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**DECLARATION OF PARTY WALL RIGHTS, COVENANTS,
CONDITIONS, RESTRICTIONS AND EASEMENTS
FOR THE DEER PARK ESTATES SUBDIVISION**

**THIS DECLARATION OF PARTY WALL RIGHTS, COVENANTS, CONDITIONS,
RESTRICTIONS AND EASEMENTS FOR THE DEER PARK ESTATES SUBDIVISION**
(this "Declaration") is made and entered into as of the 27th day of June, 2006, by RSD
DEER PARK, LLC, an Illinois limited liability company (hereinafter referred to as "Declarant").

WITNESSETH:

A. Declarant is the owner and legal title holder of certain real estate in the Village of Deer Park, County of Lake and State of Illinois, which real estate is legally described in Exhibit A attached hereto and by this reference made a part hereof (the "Property").

B. Declarant intends to construct on the Property a development containing sixty-one (61) Townhome Units, as hereinafter defined, eleven (11) Single Family Residences, as hereinafter defined, together with certain common areas which will require continuing care and maintenance for the privacy, benefit and enjoyment of all persons owning and residing in the Residential Units, as hereinafter defined.

C. Declarant has deemed it desirable for the efficient preservation of the values and amenities of the Property to create an agency to which shall be delegated and assigned the powers of maintaining and administering aspects of the Residential Units and the Common Area, as hereinafter

defined, and administering and enforcing the covenants and restrictions hereinafter contained and created.

D. The Association, as hereinafter defined, has been incorporated under the laws of the State of Illinois, as a not-for-profit corporation for the purpose of exercising the functions aforesaid.

E. Declarant desires to establish for its own benefit and the mutual benefit of all future owners, tenants and occupants of the Property and any part thereof, certain easements or rights in, over, under, upon and along the Property and certain mutually beneficial restrictions and obligations with respect to the use, conduct and maintenance thereof.

NOW, THEREFORE, Declarant hereby declares that only the Property and such additions thereto as may hereinafter be made is and shall be transferred, held, sold, conveyed and accepted subject to this Declaration of Party Wall Rights, Covenants, Conditions, Restrictions and Easements. Declarant does hereby further declare that the following easements, covenants, restrictions, conditions, burdens, uses, privileges, charges and liens shall: (1) exist at all times hereafter amongst all parties having or acquiring any right, title or interest in any portions of the Property; (2) be binding upon and inure to the benefit of each Residential Unit Owner, as hereinafter defined; and (3) run with the land subjected to this Declaration, to be held, sold and conveyed subject thereto.

ARTICLE 1

DEFINITIONS

“Association” shall mean and refer to an Illinois not-for-profit corporation, its successors and assigns, to be known by the name of “DEER PARK ESTATES HOMEOWNERS ASSOCIATION”, or such other name or names as Declarant shall designate. All Residential Unit Owners shall be members of the Association, as more particularly described in this Declaration.

“Board” shall mean the Board of Directors of the Association as constituted at any time or from time to time, in accordance with the applicable provisions of Article 3.

“Building” shall mean a portion of the Property which consists of a structure which contains either Townhome Units or a Single Family Residence, including, without limitation, the structural components of such structure, horizontal portions of decks and patios installed by the Declarant, the roofs and other exterior portions of the structure, but excluding garage doors, all exterior doors, windows, side lights, and fixtures.

“By-Laws” shall mean the By-Laws of DEER PARK ESTATES HOMEOWNERS ASSOCIATION, a copy of which is attached as Exhibit “B” hereto and by this reference made a part hereof.

“Common Area” shall generally mean all portions of the Property which are not Residential Lots and which are shown as Lot 73 through Lot 76 on the Plat of Subdivision. The Common Area shall be owned by the Association. The maintenance, repair, improvement, use, enjoyment and operation of all of the Common Area shall be in accordance with the terms and provisions of this Declaration.

“Declarant” shall mean and refer to RSD DEER PARK, LLC, an Illinois limited liability company.

“Declaration” shall mean this Declaration of Party Wall Rights, Covenants, Conditions, Restrictions and Easements for the Deer Park Estates Subdivision.

“Dog Run” shall mean, subject to Declarant obtaining Village approval, an enclosed and screened area no larger than (3) three feet by (6) six feet which area shall: (i) abut the rear wall of a Residential Unit and be entirely contained within: (a) the rear portion of a Residential Lot; or (b) that portion of the Common Area abutting the rear property line of a Residential Lot such that said enclosed area does not extend beyond the boundary created by the side walls of a Residential Unit (as though such side walls were extended into the rear portion of such Residential Lot); (ii) extend no further than seven (7) feet from the rear of a Residential Unit; (iii) provide a dog or dogs with a secure outdoor environment; and (iv) be fully enclosed by a fence, all as more particularly set forth in Section 9.24 below.

“Eligible Mortgage Holder” shall mean each holder of a first mortgage on a Residential Lot or Residential Unit that has requested in writing that the Association notify it of any proposed action that requires consent of a specified percentage of mortgage holders.

“Emergency and Fire Access Easement Area” shall mean that portion of Lot 74 which is identified on the Plat of Subdivision as “Emergency and Fire Access Easement Area” and is intended to be used for emergency and fire access to the Property from the Public Roadway known as Quentin Road,

“Material Amendment” shall mean any amendment to this Declaration, By-Laws or the Association's articles of incorporation that would change any of the following in a manner other than as expressly provided herein: voting rights in the Association; assessment liens; subordination of assessments liens; rights to, or use of, any portion of the Common Areas; termination of the legal status of the Association or the Property following substantial destruction or condemnation; or any provisions that expressly benefit holders, insurers or guarantors of mortgages secured by portions of the Property.

“Member” shall mean and refer to any person or entity who holds membership in the Association. **“Occupant”** shall mean any person or persons other than the Residential Unit Owner in possession of a Residential Unit.

“Plat of Subdivision” shall mean the Deer Park Estates Plat of Subdivision recorded in the Office of the Recorder of Lake County, Illinois on August 2, 2006 as Document Number 6037042, as the same ~~may~~ be amended from time to time.

“Property” shall mean and refer to that certain real estate described in Exhibit “A” attached hereto and by this reference made a part hereof.

“Residential Lot” shall mean a Single Family Lot or a Townhome Lot.

“Residential Unit” shall mean a Single Family Residence or a Townhome Unit.

“Residential Unit Owner” shall mean a Single Family Residence Owner or a Townhome Unit Owner.

“Roadway” shall mean those portions of Lot 73 that are improved as a roadway.

“Single Family Lot” shall mean Lots 1 through 11, inclusive, as shown on the Plat of Subdivision, upon which a Single Family Residence is constructed or to be constructed.

“Single Family Residence” shall mean a single family detached residential housing unit consisting of a group of rooms which are designed or intended for the exclusive use as living quarters for one family and are constructed upon a Single Family Lot.

“Single Family Residence Owner” shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Single Family Lot, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. The term “Single Family Residence Owner” shall include Declarant to the extent of the number of Single Family Lots and/or Single Family Residences owned by Declarant and also includes the interest of Declarant as contract seller of any Single Family Lot and/or Single Family Residences.

“Sprinkler Room” shall mean an enclosed area, whether located on a Residential Lot, the Common Area or a portion of both, which area abuts a Townhome Building and contains various sprinkling equipment which equipment is intended to provide fire protection to each Residential Unit housed within such Townhome Building.

