 Dollars (\$1,104.00) per Unit. From

the annual Expense Assessment shall be not more than One Thousand Declaration and until the calendar year beginning January 1, 1990 Section 3. From the date any Unit becomes subject to this

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used in determining the annual Expense Assessment for such year, the Board of Directors may, without the assent of the members, cause the Association to levy a Special Assessment to provide funds for payment of such increase in taxes, in such manner and time or times as the Board of Directors shall determine.

Monies received by the Association pursuant to this Section 3 shall be deposited in the general account of the Association. In the event that the sum of the annual Expense and Special Assessments for any calendar year shall exceed the Association's expenses including reserves for such calendar year, the Board of Directors shall cause the Association either to return the amount of such excess assessments to the members of the Association promptly after the end of such calendar year or to apply the amount of such excess against the members' annual Expense Assessments for the next following calendar year. Any such excess assessments which the Board of Directors elects to return to the members shall be returned to those persons who are members of the Association on the last day of the calendar year in which such excess arose. For purposes of this Section 3, the Association's expenses for a calendar year shall be conclusively deemed to equal the expenses reported on the Association's Federal income tax return for such calendar year.

Section 4. In addition to the annual Expense and Special Assessments authorized by Section 3 of this Article VII, the Board of Directors may (and in the case of inadequate reserves, for replacement of the Common Areas and Common Facilities,

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excluding personal property, shall cause the Association to require, from time to time on at least thirty (30) days advance written notice to all members, a Capital Contribution to the Association (which may be payable in installments if so designated by the Board of Directors and, in the case of capital contributions for the replacement of the Common Areas and Common Facilities, excluding personal property, shall be payable in monthly installments), for the purpose of (a) paying capital expenditures, including (without limitation), the cost of any construction or reconstruction, alteration or replacement of one or more capital improvements upon the Common Areas, the cost of the necessary fixtures and personal property related thereto, and the cost of acquisition or replacement of any major specified item or items of personal property owned or to be owned by the Association, or (b) making principal payments on loans made to the Association, or (c) providing the Association with working capital as reserves against future expenses, or (d) providing funds to cover losses incurred by the Association.

Notwithstanding the foregoing, such capital contributions may not be levied without the assent of two-thirds (2/3) of the votes of each class of voting membership in the Association, cast in person or by proxy at a meeting duly called for this purpose, written notice of which shall be given to all voting members at least thirty (30) days in advance and which shall set forth the purpose of the meeting.

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The purpose(s) of each Capital Contribution shall be specified in the aforementioned notice and all monies received by the Association in payment of the Capital Contributions referred to in this Section 4 shall be segregated from all other monies of the Association in a separate bank account or other investment approved by the Board of Directors, to be held by the Association and identified as being for funds for the purpose called for in the said notice to membership.

Section 5. In addition to the annual Expense and Special Assessments authorized by Section 3 of this Article VII, each Condominium Unit Owner shall pay an additional assessment to the Association to be used exclusively for the purpose of providing each Condominium Unit with the insurance coverage required under the terms of the Condominium declaration creating said Condominium Unit and required by the provisions of Article XIII. The amount of such Condominium Insurance Assessments shall be determined by the Board of Directors on a Condominium by Condominium basis and applied to Condominium Units within the respective Condominiums in accordance with their percentage ownership. Said amounts shall be set forth in a statement to be billed to each Condominium Unit Owner. Such assessment is subject to change as a result of increased rates by the Association's insurance carrier. Such Condominium Insurance Assessment shall become due and payable in equal monthly installments to be paid each month in advance on or before the first day of the month commencing on the first day of January of

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the year for which the Condominium Insurance Assessment is levied, unless the Board of Directors designates another form of periodic payments.

Section 6. Each Owner shall receive, at least thirty (30) days prior to the adoption thereof by the Board of Directors, a copy of the proposed annual budget. In addition, the Association shall annually supply to all Owners, an itemized accounting of the Common Expenses for the preceding year actually incurred or paid, together with a tabulation of the amount collected pursuant to the budgeted Expense Assessment and showing the net excess or deficit of increase over expenditures plus reserves. Upon written request by any holder, insurer, or guarantor of any first mortgage that is secured by a Unit, the Association shall provide an audited statement for the preceding fiscal year.

Section 7. Notwithstanding the limitations of Section 3 of this Article VII, for the calendar year 1990 and for each annual period thereafter, the Association may change the annual Expense Assessment fixed pursuant to said Section 3 prospectively for any such period, provided that any such change shall have the consent of a majority of the votes of each class of the voting members of the Association, cast in person or by proxy at a meeting duly called for this purpose, written notice of which shall be given to all voting members at least thirty (30) days in advance and shall set forth the purpose of the meeting.

Section 8. The quorum required for any action authorized by Sections 4 and 7 of this Article VII shall be as follows: At the

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first meeting called, as provided in said Sections 4 and 7, the presence at such meeting of members of the Association, or of proxies, entitled to cast sixty (60) percent of all of the votes of each class of voting members shall constitute a quorum. If the required quorum is not forthcoming at such meeting, another meeting may be called, subject to the notice requirement set forth in said Sections 4 and 7 and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the immediately preceding meeting, provided that such subsequent meeting shall be held not more than sixty (60) days following the date of the immediately preceding meeting.

Section 9. The annual Expense Assessments provided herein shall commence as to each Unit owned by Developer in any portion of the Existing Property which by declaration has been brought under these Covenants and Restrictions on the first day of the calendar month following said declaration, subject to the provisions of Section 13 of this Article VI.

The annual Expense Assessment shall become due and payable in equal monthly installments to be paid each month in advance on or before the first day of the month commencing on the first day of January of the year for which the Expense Assessment is levied, unless the Board of Directors designates another form of periodic payments.

The amount of the annual Expense Assessment which may be levied for the balance remaining in the first calendar year of assessment against a Unit shall be an amount which bears the same

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relationship to the annual Expense Assessment provided for in Section 3 of this Article VII for such year as the remaining number of months in that calendar year bears to twelve (12). The same reduction in the amount of the annual Expense Assessment shall apply to the first assessment levied against any property then subject to these Covenants and Restrictions at a time other than the beginning of any calendar year.

The due date of any Special Assessment or Capital Contribution under Section 3 or Section 4 hereof respectively (and whether or not such assessment, or capital contribution, shall be payable in installments) shall be fixed in the resolution authorizing such assessment.

Section 10. At least thirty (30) days in advance of the due date for any Assessment, or the first installment of such Assessment, the Board of Directors shall fix the amount of such Assessment against each Unit (as applicable). Subject to the provisions of Section 13 of this Article VII, any such Assessment shall be allocated equally among each Unit (as applicable); provided, however, that nothing herein contained shall be deemed to restrict the remedies available to the Association against any particular Unit or Unit Owner(s) in the event of non-payment of Assessments when due, or for costs assessed to Unit Owner(s) as a result of willful or negligent acts of Owner(s), their family, guests or invitees. The Board of Directors shall prepare a roster of the Units and Assessments applicable thereto which shall be kept in the office of the Association and such roster,

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as well as the other books and records of the Association, shall be open to inspection by any Owner or First Mortgagee. Written notice of any Assessment shall thereupon be sent to every Owner and First Mortgagee subject thereto. The Board of Directors may, in its discretion, designate a form of periodic payments. The Board of Directors may also, in its discretion, designate and retain an agent to collect such Assessments on behalf of the Association, to whom payments of such Assessments shall be made.

Section 11. If the Assessments (including contributions to reserve accounts) (or any installments thereof) are not paid on the date when due (being the dates specified in Section 5 and 9 hereof), then such delinquent Assessment or installment thereof shall, together with such interest thereon and the cost of collection thereof as are hereinafter provided, thereupon become a lien on the Unit of the delinquent Owner which shall bind such property in the hands of the then Owner, his heirs, devisees, personal representatives and assigns and the Association shall have the right to record in the County Recorder's Office, a notice of lien upon the Unit of the delinquent. The personal obligation of the then Owner to pay such Assessment however, shall remain his personal obligation for the statutory period and shall not pass to his successors in title unless expressly assumed by them. Sale or transfer of any Unit shall not affect the continuing lien on such Unit for the amount of any unpaid Assessments (or installments thereof).

If an Assessment (or installment thereof) is not paid within

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thirty (30) days after the due date thereof, such Assessment or installment shall bear interest from such due date at the per annum rate equal to the lesser of four percent (4%) above the rate then being charged from time to time by the First National Bank of Chicago to its largest customers of the highest credit standing for short term, unsecured loans or the highest rate permitted by law, and the Association, or its collecting agent designated by the Board of Directors, may bring any legal action against the Owner personally obligated to pay the same and/or to execute upon the Association's lien against the delinquent Owner's Unit, and there shall be added to the amount of such Assessment or installment the costs of preparing and filing the complaint in such action and, in the event a judgment is obtained, such judgment shall include interest on the Assessment as above provided and a reasonable attorney's fee to be fixed by the court together with the cost of the action. In addition thereto, the Association may deny to the delinquent Owner the use and enjoyment of any of the Common Areas and Common Facilities used for recreation, except for ingress and egress to and from the Owner's Unit, until the delinquent Assessment or installment is paid, together with any interest, costs and other sums set forth above which the Association is entitled to receive. No Owner may avoid liability for the Assessments provided for herein by non-use of the Common Areas and/or the Common Facilities, by set-off of any claims he may have against the Association, or by abandonment of his Unit. Any unpaid Assessment which cannot be