“Townhome Lot” shall mean Lots 12 through 72, inclusive, as shown on the Plat of Subdivision, upon which a Townhome Unit is constructed or to be constructed.

“Townhome Unit” shall mean a single family attached residential housing unit consisting of one or more rooms which are designed or intended for the exclusive use as living quarters for one family and which is located upon a separate Townhome Lot even though such Townhome Unit shares a common exterior wall, roof or other structural or common component with one or more other Townhome Units.

“Townhome Unit Owner” shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Townhome Lot, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation. The term “Townhome Unit Owner” shall include Declarant to the extent of the number of Townhome Lots and/or Townhome Units owned by Declarant and also includes the interest of Declarant as contract seller of any Townhome Lot and/or Townhome Units.

“Transfer Date” shall mean the date which is the earlier of: (i) the date on which 75 percent (75%) of the Residential Lots have been conveyed to Residential Unit Owners other than Declarant, (ii) three (3) years after the first Residential Lot is conveyed to a Residential Unit Owner other than Declarant or (iii) such date as Declarant may, in its sole discretion, determine prior to the occurrence of the events set forth in the foregoing clauses (i) and (ii).

“Village” shall mean and refer to the Village of Deer Park, Illinois, an Illinois municipal corporation.

“Wetland Area” shall mean Lot 76.

ARTICLE 2

MEMBERSHIP

Every person or entity who is a record owner of a fee or undivided fee interest in any Residential Lot which is subject by covenants of record to assessment by the Association, including a contract seller, shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. No Residential Unit Owner shall have more than one membership. Membership shall be appurtenant to and may not be separated from ownership of any Residential Lot which is subject to assessment by the Association. Ownership of such Residential Lot shall be the sole qualification of membership. Nothing herein contained shall be interpreted to exclude Declarant from membership while it or its successors in interest, if any, owns one or more Residential Lots. Voting rights with regard to each Member are set forth in Article 3 hereof.

ARTICLE 3

VOTING RIGHTS AND BOARD OF DIRECTORS

3.1 The Association shall have two classes of voting membership:

Class A. Class A Members shall be the Residential Unit Owners, provided that Declarant shall not be a Class A Member until the Transfer Date. Class A Members shall be entitled to one vote for each Residential Lot in which they hold the interest required for membership pursuant to Article 2. When more than one person holds such interest in any Residential Lot, all such persons shall be Members. The vote for such Residential Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Residential Lot. All Members holding any interest in a single Residential Lot shall together be entitled to cast only one vote for the Residential Lot.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Residential Lot in which it holds the interest required for membership by Article 2; provided that the Class B membership shall cease and be converted to Class A membership on the Transfer Date.

3.2 The provisions of Section 3.1 hereof shall be mandatory. No owner of any interest in any Residential Lot shall have any right or power to disclaim, terminate or withdraw from his membership in the Association or any of his obligations as such Member, and no purported disclaimer, termination or withdrawal thereof or therefrom on the part of any such owner shall be of any force or effect for any purpose.

3.3 The Association shall have a Board of five (5) Directors who shall be elected by the Members of the Association at such intervals as the corporate charter and By-Laws of the Association shall provide, except that the initial Board may be appointed by Declarant (or its beneficiary or designee). Each member of the Board, with the exception of the Board members appointed by Declarant (or its designee) shall be one of the Residential Unit Owners (including Declarant); provided, however, that in the event a Residential Unit Owner is a corporation, partnership, trust, limited liability company, or other legal entity other than a natural person or persons, then any director or officer of such corporation, partner of such partnership, individual trustee or beneficiary of such trust, manager, officer or member of such limited liability company, or manager or principal of such legal entity, shall be eligible to serve as a member of the Board and provided further that in the event a member of the Board has entered into a contract to sell his Residential Unit and vacates the Residential Unit prior to the consummation of that transaction, such member shall thereafter no longer be eligible to serve on the Board and his term of office shall be deemed terminated. The Association shall have such officers as shall be appropriate from time to time, who shall be elected by the Board and who shall manage and conduct the affairs of the

Association under the direction of the Board, all as provided for in the By-Laws. Except as expressly otherwise provided by the Association's articles of incorporation, this Declaration or the By-Laws, all power and authority to act on behalf of the Association both pursuant to this Declaration and otherwise shall be vested in its Board from time to time and its officers under the direction of the Board, and shall not be subject to any requirement of approval on the part of its Members. The articles of incorporation and By-Laws of the Association may include such provisions for the protection and indemnification of its officers and directors as shall be permissible by law.

3.4 The Association, being a not-for-profit corporation, shall not distribute to its Members any sums in the nature of dividends upon its shares. To the extent that funds shall not be required for current expenditures or for such reserves, the next monthly assessments may, in the discretion of the Board, be eliminated or the amount thereof appropriately reduced. Such reduction shall not prevent reinstatement of, or increase in, such assessments when required, but such reinstatement or increase shall not be retroactive.

3.5 Whenever possible, the Association shall perform its functions and carry out its duties by entering into agreements for the performance thereof with such persons and business entities regularly engaged in the performance of generally similar functions and duties as the Board shall determine, which agreements shall be for such length of time, at such rates of compensation and upon such other terms and provisions as the Board shall determine from time to time provided however, that if the Association, Declarant or Board shall enter into an agreement or agreements related to the Property before the Transfer Date and such agreement extends for a period of more than 2 years from the date of recording of this Declaration, each such agreement shall provide that it is terminable by the Association without cause at any time after the Transfer Date and shall not require the payment of any penalty by the Association and shall not require advance notice of termination of more than ninety (90) days. Such persons or business entities may, but need not, be persons or business entities owning or otherwise directly or indirectly interested in the Property or any part thereof. The Association itself shall also have power to perform its functions and carry out its duties.

3.6 The Association, through the resolutions of the Board, shall have the right to adopt rules and regulations governing the Residential Lots and the Common Area and the use thereof provided, however, that no rule or regulation shall conflict with this Declaration or any applicable laws, ordinances or codes.

3.7 A copy of this Declaration, the By-Laws and the Association's books, records, receipts and expenditures affecting the Common Area, minutes from Board meetings, and financial statements to be kept by the Board shall be available for inspection by any Residential Unit Owner or any representative of a Residential Unit Owner duly authorized in writing, or any holder, insurer or guarantor of a first mortgage lien on a Residential Lot at such reasonable time or times during the normal business hours as may be requested by the Residential Unit Owner or by the holder of said first mortgage lien. All such documents available for inspection shall at all times be kept in the Association's Principal Office (as defined in Section 2.2 of Exhibit B, attached hereto).

ARTICLE 4

PROVISIONS RELATING TO THE COMMON AREA

4.1 The Common Area shall consist of Lots 73 through 76 as so designated on the Plat of Subdivision. Without limiting the generality of the foregoing, the Common Area may include, among other things, play equipment (i.e., a swing set and/or a slide) if such equipment is installed by Declarant, Dog Runs if such Dog Runs are approved by the Village and the Association, the Roadway, the Emergency and Fire Access Easement Area, trails, pedestrian paths and walkways, the bike path, street lighting, landscaping, the irrigation well, slopes and trees, berms, stormwater detention/retention basins or ponds, open space and other improvements, and the Wetland Area, all as may be located within the Property. Except for driveways, service walks and other permitted improvements on other portions of the Common Area intended to serve exclusively a Residential Lot as herein set forth, the Common Area is intended to be for the non-exclusive mutual use and enjoyment of all Residential Lot Owners.

4.2 Every Residential Unit Owner and such Residential Unit Owner's tenants, guests and invitees shall have: (1) a non-exclusive right and easement of ingress and egress in, over, upon and to, and use and enjoyment of, all portions of the Common Area except the Wetland Area; and (2) a non-exclusive right and easement on, under and above the Common Area for each Residential Unit Owner's use and benefit for the purpose of stormwater retention and drainage. All portions of the Common Area shall be held for the non-exclusive use and benefit of each Residential Unit Owner (and said Residential Unit Owner's tenants, guests and invitees). The aforesaid non-exclusive rights and easements shall be appurtenant to and shall pass with the title to every Residential Lot subject to the following reserved rights and easements in favor of others:

(a) The right of the Association as legal titleholder thereto to voluntarily dedicate or transfer all or any part of the Common Area to any public agency, authority, or utility for such purposes and subject to such conditions as may be agreed to by the Board. No such dedication or transfer shall be effective unless an instrument agreeing to such dedication or transfer has been recorded, which instrument has been signed by (i) Declarant for so long as Declarant continues to exercise any of the votes allocated to the Class B membership and (ii) once Class B membership has ceased, then three-fourths (3/4) of the votes allocated to the Class A membership.

(b) Each Residential Unit Owner shall be entitled to the exclusive use and possession of that portion of the driveway, driveway apron, service walk and entry walkway immediately adjacent to the front or rear of the Residential Lot, falling within the Common Area which is contiguous and appurtenant to, and exclusively serves, such Residential Unit Owner's Residential Lot, except as otherwise provided herein.

(c) To the extent not granted by Declarant, the Association hereby reserves the right, without the necessity of having to obtain any Members' consent, to grant, at any time and from time to time after title to the Common Area has been conveyed to the Association, utility easement(s) for sanitary and storm sewers, water, gas, electricity, telephone, cable television and any other necessary utility, public or municipal service over, through, upon and across all or any portion of the Common Area, all upon such terms and conditions as the Board deems necessary or appropriate.

(d) As part of the overall program of development of the Property into a residential community and to encourage the marketing and construction thereof, Declarant hereby reserves for itself, its contractors and their respective subcontractors, agents and employees the right and easement of ingress and egress and of access and use in, over, upon, under and across each and every portion of the Common Area for sales, marketing and construction purposes, as well as the right and easement of use of certain Residential Lots and the portions of the Common Area and facilities thereof, all without charge during the entire sales, marketing, and construction period on the Property for such purposes.

(e) At any time prior to the Transfer Date and notwithstanding that title to the Common Area may have theretofore been conveyed to the Association, Declarant shall have and hereby reserves the right, without having to obtain the consent of any other party, to grant and record such easements (in addition to the easements set forth and granted on the Plat of Subdivision) over, under, through, across, upon, in and on the Common Area or portions thereof for the provision of any utility service, landscaping, buffering, ingress and egress, and such other purposes as Declarant, in its reasonable discretion, deems necessary, desirable or required by the final development plan or final engineering plans for the Property or by the "as-built" condition of the Property, or any part or portion thereof.

4.3 Each Residential Unit Owner and such Residential Unit Owner's tenants, guests and invitees shall have a right and easement in, over, upon and to any and all sidewalks and lawns (except for the service walks and entry walkways located immediately adjacent and appurtenant to the front or rear of each Residential Lot and except for the lawns located within the Wetland Area) located in the Common Area for the purposes of pedestrian ingress and egress.

4.4 There may or shall be located upon the Common Area: (i) such driveways or portions thereof and service walks and entry walk as shall be necessary to provide ingress and egress to and from the Residential Lots and Residential Units for the use and benefit of the Residential Unit Owners of the Residential Lots and their guests and invitees; (ii) off-street guest parking; (iii) detention/retention ponds; (iv) a bike path; (v) play equipment, if any, installed by Declarant; (vi) pedestrian paths and walkways; (vii) subject to Village approval, Dog Runs so long as each such Dog Run serves an individual Residential Unit; (viii) Sprinkler Rooms; and (ix) such additional landscaping, walks, drives, benches, spaces for the parking of motor vehicles, fences, walls, facilities, aesthetic features and any other similar improvements as Declarant shall from time to time determine to be necessary, appropriate or desirable or to be required by governmental laws.

ordinances and regulations as shall be in effect during, and applicable to, the development of the Property. An irrigation well shall also be present underneath the ground in a portion of the Common Area. Subsequent to the Transfer Date, the Association shall have the right, subject to obtaining the approval of a majority of the Members, to further improve the Common Area in a manner consistent with the intent and purpose of this Declaration or as required or permitted by any governmental laws, ordinances or regulations then in effect.

4.5 An irrevocable license and non-exclusive easement is hereby granted to the Lake Zurich Rural Fire Protection District, the Village and, as applicable, the Village's police, water, public works, engineering, development, health and other authorized officials, employees and vehicles of the Village, to go upon the Property, including the Common Area, at any time and from time to time for the purpose of performance of official duties and emergency services and for the purpose of enforcing this Declaration and all Village ordinances, rules and regulations, and the statutes of the State of Illinois and the United States and any easements and/or rights granted to the Village hereunder or on the Plat of Subdivision. The foregoing irrevocable license and non-exclusive easement is also hereby granted to the Village of Palatine and, as applicable, those authorized officials, employees and vehicles of the Village of Palatine necessary fulfill the Village of Palatine's responsibilities as it relates to providing potable water to the Property. In addition, duly designated officials and employees of the Village are hereby granted a non-exclusive easement to enter upon, on and over the Property, including the Common Area, for the purposes of maintaining and repairing, except as otherwise provided hereunder, stormwater drainage and detention/retention areas, storm and sanitary sewers, water mains, and any other utility or public service located or which may be located in the Common Area or on any Residential Lot and to correct or eliminate nuisances or violations resulting from the failure to exercise maintenance responsibilities by Declarant or its successors and assigns, any Residential Unit Owner or the Association. Said easement rights shall be exercised only to the extent and for such period of time as is required to accomplish said maintenance or repair. Except in the event of emergency situations, the Village shall serve written notice upon the Association setting forth the manner in which the Association has failed to comply with its obligations under this Declaration or the Plat of Subdivision. Said notice shall include a demand that such deficiency be cured within ten (10) days from the date such notice is received. If such deficiency has not been cured within said ten (10) days or any extension thereof granted by the Village, the Village may (but shall not be obligated to) exercise its easement rights under this Declaration by entering the Common Area and the Residential Lots and performing such maintenance or repair that, in the sole and absolute opinion of the Village, the Association has failed to perform on all or any portion of the Common Area or any Residential Lot. The Association shall reimburse the Village for all expenses, including all administrative costs and attorneys' fees, incurred by it in performing such maintenance or repair that, in the sole and absolute opinion of the Village, the Association has failed to perform on all or any portion of the Common Area or on any Residential Lot. If the Association has not reimbursed the Village in full for all such expenses incurred within thirty (30) days after receipt of a invoice detailing such expenses, then the portion of the cost of such maintenance or repair not so reimbursed shall be assessed in equal shares against all of the Residential Lots, and shall become a lien upon such Residential Lots, which lien shall be in all respects subject and subordinate and junior

to any prior mortgage recorded against all or any portion of such Residential Lots. Such Village lien may be enforced by all methods generally available for the enforcement of liens, including all methods available to the Association for enforcement of its lien rights hereunder, as well as by foreclosure through an action brought in a manner similar to the type of action instituted to foreclose the lien of a mortgage or deed of trust. It is the intention of this Section 4.5 to provide that the obligation for maintenance and repair of those main utility lines which service the entire Property (water mains and other facilities; storm sewer mains, inlets and other facilities; and sanitary sewer mains and other facilities) shall be borne by the Village and that the obligation for maintenance and repair of all other portions of the Common Area, including those utility lines which service individual Residential Units (that is, all storm sewer and drainage facilities, all sanitary sewer and water service lines, all swales and all retention walls) and above-ground detention/retention ponds shall be borne by the Association. The Village shall be under no obligation to exercise the rights herein granted except as it shall determine to be in its best interest. No failure to exercise any right herein granted to the Village shall be construed as a waiver of that or any other rights.