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promptly collected from an Owner of a Unit may (but need not) be reassessed by the Board of Directors as a common expense to be collected from all of the Owners (or in the case of the Condominium Insurance Assessment, to be collected from all Condominium Unit Owners), including (by way of illustration and not limitation) a purchaser who acquires title to the Unit owned by the defaulting Owner at a sheriff's sale of such Unit pursuant to execution upon a lien against such Unit (including, without limitation, the Association's lien for delinquent Assessment(s), his successors and assigns and any holder of a mortgage who comes into possession of a Unit by deed in lieu of foreclosure or any transfer or assignment in lieu of foreclosure).

Section 12. The lien of the Assessments provided for herein shall be subordinate to the lien of any First Mortgagee or any mortgage placed by Developer's construction lender, subject to such Assessment prior to the time such Assessment becomes a lien on such Unit; provided, however, that such subordination shall apply only to the Assessments or installments which have become due and payable prior to the date of sale of such Unit pursuant to a decree of foreclosure of such mortgage or prior to the date of a deed, or other instrument of conveyance, of such Unit given by the mortgagor in lieu of foreclosure. Any First Mortgagee who comes into possession of a Unit on which it holds or held a mortgage, through foreclosure of such mortgage, or by deed (or assignment) in lieu of foreclosure, shall take the Unit free of any claims for unpaid Assessments or other charges against such

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Unit which have accrued prior to the time such First Mortgagee comes into possession of such Unit (except for claims for a pro rata share of such Assessments or other charges resulting from a pro rata reallocation thereof by the Association to all Units including the mortgaged Unit and which are assessed after the mortgagee takes possession). Such sale, or deed shall not relieve such Unit from liability for any Assessments, or installments of either, which thereafter become due nor from the lien of any such subsequent Assessment or installment.

Section 13. Each Unit, for the period prior to the time it is constructed, sold and conveyed by Developer, shall be exempted from the Assessments, charges and liens of the Association created herein for any amount in excess of sixty percent (60%) of capital contributions, and/or monthly assessments paid by Owners of Units to which title has been conveyed by Developer. However, within sixty (60) days after the closing of the sale and conveyance of the first Unit in the Development, Developer shall pay each unsold Unit's share of the working capital fund to the Association. The Developer shall then reimburse itself for this payment from funds collected at the closing of such unsold Units.

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Upon the conveyance by Developer to an Owner other than Developer of a Unit which was theretofore entitled to the above partial exemption, such exemption shall be terminated ipso facto and such Unit shall thereafter be subject to the full amount of Assessments elsewhere set forth in this Article VII, prorated from the date of such conveyance.

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It is further understood that the following property subject to this Declaration shall be exempt from the Assessments, charges and liens created herein: (a) properties dedicated to and accepted by a local public authority and devoted to public use, from and after the time of acceptance of such dedication; (b) all Common Areas and Common Facilities.

ARTICLE VIII

MAINTENANCE DUTIES AND RIGHTS OF THE ASSOCIATION AND FIRST MORTGAGEES

Section 1. The Association, in addition to its other powers, rights and duties as set forth in these Covenants and Restrictions and in its Articles of Incorporation, By-Laws and any rules and regulations which the Association may promulgate as hereinafter provided, and as any of the same may be amended, shall maintain, operate and manage all the Common Areas and Common Facilities owned by the Association, in the manner provided herein, and including, generally and without limitation, any of the following: private streets, private utility systems, including sanitary sewers, storm sewers and water, security gates, retaining walls, fences or walls along the perimeter of the Development, trees located on the Common Areas (it being understood that the Association may delegate one or more of such duties to one or more independent contractors including, without limitation, Developer and entities affiliated with Developer, or agents or employees of the Association, by lease or contract, provided that any contract entered into by Developer on behalf of

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the Association for professional management of the services shall not bind the Association unless said contract contains a reasonable employment term and a right of termination by the Association without penalty, upon notice of ninety (90) days or less) and shall maintain and otherwise manage the landscaping and grounds in the Common Areas. In addition, the Association shall pay all real estate taxes, personal property taxes or other charges which may be assessed against or levied upon the Common Areas and Common Facilities owned by the Association, and shall maintain continually in effect, and pay the premium of, fire and extended coverage insurance on the insurable portion of the Common Areas and Common Facilities, comprehensive public liability insurance covering all of the Common Areas and Common Facilities, a fidelity bond or insurance policy covering all persons who are responsible for handling the funds of the Association, and such other insurance as the Board of Directors shall deem to be necessary or desirable, all of which shall be in such amounts and with such companies as the Board of Directors shall determine; provided, however, that if and for so long as any First Mortgagee, guarantor of a first mortgage, or insurer of a first mortgage shall be the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation or any other Federal, State or local agency or instrumentality, then the insurance and fidelity bond coverage carried by the Association shall, at a minimum, comply with any applicable requirements of such association, corporation, agency and/or instrumentality.