4.6 Any Residential Unit Owner may delegate, in accordance with this Declaration and the By-Laws, such Residential Unit Owner's right of ingress and egress to and from the Common Area and the use of the open spaces and other common facilities from time to time located thereon to the members of his family, occupants, guests, invitees, or contract purchasers who reside on the Property.

4.7

(a) The Association shall have the right and duty to repair and maintain the Common Area which shall include, without limitation, the bike path located throughout the Property, the roadway system located throughout the property, the irrigation well servicing the Property, wetlands and the wetland buffer areas on the Property, play equipment, if any, installed by Declarant, Sprinkler Rooms (notwithstanding the fact that an individual Sprinkler Room, or a portion thereof, may, in fact, be located on a Residential Lot), the Roadway, the Emergency and Fire Access Easement Area, private driveways, off-street guest parking areas, street lights, service walks, entry walkways, pedestrian paths and walkways throughout the Property, site landscaping, all decks installed by Declarant (notwithstanding the fact that such decks, or portions thereof, may, in fact, be located on a Residential Lot), the water service lines that run from the h-box to the individual Residential Lots, Sanitary Mains (to the extent the Sanitary Mains are not maintained by the Village), sanitary service lines, and the facilities (or those portions thereof) located on the Common Area for drainage and stormwater management on and serving the Property, including detention/retention ponds and basins, swales, retaining walls, storm sewer lines and all related appurtenances and equipment located in or upon the Common Area. In addition to the foregoing, the Association shall also have the right and duty to repair, replace, and maintain all landscaping that has been installed by the Declarant even though such landscaping may lie within a Residential Lot.

(b) The Association shall have the right of ingress and egress over and upon the Common Area for any and all purposes in connection with the use, maintenance, construction, operation, repair and reconstruction of the Common Area and the improvements thereon; and (2) over and upon the Residential Lots for any and all purposes in connection with the use, maintenance and administration of the portions of the landscaping located on Residential Lots.

(c) The Association shall be required to use a professional wetland management consultant in connection with any maintenance relating to wetlands and/or wetland buffer areas on the Property.

(d) The Association, through resolutions of the Board, shall have the right to adopt rules and regulations governing the use, maintenance and administration of the Common Area and for the health, comfort, safety and general welfare of persons using the Common Area.

4.8 Notwithstanding any provisions herein to the contrary, the easements and rights in the Common Area and the Residential Lots herein created shall be subject to:

(a) The right of Declarant to execute all documents and do all other acts and things affecting the Property which, in Declarant's sole opinion, are desirable in connection with Declarant's rights hereunder.

(b) Easements of record (or any recorded rights to grant additional easements) existing on the date hereof, including any and all easements granted on the Plat of Subdivision (which includes the easements granted over the Emergency and Fire Access Easement Parcel), the Restrictive Covenant granted over the Wetland Area, and any easements which may hereafter be granted by Declarant or the Association to any public utilities or governmental bodies for the installation and maintenance of electrical and telephone conduit and lines, gas pipes, sewers or water mains and pipes, or any other utility services serving any Residential Lot and to any provider of cable television service.

4.9 Nothing contained in this Declaration shall be construed or be deemed to constitute a dedication, express or implied, of any part of the Common Area to which Declarant is in title as of the date hereof to or for any public use or purpose whatsoever.

4.10 Easements for serving the Common Area and other properties with public utilities and municipal services are contained on the Plat of Subdivision.

4.11

(a) The Association shall determine and carry out or cause to be performed, in a first-rate manner and in accordance with Village standards; (i) all maintenance, improvement, repair and replacement of the Common Area, as more particularly set forth in Section 4.7(a), above; (ii) all maintenance, improvement, repair and replacement of the Sprinkler Rooms and the vertical components of the decks installed by Declarant; and (iii) all snow and ice clearance and removal (and the disposal thereof or storage of such snow on appropriate areas of the Common Area) from: (a) the Roadway; (b) the bike path located throughout the Property; (c) the pedestrian path and walkway located throughout the Property; and (d) all driveways, driveway aprons, service walks, and entry walkways (the Association's obligation to remove snow and ice from the foregoing improvements shall apply even if such improvements are located within a Residential Lot), including insuring that the Roadway, the Wetland Area, bike path, pedestrian path and walkway, and guest parking spaces are, at all times, free and clear of all obstructions and debris of any kind and temporary and permanent structures.

(b) As part of its obligations with respect to the Common Area, the Association shall be responsible to keep the Emergency and Fire Access Easement Area at all times free and clear of all obstructions, including snow, ice, vehicles (other than fire and police emergency vehicles), debris of any kind and temporary and permanent structures.

(c) In the event that the exercise by the Village, any quasi-governmental agency or any utility service provider of any right such party has under the Plat of Subdivision results in the disassembly of, or damage to, any deck located on any Residential Lot or located in the Common Area, which disassembly or damage is not repaired or restored by the party exercising such right, then the Association shall be responsible to restore such deck to the condition it was in prior to such disassembly or damage.

(d) The Association shall have the right to ingress and egress over and upon the Common Area, those portions of the Residential Lots not occupied by Residential Units, and over easement areas shown on the Plat of Subdivision for any and all purposes connected with the use, maintenance, repair, operation, improvement, replacement and reconstruction of the Common Area and the performance of its obligations under Sections 4.11(a), 4.11(b), and 4.11(c) above.

4.12 The Association shall pay, as agent and on behalf of the Residential Unit Owners and out of the funds furnished to it by them for such purpose, all tax and other governmental impositions levied upon the Common Area or any part thereof.

4.13 The Common Area shall at all times be used and maintained in compliance with all applicable ordinances, codes and regulations of the Village.

4.14 Notwithstanding anything to the contrary contained herein, the Association shall not be responsible for the maintenance, improvement, repair or replacement of air conditioning condensers and related facilities serving exclusively a single Residential Unit.

4.15 If, due to the willful misconduct or negligent act or omission of a Residential Unit Owner, or of a member of such Residential Unit Owner's family or household pet or of a guest or other authorized occupant or visitor of such Residential Unit Owner, damage shall be caused to: (i) the Common Area, or (ii) a portion of a Residential Lot (i.e., a deck) of which the maintenance, repair and replacement obligation is borne by the Association, or (iii) a Residential Unit owned by others, or maintenance, repairs or replacements shall be required which would otherwise be charged to the Association, then such Residential Unit Owner shall pay for such damage and such maintenance, repairs and replacements as may be determined by the Board.