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a part of the Expense Assessment to which such Unit is subject and shall be paid as determined by the Board of Directors.

In furtherance of the above duties and all other powers, rights and duties of the Association, the Association for itself, its agents, successors, and assigns, is hereby granted the right and easement to enter in and upon all yard areas and walks of the Parcels in the Development or grant other or additional easements for utility, commercial entertainment purposes or access for the benefit of the Property or any part or all of any additional area over, under, along and/or on any portion of the Property or the Common Areas or to execute and deliver instruments or other documents relating thereto or to take any other act deemed necessary by the board in its reasonable judgment, and each Owner and each mortgagee of a Unit hereby grants to the Board of Directors an irrevocable power of attorney coupled with an interest to execute, acknowledge and record in the name of such Owner such instruments and documents as may be necessary or appropriate to effectuate the foregoing.

The extent and frequency of the activities of the Association in carrying out the duties of maintenance and management set forth above shall be decided by the Board of Directors, and the Board of Directors may appoint committees to advise the Board of Directors on such matters. The Board of Directors may also promulgate rules and regulations to aid in carrying out of said maintenance and management duties, and may amend said rules and regulations from time to time.

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Section 2.

(a) A First Mortgagee of a Unit may, either singly or jointly with First Mortgagees of other Units, on behalf of the Association (i) pay taxes or other charges which are in default and which may become or have become a lien or charge against the Common Areas, the Common Facilities or both, and (ii) pay overdue premiums on one or more hazard insurance coverage of the Common Areas and Common Facilities upon the failure of the Association to replace such policy not later than the time it elapses (including any applicable grace period). One or more First Mortgagees making such payment on behalf of the Association shall be entitled to be reimbursed therefor from the Association upon written demand therefor. Upon written request by a First Mortgagee, the Association shall confirm in writing to such First Mortgagee that if any First Mortgagees were to make one or more of the payments referred to in the first sentence of this paragraph (a) on behalf of the Association, such First Mortgagee(s) would thereby be entitled to the reimbursement mentioned in the immediately preceding sentence.

(b) No Owner of a Unit, or any other party, shall have priority over any rights of First Mortgagees of Units pursuant to their mortgages in the case of a distribution to Owners of insurance proceeds or condemnation awards for losses to or a taking of any of the Common Areas, Common Facilities, or both; provided, however, that nothing in this paragraph (b) shall be deemed to create, or imply the existence of, any rights of Owners

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of Units, or their First Mortgagees, or both, in and to any such insurance proceeds and condemnation awards.

(c) The holder, insurer or guarantor of the mortgage on any Unit, including Developer's construction lender, shall be entitled to timely written notice of the following:

- (i) any condemnation or casualty loss which affects either a material portion of the Development or the Unit securing its mortgage;
- (ii) any 60-day delinquency in the payment of Assessments or charges owed by the Owner of any Unit on which it holds the mortgage;
- (iii) a lapse, cancellation, or material modification of any insurance policy or fidelity bond maintained by the Association; and
- (iv) any proposed action that requires the consent of a specified percentage of eligible mortgage holders.

To obtain this information, the mortgage holder, insurer, or guarantor should send a written request to the Association, stating both its name and address and the Unit number or address of the Unit on which it has (or insures or guarantees) the mortgage.

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ARTICLE IX

USE AND RIGHTS IN COMMON AREAS

Section 1. Except as the right may be suspended under Section 10 of Article VII hereof for non-payment of delinquent Assessments, or as provided below, each Owner, at the time he becomes an Owner and for so long as he is an Owner, is hereby granted an easement of use, enjoyment and access to all of the Common Areas and the Common Facilities in the Association, subject to the rules and regulations of the Association as promulgated from time to time and subject to the right of the Association or its designee(s) for use of one or more of the Common Areas and/or Common Facilities. This easement of use, enjoyment and access granted to each Owner shall be deemed to be appurtenant to such Owner's Unit, shall run with the land and shall pass with the title to such Unit. Any Owner may delegate his rights of enjoyment in the Common Areas and the Common Facilities to the members of his family who reside in his Unit or to any tenants of his Unit, such rights being subject to suspension in the same manner and to the same extent as those of the Owner of such Unit.

In addition to all other rights and remedies available to the Association, the Association shall have the right to suspend the use and access by any Owner to any of the Common Areas and the facilities thereon used for recreation, except for use for ingress and egress to the Owner's Unit, for a period not to exceed thirty (30) days for each infraction of its promulgated

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rules and regulations or these Covenants and Restrictions. The Association or its designee(s) shall have the right to charge reasonable admission and other fees for the recreational use of any Common Areas and/or Common Facilities by guests of Owners or guests of tenants entitled to the use and enjoyment rights of Owners. Developer and the Association, in accordance with and subject to its Articles of Incorporation and By-Laws of the Association, shall have the right to borrow money for the purposes of improving all of portions of the Common Areas and the Common Facilities owned by the party borrowing such money, and in aid thereof to mortgage subject to the assent of 2/3rds of each class of membership entitled to vote thereon, and subject to the prior written approval of all First Mortgagees of individual Units then in the Association, all or portions of the Common Areas and/or Common Facilities owned by the borrower, provided that the rights of such mortgagee in the mortgaged Common Areas and mortgaged Common Facilities shall be subject to this instrument and subordinate to the rights of the Owners herein. Notwithstanding anything to the contrary contained in any such mortgage, in the event of a default upon any such mortgage the lender's rights and remedies thereunder and under any note, bond or other debt instrument which is secured by such mortgage shall be limited to the right, after taking possession of the mortgaged properties, to charge admission and other fees (if the Common Area or Common Facility is for recreational use) as a condition to continued enjoyment by the members and, if necessary, to open

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the enjoyment of such properties to a wider public until the mortgage debt is satisfied, whereupon the possession of such properties shall be returned to the Association and all rights of the members hereunder shall be fully restored.

The Association shall have the right to dedicate all or portions of the Common Areas and/or Common Facilities to any public body, agency, authority or utility for public use, provided that each Owner shall continue to have ingress and egress to his Unit; and further provided that no such dedication shall be effective unless an instrument signed by members entitled to cast two-thirds (2/3) of the votes of each class of voting membership has been recorded, agreeing to such dedication and unless written notice of the proposed dedication is mailed or hand delivered to every member and First Mortgagee at least ninety (90) days in advance of any action taken.

Section 2. Prior to the first conveyance by the Developer of a Unit in each portion of the Existing Property which by Declaration is brought under these Covenants and Restrictions, the Developer shall convey to the Association in fee all of the Common Areas in each such portion of Existing Property, free and clear of all mortgages and encumbrances, except easements for utilities as provided below, these Covenants and Restrictions, public zoning ordinances, restrictions of record, if any, and except for current real estate taxes, which shall be prorated between the Developer and the Association. Any other Common Areas in other portions of the Existing Property which are

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brought under these Covenants and Restrictions shall be conveyed to the Association in like manner. The Common Areas, and the Developer's conveyance thereof to the Association, shall be subject to utility easements granted or to be granted for sewer, water, gas, electricity, telephone, cable television and any other necessary utilities. If such utilities are not installed, or easements therefore are not granted or reserved, prior to the conveyance of the Common Areas, such easements shall be granted later at the request of the Developer. As a part of its program of development of the Development into a residential community and to encourage the marketing thereof, the Developer shall have the right to use the Common Areas and Common Facilities thereon, including a community building, if any, without charge during the sales and construction period for the Existing Property, provided, however, the Developer shall not retain any ownership interest in the Common Areas or Common Facilities.

Section 3. The duly designated officials and employees of governmental bodies having jurisdiction over the Development, shall have an easement to enter upon on, and over the Common Areas and the private drives for the purpose of providing police and fire protection, maintaining and installing municipal services and utilities, and enforcing the applicable laws, ordinances, rules and regulations of the said governmental bodies, provided however, that all motor vehicles shall be operated only on the paved surfaces within the Development. The Developer and the Association shall hold police and governmental

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personnel harmless from civil or criminal actions arising through a charge of trespass for entering on the Common Areas in performance of their duties.

Section 4. In the event of condemnation or destruction of any Common Areas or Common Facilities, and in the event of liquidation or termination of the Association, any losses or proceeds resulting therefrom shall be payable to the Association for the benefit of the Unit Owners and their mortgagees. Any distribution shall be made on a reasonable and equitable basis.

Section 5. The Board of Directors shall have standing and capacity to act in a representative capacity in relation to all matters involving the Common Areas or Common Facilities or more than one (1) Unit, on behalf of the Owners as their interests may appear. A power coupled with an interest is hereby granted to the Association and the Board of Directors as attorney-in-fact to so act.

ARTICLE X

PARTY WALLS

Section 1. Each wall which is built as part of the original construction of the Unit in the Development and placed on the vertical dividing line between the Units shall constitute a party wall and, to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls shall apply thereto.