ARTICLE 5

MAINTENANCE OF RESIDENTIAL LOTS, EXTERIOR OF THE BUILDINGS AND RESIDENTIAL UNITS

5.1 The Association shall determine the need for and may carry out or cause to be performed all maintenance and repair to the exteriors of the Buildings and, as hereinafter set forth, the Residential Lots upon which they are located, including, without limitation, building and garage exteriors (but not including the replacement of the garage doors or any exterior doors, windows, fixtures or side lights), painting/staining the garage doors, roofs (including sky-lights), siding and trim, Sprinkler Rooms, building foundations, entry walkways, entry stairs and stoops, window wells, vertical components of decks and railings installed by the Declarant, gutters and downspouts, all as may be necessary or desirable as a result of natural or ordinary wear and deterioration, all as is determined by the Association in its sole discretion. The Association shall, in addition, determine the need for, and shall carry out or cause to be performed, all maintenance and repair of those gas, telephone, water, sprinkler, and electrical lines incorporated in and forming a part of one or more Townhome Units as originally constructed that pass through one or more other Townhome Units to provide such service. Such maintenance and repair shall not include the maintenance or repair of any furnaces; water heaters; stoves; refrigerators; washing machines or household appliances; sump pumps; glass surfaces; horizontal components of decks; garage doors; any exterior door, window, fixture or side light, fireplaces and the interiors of chimneys; air conditioners and compressors; Dog Runs; any other portion of a Residential Unit which serves only that Residential Unit or the interior of any Residential Unit or portion thereof (except as otherwise expressly set forth above). In the event that the need for maintenance or repair is caused through the willful or negligent act of the Residential Unit Owner, his family, guests or invitees, the cost of such maintenance or repair shall be added to and become a part of the assessment to which such Residential Lot is subject.

5.2 Each Residential Unit Owner shall have the obligation to maintain in good condition and repair, whether located on the Residential Unit Owner's Residential Lot or located in the

Common Area but exclusively serving said Residential Unit Owner's Residential Unit, all glass surfaces; fireplaces (including the interior of chimneys); garage doors; all exterior doors, windows, fixtures and side lights; Dog Runs electrical fixtures; horizontal components of decks; and air conditioners and compressors which are a part of, attached to, or serve exclusively, said Residential Unit Owner's Residential Unit. Upon the failure of any Residential Unit Owner to maintain those areas not the maintenance responsibility of the Association, the Association, through its agents and employees, is hereby granted the right to enter upon the Residential Lot and into the Residential Unit thereon and make such reasonable repairs, maintenance, rehabilitation or restoration thereof as may be necessary, and the costs thereof shall become a lien upon the Residential Lot in the same manner as provided in Article 6 hereof for nonpayment of maintenance assessments.

5.3 At the discretion of the Association, all water service, whether or not separately metered or otherwise directly charged to individual Residential Unit Owners, may be paid for by the Association from the assessments levied hereunder. The Association shall have the right to draw water from the exterior taps of individual Residential Units as required for the efficient performance of its duties hereunder without contribution or payment.

5.4 It is contemplated that the Property will have a 'master water meter' the reading of which will dictate the total monthly water bill for the Property, and the Association shall be responsible for the payment of such water bill. In the event that the Residential Lots are not separately metered, then the Association shall include in the regular assessments on each Residential Lot a line item charge for water. In the event that the Residential Lots are separately metered, then the Association shall be responsible for reading each individual water meter and the Association shall levy an assessment on each Residential Lot in an amount equal to each Residential Lot's proportionate share (based on the meter reading) of such total water bill, plus any applicable administrative fees incurred relative to the reading of each meter.

5.5 Pursuant to an Intergovernmental Water Agreement by and between the Village of Palatine and the Village of Deer Park, the Village of Palatine agreed to supply water to retail customers within certain property lying within the Village of Deer Park, which property includes the Property. In order to formally document the Village of Palatine's agreement to provide water to the Property and the Association's responsibilities regarding same, the Village of Palatine and the Association have entered into that certain "Water Service Agreement Between the Village of Palatine and Deer Park Estates Homeowners Association Pertaining to Certain Property within the Village of Deer Park" (the "**Water Services Agreement**") which Water Services Agreement has been recorded in the Office of the Recorder of Lake County, Illinois on August 2, 2006 as Document Number 6037044. Pursuant to the terms of the Water Services Agreement, the Association is responsible for, *inter. alia.*, the usage and payment of the water bill for the Property.

5.6 An irrevocable license and non-exclusive easement is hereby granted to the Association to enter upon the Residential Lots for purposes of performing its obligations and exercising its rights pursuant to this Article 5.

ARTICLE 6

COVENANTS FOR MAINTENANCE ASSESSMENTS

6.1 Declarant, for each Residential Lot owned within the Property, hereby covenants, and each Residential Unit Owner of any Residential Lot by acceptance of a deed therefor, whether or not it shall be so expressed in such deed or other conveyance, is deemed to covenant and agree to pay to the Association: (1) annual assessments to be fixed, established and collected from time to time as hereinafter provided; and (2) special assessments to be fixed, established and collected from time to time as hereinafter provided. The annual and special assessments, together with such interest thereon and costs of collection thereof, as hereinafter provided, shall be a charge on the land and shall be a continuing lien upon the Residential Lot against which each such assessment is made. Each such assessment, together with such interest, costs and reasonable attorney's fees, shall also be the personal obligation of the person who was the Residential Unit Owner of such Residential Lot at the time when the assessment fell due. The personal obligation shall not pass to his successors in title unless expressly assumed by them.

6.2 The assessments levied by the Association shall be used exclusively for the purpose of promoting the health, safety, and welfare of the residents in the Property and in particular for the improvement and maintenance of the Property, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Area, and of the Residential Units situated upon the Property. Such uses shall include, but are not limited to, the cost to the Association of all taxes, insurance, repair, replacement and maintenance of Common Area and any and all improvements located thereon, the maintenance and repair of the horizontal component of decks installed by the Declarant, the maintenance and repair of the Sprinkler Rooms (including all costs related to providing appropriate insurance for the Sprinkler Rooms) and of the maintenance and repair of the Residential Lots and the exteriors of the Buildings (except as otherwise provided herein) as may from time to time be authorized by the Board, and other facilities and activities, and other charges required by this Declaration or that the Board shall determine to be necessary or desirable to meet the primary purpose of the Association, including the establishment and maintenance of a reserve fund for repair, maintenance, replacements, taxes, and other charges as specified herein. In addition, water, waste removal and/or any utilities which are not separately metered or otherwise directly charged to individual Residential Unit Owners shall be paid for by the Association from the assessments levied hereunder. The Board reserves the right to levy additional assessments against any Residential Unit Owner to reimburse it for excessive use by such Residential Unit Owner of any utility service, the expense of which is charged to the maintenance fund. The Board also reserves the right to levy additional assessments against any Residential Unit Owner to reimburse it for the maintenance of the landscaping installed by such Residential Unit Owner within such Residential Unit Owner's Residential Lot, the expense of which is charged to the maintenance fund. At the time of closing of the sale of each Residential Lot by Declarant, the Residential Unit Owner shall pay (in

addition to the first monthly assessment) to the manager or managing agent, or as otherwise directed by the Board, an amount equal to two (2) times the first full monthly assessment for such Residential Unit Owner.

6.3 The Board shall be authorized to fix the annual assessment in an amount sufficient to meet the costs and expenses as contained in Section 6.2 hereof and such annual assessment applicable to each Residential Lot shall be determined utilizing a specific percentage associated with each Residential Lot, as such percentages are set forth on Exhibit C, attached hereto and by this reference made a part hereof.