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Section 2. The cost of reasonable repair and maintenance of a party wall shall be shared equally by the respective Owners who make use of the wall. In the event a party wall separates a Townhome Unit from one or more Condominium Units, the cost of repair and maintenance shall be shared equally by the condominium owners association to which the Condominium Unit Owner(s) is a member and the owner of the adjacent Townhome Unit.

Section 3. In the event construction, reconstruction, repair, shifting, settlement or other movement of the Development results in either the Common Areas encroaching on a Unit, or in a Unit encroaching on the Common Areas of another Unit, a valid easement shall extend to the Association and the applicable Unit Owner for both the encroachment and its maintenance.

Section 4. If a party wall is destroyed or damaged by fire or other casualty, any Parcel Owner who has used the wall may restore it, and the other Parcel Owner shall contribute its 50% share to the cost of restoration. In the event a party wall separates a Townhome Unit from one or more Condominium Units, the 50% share of the cost of restoration applicable to the Condominium Unit(s) shall be borne by the condominium owners association in which the Owner(s) is a member.

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ARTICLE XI

HAZARD INSURANCE ON UNITS

Section 1. The Owner of each Unit which shall become subject to this Declaration shall maintain in full force and

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effect during the period of said Owner's ownership of said Unit an insurance policy insuring said Unit against the hazards normally insured against in a standard form homeowner's hazard insurance policy; said insurance shall be in an amount not less than 100% of the estimated replacement cost of the Unit.

Section 2. The Association shall be named as an additional insured in said insurance policy, and said policy shall contain a "ten-day notice cancellation" clause to the Association. A copy of the insurance certificate for such policy must be given to the Board of Directors for the records of the Association.

Section 3. It shall be the obligation of each Owner to promptly rebuild, restore or repair any Unit damaged or destroyed to its condition prior to such damage.

ARTICLE XII

INSURANCE

Section 1. The Association shall acquire a policy or policies of insurance insuring the Common Areas against loss or damage from fire, lightning and other hazards contained in the customary fire and extended coverage, vandalism, and malicious mischief endorsements for the full insurable replacement value of the Common Areas and to require a provision in such policy that the proceeds thereof shall be payable to the Board of Directors, for equal benefit of each of the Owners.

All said policies of insurance (1) shall provide that the insurance, as to the interest of the Board, shall not be

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invalidated by any act or neglect of any Owner, (2) shall provide that notwithstanding any provision thereof which gives the insurer an election to restore damage in lieu of making a cash settlement therefor, such option shall not be exercisable in the event the Owners elect to sell the Property, (3) shall contain an endorsement to the effect that such policy shall not be terminated for non-payment of premiums without at least ten (10) days' prior written notice to the Association, (4) shall contain a clause or endorsement whereby the insurer waives any right to be subrogated to any claim against the Association, its officers, members of the Board of Directors, the Developer, the managing agent, if any, their respective employees and agents, and the Owners, (5) shall contain a "Replacement Cost Endorsement", (6) shall contain an "Agreed Amount of Inflation Guard Endorsement" (if it is obtainable), and (7) shall contain a "Construction Code Endorsement" (if there is a construction code provision that requires changes to undamaged portions of the buildings even when only part of the Development is destroyed by an insured hazard). The proceeds of such insurance shall be applied by the Association or by the corporate trustee or agent on behalf of the Association for the reconstruction of the portion of the Common Areas affected or shall be otherwise disposed of, in accordance with the provisions of the Declaration. The Board may engage the services of, and such insurance may be payable to a bank or trust company authorized to do, execute, and accept trusts in Illinois to act as insurance trustee, or as agent or depository as an

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alternative to acting as trustee, and to receive and disburse the insurance proceeds resulting from any loss upon such terms as the Association shall determine consistent with the provisions of the Declaration.

In the event of any loss in excess of \$5,000.00 in the aggregate, at the Association's discretion or request of any Owner, the Board shall solicit bids from reputable contractors.

Payment by an insurance company to the Association or to such corporate trustee or agent of the proceeds of any policy, and the receipt of release from the Association or such corporate trustee or agent of the company's liability under such policy, shall constitute a full discharge of such insurance company, and such company shall be under no obligation to inquire into the terms of any trust or agency agreement under which proceeds may be held pursuant hereto, or to take notice of any standard mortgage clause endorsement inconsistent with the provisions hereof, or see to the application of any payments of the proceeds of any policy by the Association or the corporate trustee.

Section 2. The full, insurable replacement cost of the Common Areas, shall be determined from time to time by the Association. The Association shall have the authority to obtain an appraisal by a reputable appraisal company as selected by the Association.