6.4 In addition to the annual assessments authorized above, the Association may levy a special assessment, for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair, maintenance or replacement (including those items of maintenance and repair set forth in Section 5.1 hereof) of a described capital improvement upon the Common Area or any Residential Unit, including the necessary fixtures and personal property related thereto, if any.

6.5 Both annual and special assessments shall be fixed in accordance with the percentages set forth on Exhibit C, except for certain Residential Lots as provided in Section 6.9 hereof, and shall be collected on a monthly basis.

6.6 The annual assessments provided for herein shall commence for all Residential Lots within the Property on the first day of the month following the conveyance of the first Residential Lot, except as otherwise provided in Section 6.9 hereof. The Board shall fix the amount of the annual assessment against each Residential Lot at least fifteen (15) days in advance of each annual assessment period and in lieu thereof, the amount of the prior year's annual assessment shall be the fixed amount. Written notice of any changed amount of annual assessment shall be due on the first day of the month immediately preceding the effective date of the changed assessment. A Residential Unit Owner shall first be liable for payment of the full monthly assessment on the 1st day of the month following conveyance of title to him. This payment shall be in addition to the prorated portion of the monthly assessment which Residential Unit Owner shall pay as of the date title to his Residential Lot is conveyed. The Association shall upon demand at any time furnish a certificate in writing signed by an officer or agent of the Association setting forth whether the assessments on a specified Residential Lot have been paid and, if not paid, the amount of any such deficiency. Such certificate shall be conclusive evidence of payment of any assessment therein.

6.7 Any assessments which are not paid when due shall be delinquent. Such assessments, interest and all costs of collection shall be a continuing lien upon the Residential Lot against which each such assessment was made. If the assessment is not paid within fifteen (15) days after the due date, then (i) the amount of the assessment shall bear interest from the date of delinquency at the rate per annum which is the lesser of (a) eighteen percent (18%) and (b) the maximum rate allowed by law, and (ii) in addition to said interest, the Association shall have the right, to be exercised in a non-discriminatory manner, to charge a delinquent Residential Unit Owner a late fee of Twenty-Five and

no/100 Dollars (\$25.00) for each month or portion thereof that said amount remains delinquent, said late fee to cover the Association's administrative costs in monitoring and collecting such amount. The Association may bring an action at law or in equity against the Residential Unit Owner personally obligated to pay the same, or foreclose the lien against the respective Residential Lot and interest, late fees, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. Each Residential Unit Owner, by his acceptance of a deed to a Residential Lot, hereby expressly vests in the Association, or its agents, the right and power to bring all actions against such Residential Unit Owner personally for the collection of such charges as a debt, and to enforce the aforesaid lien by all methods available for the enforcement of such liens, including foreclosure by an action brought in the name of the Association in a like manner as a mortgage or deed of trust lien on real property.

6.8 The lien of the assessments provided for herein shall be subordinate to the lien of any first mortgage now or hereafter placed on the Residential Lots and recorded prior to the due date of the delinquent assessment provided, however, that such prior recorded mortgage shall be subject to the lien of all unpaid assessments with respect to such Residential Lot which became due and payable subsequent to the first to occur of the date the holder of said mortgage (i) takes possession of the Residential Lot, (ii) accepts a conveyance of any interest in the Residential Lot and (iii) has a receiver appointed in a suit to foreclose his lien. The lien of the assessments shall not be affected by the sale or transfer of the corresponding Residential Lot unless the sale or transfer is pursuant to the foreclosure of the first mortgage thereon. In such a case, the transfer of title pursuant to the foreclosure shall extinguish the lien. However, neither the personal obligation of the transferor, if any, nor the resulting pro rata share of the burden of such non-payment or non-enforcement, imposed through a subsequent assessment, shall be affected.

6.9 With regard to all Residential Lots which are vacant or upon which Residential Units are being constructed or have been completed and to which title has not been conveyed by Declarant (the "**Declarant Owned Lots**"), the total aggregate assessment due with respect to all Declarant Owned Lots shall be limited to the amount by which (a) the aggregate amount of actual operating expenses from time to time required to be paid with respect to the Property exceed (b) the amounts required to be paid by the Residential Unit Owners other than Declarant for said actual operating expenses. For purposes of the foregoing calculation, in the event Declarant enters into a lease or installment contract for any Residential Lot, then Declarant shall, as of the first day of occupancy under such lease or contract, be responsible for the payment of all assessments on those Residential Lots on the same basis as any other Residential Unit Owner as provided in this Article and consequently, said Lot shall no longer be deemed to be a Declarant Owned Lot hereunder. Actual operating expenses shall mean those ordinary expenses attributable only to the period in question covering the maintenance and operation of the Property and shall not include capital expenditures, amounts set aside as a reserve for contingencies or replacements, prepaid items or inventory items to the extent attributable to subsequent periods. The foregoing amounts owed by Declarant for the Declarant Owned Lots may be paid by Declarant on a monthly basis or, at Declarant's option, paid to the Association at the close of each calendar year without interest. It is expressly understood and agreed that in no event shall Declarant's total obligation under this Section 6.9 with respect to the

Declarant Owned Lots ever exceed the amount of assessment due from each of the Residential Unit Owners other than Declarant multiplied by the number of Declarant Owned Lots from time to time.

ARTICLE 7

INSURANCE

7.1

(a) The Association shall be responsible for procuring and maintaining comprehensive general liability insurance, including liability for injuries to, and death of, persons and property damage in combined single limit amount not less than One Million and no/100 Dollars (\$1,000,000.00) per occurrence, including non-owned and hired automobile liability; umbrella liability insurance coverage in an amount not less than Two Million and no/100 Dollars (\$2,000,000.00); and other liability insurance as it may deem desirable, insuring the Association from liability in connection with the use of the Common Area and the existence, use and operation of the Sprinkler Rooms. In addition, the Association shall be responsible for maintaining such policies of insurance for the Common Area against loss or damage by fire and such other hazards contained in a customary "Special Form" policy provided that such policies shall (i) provide that such policies may not be cancelled or substantially modified without at least thirty (30) days' prior written notice to the Association and all mortgagees of record of the Residential Units; (ii) provide that all mortgagees of record of the Residential Units shall have the right to pay overdue insurance premiums and to obtain new coverage in the event the existing insurance policy lapses; (iii) provide for coverage in the amount of one hundred percent (100%) of current full replacement value; and (iv) contain standard mortgage clause endorsements in favor of the mortgagee(s) of the Residential Units, as their respective interests may appear. Replacement cost shall be determined annually by an independent appraiser or by a method acceptable to the insurance company providing such coverage. The liability policy shall also name as insureds the Association's agents, officers, employees, and each Residential Unit Owner. The Association shall have the right to increase from time to time the minimum limits of insurance coverage required pursuant to this Section 7.1(a).

(b) The Association shall be responsible for procuring and maintaining a fidelity bond insuring the Association, the Board and the Residential Unit Owners against loss of funds as a result of the fraudulent or dishonest acts of any employee of the Association or its management agent or of any other person handling the funds of the Association, the Board or the Residential Unit Owners in such amounts as the Board shall deem necessary but not less than 150% of the annual operating expenses of the Association, including reserves. Such bond shall contain waivers of any defense based on the exclusion of persons who serve without compensation from any definition of "employee" or similar expression. Such bond

shall provide that it may not be cancelled for non-payment of any premiums or otherwise substantially modified without thirty (30) days prior written notice to all holders of first mortgages of record.