Section 3. The Association shall acquire, and shall have the authority and duty to obtain, comprehensive public liability insurance against claims and liabilities arising in connection

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with the ownership, existence, use or management of the Common Elements in the amount of One Million Dollars (\$1,000,000.00) per each single occurrence insuring the Board of Directors, the Association, and their respective employees, agents, and all persons acting as agents. Such liability insurance should provide coverage for bodily injury and property damage resulting from the operation, maintenance, or use of the Common Areas and any legal liability that results from law suits related to employment contracts in which the Association is a party. The Developer shall be included as an additional insured in his capacity as an Owner. The Owners shall be included as additional insureds but only with respect to that portion of the premises not reserved for their exclusive use. The insurance shall cover claims of one or more insured parties against other insured parties. The insurance shall contain a waiver of any rights to subrogation by the insuring company against any of the above-named insured persons. The liability insurance policy shall include a specific endorsement to preclude the insurer's denial of an Owner's claim because of negligent acts of the Association or of other Owners, and shall provide for at least ten (10) days notice to the Association before the insurer can cancel or substantially modify the policy.

Section 4. The Association shall acquire forms of insurance and fidelity bonds, including, but not limited to, insurance for the Association, its officers, and manager against liability from good faith actions allegedly beyond the scope of their

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authority. The minimum amounts and types of insurance coverage and fidelity bond coverage maintained by the Association shall be those required by the Federal National Mortgage Association for developments similar to the Development. The fidelity bond should cover the maximum funds that will be in the custody of the Association or its managing agent, if any, at any time the bond is in force. In addition, the fidelity bond coverage must at least equal the sum of two (2) months assessments on all units in the Development, plus the Association's reserve funds. The fidelity bonds must also include a provision that calls for ten (10) days written notice to the Association, its managing agent, if any, or insurance trustee before the bond can be cancelled or substantially modified for any reason.

Section 5. Each Owner hereby waives and releases any and all claims which he may have against the other Owners, the Association, members of the Board of Directors, the Developer, the managing agent, if any, and their respective employees and agents, for damage to the Common Areas, the Units, or to any personal property located in the Units or Common Areas, caused by fire or other casualty, to the extent that such damage is covered by fire or other form of casualty insurance.

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ARTICLE XIII

CONDOMINIUM INSURANCE

1. A power coupled with an interest is hereby irrevocably granted to the Board of Directors by each Condominium Unit Owner

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to acquire the following forms of insurance coverage for the Condominiums:

(a) The Board of Directors shall acquire with funds collected pursuant to the Condominium Insurance Assessment contained in Section 5 of Article VII, a policy or policies of insurance insuring the common elements of each of the Condominiums against loss or damage from fire, lightning and other hazards contained in the customary fire and extended coverage, vandalism, and malicious mischief endorsements for the full insurable replacement value of the common elements of the Condominium Units and the Condominium Units themselves and to require a provision in such policy that the proceeds thereof shall be payable to the board of managers of each Condominium, as trustees for each of the Condominium Unit Owners within the condominium insured, in the percentages established in the Condominium declaration for said Condominium.

The full insurable replacement cost of Condominium Units shall include the replacement cost value of additions, betterments, alterations and improvements made in and to any such Condominium Unit, provided, however, the Board of Directors shall not be responsible for obtaining insurance on such additions, betterments, alterations or improvements unless and until the board of managers of the Condominium shall make such report and request to the Board of Directors in writing to obtain such insurance, and any additional premiums shall be added to the particular Owner's Condominium Insurance Assessment.

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All said policies of insurance (1) shall contain standard mortgage clause endorsements in favor of the mortgagee or mortgagees of each Condominium Unit, if any, as their respective interest may appear, (2) shall provide that the insurance, as to the interest of the board of managers, shall not be invalidated by any act or neglect of any Condominium Unit Owner, (3) shall provide that notwithstanding any provision thereof which gives the insurer an election to restore damage in lieu of making a cash settlement therefor, such option shall not be exercisable in the event the Condominium Unit Owners elect to sell the Parcel or remove the Parcel from the provisions of the Act, (4) shall contain an endorsement to the effect that such policy shall not be terminated for nonpayment of premiums without at least ten (10) days' prior written notice to the mortgagee of each Condominium Unit, (5) shall contain a clause or endorsement whereby the insurer waives any right to be subrogated to any claim against the Association, its officers, Board of Directors, the Condominium Owners Association, its officers, board of managers, the Developer, the managing agent, if any, their respective employees and agents, and the Condominium Unit Owners, (6) shall contain a "Replacement Cost Endorsement", (7) shall contain an "Agreed Amount of Inflation Guard Endorsement" (if it is obtainable), and (8) shall contain a "Construction Code Endorsement" (if there is a Construction Code provision that requires changes to undamaged portions of the Building even when only part of the Building is destroyed by an insured hazard).