(c) The Association shall also obtain and maintain Directors and Officers Liability Insurance and, if any portion of the Property falls within the Flood Zone A category, Flood risk insurance. In addition, the Association may obtain such other kinds of insurance as the Association shall from time to time deem prudent in such amounts as the Association shall deem desirable including, but not limited to, the following: Earthquake risk and Workman's Compensation and Employer Liability.

7.2 Each Residential Unit Owner shall procure and maintain in full force at all times insurance covering his Residential Unit consisting of, or providing all the protections afforded by, the insurance now generally described in a "Special Form" policy to one hundred percent (100%) of the full insurable value thereof, with loss payable on the basis of the cost of replacement without deduction for depreciation, less a deductible amount of no more than One Thousand and no/100 Dollars (\$1,000.00), or such other amount as the Board may reasonably determine, and naming the Association as an additional insured on each policy. Such insurance shall be written by companies reasonably acceptable to the Association. A certificate of insurance evidencing such coverage shall be furnished to the Association and new certificates evidencing the renewal of each expiring policy of insurance shall be furnished to the Association in each case at least ten (10) days prior to the expiration date of the expiring insurance. In the event a Residential Unit or any portion thereof shall be damaged or destroyed by fire or other casualty and the Residential Unit Owner thereof shall cause it to be repaired, restored or reconstructed, as the case may be, the repairs, restoration or reconstruction shall be in the same architectural style and design as was originally constructed and shall conform in all respects to all applicable laws or ordinances in force at the time of such repair, restoration or reconstruction. In the event of the total or substantial destruction of all of the Residential Units, the architectural design of the Residential Units to be rebuilt and the materials to be used in constructing the same shall be substantially similar in architectural design as the original Residential Units and shall be constructed of comparable materials and quality of construction.

7.3 Upon the failure of any Residential Unit Owner to procure and maintain the insurance required in Section 7.2 hereof or, in the event the Board, in its sole discretion, determines that the Residential Unit is underinsured, the Board shall have the authority to procure such insurance and/or additional insurance, as the case may be, and the costs thereof shall become a lien upon said Residential Lot in the same manner as provided in Article 6 hereof for nonpayment of maintenance assessments.

7.4 All repair, restoration or rebuilding pursuant to the provisions of this Article 7 shall be carried out under such supervision and direction as the Board shall deem appropriate in order to assure the expeditious and correct completion of the work concerned. The Residential Unit Owner or Residential Unit Owners of each Residential Unit which shall have been damaged or destroyed

shall fully cooperate with, and abide by all instructions and directions of the Association in connection with all repairs, restoration and rebuilding undertaken pursuant to this Article 7.

7.5 In the event of such damage or destruction of a Residential Unit, the holder of the mortgage encumbering said Residential Unit shall cause the proceeds of any insurance required pursuant to Section 7.2 hereof to be utilized in restoring the Residential Unit pursuant to the terms of this Article.

7.6 In any case in which the Townhome Unit Owner or Townhome Unit Owners concerned shall fail to perform or cause to be performed the repair, restoration or rebuilding required by the provisions of this Article 7, the Association shall cause such repairs or rebuilding to be furnished, provided and installed in the manner as set forth in Section 7.2 hereof; provided, however, that to the extent the insurance proceeds referred to in Section 7.2 are insufficient as to any Townhome Unit, the particular Townhome Unit Owner shall be responsible to the Association for such deficiency, and the Association shall have, and is hereby granted, a continuing lien on the Townhome Lot for which any such repairs or rebuilding are furnished by the Association in the aggregate amount of (a) the amount that cost thereof exceeds insurance proceeds, (b) interest at the Prime Rate (as defined below) plus two percent (2%) from the date of the Association's payment of such costs, and (c) reasonable attorney's fees and any court or other costs incurred by the Association in connection therewith, which lien shall bind such Townhome Lot. (For purposes of this Declaration, the term "**Prime Rate**" shall mean a rate equal to the "corporate base rate" or similar rate of interest announced from time to time by American National Bank and Trust Company of Chicago or its successors-in-interest). In the event such Townhome Unit Owner does not forthwith fully repay the Association therefor, as aforesaid, such lien shall be foreclosed against the Townhome Lot by the Association in the same manner as hereinafter provided in connection with unpaid assessments. The Association's lien provided for in this Section 7.6 shall be subordinate to the lien of any first mortgage now or hereafter placed upon the Townhome Lot.

7.7 In the event of any damage or destruction to the exterior portion of a Townhome Unit and the loss is covered by policies of insurance, the Board shall have the authority to settle and adjust any claim under such policies without the consent of the respective Townhome Unit Owner.

ARTICLE 8

INTERIM PROCEDURE

8.1 Until each of the various Residential Lots shall have been conveyed by Declarant to the initial Residential Unit Owner thereof (or to such Residential Unit Owner's nominee), Declarant, with respect to each such unsold Residential Lot and as specified herein, shall have all the rights granted to and obligations imposed upon the Residential Unit Owners.

8.2 Until the initial meeting of the Members, Declarant (or its beneficiary or designees) shall appoint the Board which shall have the same powers and authority as given to the Board generally.

8.3 The powers granted to Declarant by Section 8.2 hereof shall include, without limitation, the power to assess upon and collect from the individual Residential Unit Owners, their respective proportionate shares of the funds required for the carrying out of all the duties and obligations of the Association.

ARTICLE 9

RESTRICTIONS RELATING TO PROPERTY

9.1 Each Residential Lot conveyed shall be designated by a separate legal description as set forth on the Plat of Subdivision and shall constitute a freehold estate subject to the terms, conditions and provisions hereof.

9.2 No Buildings other than those originally constructed by Declarant shall be constructed on the Residential Lots.

9.3 Each Residential Unit shall be used only for residential purposes, as a private residence, and for such professional, business or commercial use as is not otherwise prohibited under applicable ordinances and regulations governing the Property. Each Residential Unit Owner shall have the right (a) to maintain his personal professional library therein; (b) to keep his personal, business or professional records or accounts therein; and (c) to handle his personal, business or professional telephone calls or correspondence therefrom. A Residential Unit Owner's use of a Residential Unit shall not endanger the health or disturb the reasonable enjoyment of any other Residential Unit Owner or occupant, except that the foregoing restriction on disturbing reasonable enjoyment shall not be deemed to preclude or prohibit any of the rights or activities expressly reserved by or granted in this Declaration to Declarant.

9.4 No Residential Unit Owner shall do or permit to be done on his Residential Unit or anywhere else in the Property any act or thing which will impair any easement or hereditament granted to any other party, nor shall any Residential Unit Owner create or permit to exist on his Residential Unit or anywhere else in the Property any condition which will adversely affect the use or enjoyment of the Property or any part or portion thereof by any party entitled to such use or enjoyment.

9.5 No nuisance, noxious or offensive activity shall be or permitted to be carried on by any Residential Unit Owner on or in his Residential Unit or anywhere else in the Property nor shall anything be done therein or thereon, either willfully or negligently, which may be or become an unreasonable annoyance or nuisance to any other Residential Unit Owner or Occupant.