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(b) The Board of Directors shall acquire and shall have the authority and duty to obtain, comprehensive public liability insurance against claims and liabilities arising in connection with the ownership, existence, use or management of each Parcel on which a Condominium is located, in the amount of One Million Dollars (\$1,000,000.00) per each single occurrence insuring the Condominium Owners Associations, and their respective boards of managers, employees, agents, and all persons acting as agents. Such liability insurance should provide coverage for bodily injury and property damage resulting from the operation, maintenance or use of the Condominium common elements and any legal liability that results from law suits related to employment contracts in which a Condominium Owners Association is a party (if applicable). The Developer shall be included as an additional insured in his capacity as a Condominium Unit Owner. The Condominium Unit Owners shall be included as additional insureds but only with respect to that portion of the premises not reserved for their exclusive use. The insurance shall cover claims of one or more insured parties against other insured parties. The insurance shall contain a waiver of any rights to subrogation by the insuring company against any of the above-named insured persons.

(c) The Board of Directors shall acquire, such other forms of insurance as the Board of Directors, in its judgment, shall elect to obtain, including, but not limited to, insurance for the Condominium Owners Associations, their officers, and managers

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against liability from good faith actions allegedly beyond the scope of their authority. The minimum amounts and types of insurance coverage and fidelity bond coverage obtained by the Board of Directors shall be those required by state law and the Federal National Mortgage Association for condominium developments similar to those contained in the Development. The fidelity bond should cover the maximum funds that will be in the custody of the Condominium Owners Associations or their managing agents, if any, at any time the bond is in force. In addition, the fidelity bond coverage must equal the aggregate of the two (2) months common expense assessments on all Condominium Units in each Condominium, plus the Condominium Owners Associations' reserve funds. The fidelity bonds must also include a provision that calls for ten (10) days written notice to the Board of Directors, its managing agent, if any, or insurance trustee before the bond can be cancelled or substantially modified for any reason.

2. The full, insurable replacement cost of the Parcel, including the Condominium Units and their common elements, shall be determined from time to time by the Board of Directors. The Board of Directors shall have the authority to obtain an appraisal by a reputable appraisal company as selected by the Board of Directors. The cost of such appraisal shall be added to the Condominium Insurance Assessment. Copies of any insurance appraisal for a Condominium shall be maintained by the Board of Directors and made available to Condominium Unit Owners upon written request.

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3. The Board of Directors shall notify the board of managers of each Condominium concerning the cancellation of insurance obtained pursuant to the terms of this Article.

4. The Board of Directors shall obtain bids from three (3) different insurance carriers which state the cost of the insurance coverage required under this Article. The Board of Directors shall then select the appropriate carrier from the carriers specified in the three bids.

5. The Condominium Unit Owners shall have the right to form a common interest association which shall assume the obligations of the Board of Directors under this Article. Such association shall be formed by a two-thirds (2/3) affirmative vote of all Condominium Unit Owners in the Development. Upon written notice to the Board of Directors of the formation of such an association, the Board of Directors shall have no further responsibilities under this Article.

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ARTICLE XIV

GENERAL PROVISIONS

Section 1. These Covenants and Restrictions shall run with, and be binding upon all land which by Declaration, as elsewhere herein provided for, is brought within these Covenants and Restrictions and shall inure to the benefit of and shall be binding upon the Association and all persons owning, leasing, subleasing, or occupying any such land and their heirs, executors, administrators, personal representatives, successors, and assigns.

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Section 2. The violation of any restriction, or condition or regulation adopted by the Association, or the breach of any covenant or provision herein contained, shall give the Board of Directors or any Owner not in violation (the "Individual Owner") the right: (a) to enter upon that part of the Development where such violation or breach exists and summarily abate and remove, at the expense of the defaulting Owner, any structure, thing, or condition that may exist thereon contrary to the intent and the provisions hereof, and the Association, or its agents, shall not thereby be deemed guilty in any manner of trespass, provided, however, that before any items of construction are altered or demolished, judicial proceedings regarding such violation are instituted; or (b) to enjoin, abate, or remedy by appropriate legal proceeding, either at law or in equity, the continuance of any breach. All expenses of the Association or Individual Owner in connection with such actions or proceedings, including court costs and attorneys' fees and expenses, and all damages, liquidated or otherwise, together with interest thereon at the lesser of ten percent (10%) per annum or the highest rate permitted by law until paid, shall be charged to and assessed against such defaulting Owner, and shall be added to and deemed part of his respective share of the expenses of the Association, and the Association shall have a lien for all of the same upon the Unit ownership of such defaulting Owner and upon all of his additions and improvements thereto and upon all his personal property in his Unit or located elsewhere on the Development and

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