9.6. No animals, livestock or poultry of any kind shall be raised, bred, or kept on any Residential Lot or Common Area, except dogs, cats or other common household pets (not to exceed a total of three (3) pets for each Residential Lot) may be so kept; provided, that they are not kept, bred, or maintained for any commercial purposes and provided further that they are kept, bred and maintained solely on the Residential Lot and in accordance with rules and regulations adopted by the Board.

9.7. All rubbish, trash, and garbage shall be kept on each Residential Lot so as not to be seen from neighboring Residential Units or streets generally within the Property, and shall be regularly removed from each Residential Lot and shall not be allowed to accumulate thereon. In addition to the foregoing, all rubbish, trash and garbage shall be stored and removed in accordance with the rules and regulations adopted by the Board.

9.8. Television and radio antennae and television satellite dishes having a diameter not exceeding one meter shall be permitted on the exterior of any Residential Unit, subject to all applicable laws, ordinances and regulations.

9.9. Parking areas and driveways shall be used for parking operable automobiles, pick-up trucks and trucks of similar size and nature and vans, subject to all reasonable rules and regulations promulgated by the Association with respect thereto and to all applicable ordinances. Commercial vehicles, campers, trailers, boats and snowmobiles, are not permitted to be parked in parking areas and driveways. No parking of any vehicles shall be allowed in any portion of the Common Area other than the driveway serving a particular Residential Unit and the on and off-street guest parking areas. No vehicle may be allowed to park overnight within those areas of the Roadway that are designated as guest parking. The Board may authorize vehicles parked in violation of the Association's rules and regulations with respect thereto to be towed away and any such towing charge shall become a lien upon the Residential Lot of the Residential Unit Owner who owns such vehicle or of whom the owner of such vehicle is the guest, in the same manner as provided in this Declaration for nonpayment of assessments.

9.10. Drying of clothes shall be confined to the interior of the Residential Units.

9.11. No barbecues shall be permitted to be used on the Property, except for gas barbecues used exclusively on the patio or deck of each Residential Unit.

9.12. There shall be no change in any exterior color or style of any Residential Unit (including, but not limited to garage doors) from the color scheme and style in place at the time of the initial conveyance of the Residential Unit from Declarant without obtaining any required prior written approval of the Association. In addition, no Residential Unit Owner may install a storm door on the front door of his Residential Unit without obtaining the prior written approval of the Association.

9.13 Except for those fences, patios, decks and other similar improvements and architectural elements constructed by Declarant on each Residential Lot, there shall be no fences, patios, decks, or similar improvements commenced, erected, or maintained upon any Residential Lot, without the Residential Unit Owner thereof first obtaining the prior written approval of the Association and thereafter (but only thereafter) seeking and obtaining issuance of any appropriate permit from the Village. No such improvements shall encroach upon any portion of the Common Area except for those improvements constructed by Declarant thereon.

9.14 No outbuildings or covered porches shall be commenced, erected or maintained upon the Property.

9.15 No in-ground swimming pools, above-ground swimming pools or hot tubs shall be commenced, erected or maintained upon the Property.

9.16 Each Residential Lot is hereby declared to be subject to an easement and right to and in favor of the Association and each and all of its employees, agents and instrumentalities to go upon such Residential Lot for reasonable inspection thereof from time to time and for the purpose of carrying out any and all of the obligations and functions with respect to such Residential Lot and the Residential Unit located thereon as are herein imposed upon or permitted to the Association. Each Residential Lot is further declared to be subject to an easement in favor of any adjoining Residential Lot to the extent necessary to permit the maintenance, supply, repair, and servicing of utility services to the various Residential Lots and Residential Units located thereon (including, but not limited to, those referenced in Section 5.1).

9.17 Inasmuch as the gas service, electricity service and water service (for the sprinklers) for a Building may start at one end and may run through some or all of the Townhome Units, each Townhome Unit is hereby expressly subject to an easement in favor of all other Townhome Units in the Building in which said servient Townhome Unit is located for the location, operation, maintenance, supply, repair, replacement, and servicing of such services to all of the other Townhome Units in that Building. The Townhome Unit Owner of each Townhome Lot shall from time to time grant such additional easements and rights over, across, on, under and upon his Townhome Lot as may be reasonably necessary in connection with the supply of any of the utilities described herein to any part of the Property.

9.18 The Board may adopt such other rules and regulations from time to time governing the use and enjoyment of the Common Area and the use and/or improvement of the Residential Lots as the Board, in its sole discretion, deems appropriate or necessary.

9.19 Each Residential Lot is hereby subjected to a permanent easement appurtenant to any adjoining Residential Lot to permit the construction, existence, maintenance, repair and restoration of structures located on such servient adjoining Residential Lot, including roof structures which overhang and encroach upon the servient Residential Lot and entry stairs or stoop, mechanical equipment, patio, deck and other similar improvements or architectural elements serving or part of

one Residential Unit and located in the Residential Lot adjoining said Residential Unit; provided that the construction of such structure is expressly permitted or approved as elsewhere herein provided. The owner of the dominant tenement shall have the right, at all reasonable times, to enter the easement area in order to maintain, repair and restore any improvements located on the servient tenement provided, however, that such entry shall be allowed only during daylight hours and with the prior knowledge of the owner of the servient tenement. In case of emergency, such right of entry shall be immediate, not restricted as to time and not be conditioned upon prior knowledge of the owner of the servient tenement. The owner of the servient tenement shall not place any improvement, material or obstacle in or over the easement area on the servient tenement which would unreasonably interfere with the rights of the owner of the dominant tenement granted by this Section 9.19. Any such improvement, material or obstacle shall be promptly removed by the owner of the servient tenement at that owner's expense when requested by the owner of the dominant tenement or Declarant notwithstanding any lapse of time since such improvements, material or other obstacle was placed in or over the easement area.

9.20 No building, wall or other structure or landscaping shall be commenced, erected or maintained upon the Property except such as are installed or approved by Declarant in connection with the initial construction of the Residential Units upon the Property, nor shall any exterior addition to or change or alteration or, in the event of a casualty loss, any restoration made to the exterior portion of any Residential Unit, therein be made until the plans and specifications showing the nature, kind, shape, height, materials, and location of the same, and the grading plan and landscape plan shall have been submitted to, and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by, the Board or by an architectural committee of three (3) or more persons appointed by the Board. In the event the Board, or its architectural committee, fails to approve or disapprove such building, wall or other structure or landscaping within forty (40) days after said plans and specifications have been submitted to it, and in the event no suit to enjoin the addition, alteration or change has been commenced prior to the completion thereof, express approval will not be required and the terms and conditions contained in this Section 9.20 shall be deemed to have been fully complied with. The Board or its architectural committee shall, in addition, have the right to reasonably approve the general contractor responsible for performing the work in connection with the restoration of the exterior portion of any Residential Unit in the same manner as approval of plans and specifications is obtained. Any work performed in accordance with this Section 9.20 shall not be undertaken without the issuance of any appropriate permit by the Village.

9.21 Until such time as title to any Residential Lot is conveyed to a bona fide purchaser, Declarant reserves the right to lease such Residential Lots upon such terms and conditions as Declarant may, in its sole discretion, approve.

9.22 Except for Declarant and its activities within the Property, no signage of any type or description (including "For Rent" and "For Sale" signs), billboards, unsightly objects, or nuisances shall be erected, placed or permitted or any portion of the Property.

9.23 The Wetland Area shall be encumbered by that certain Wetland Restrictive Covenant recorded in the Office of the Recorder of Lake County, Illinois on August 2, 2006 as Document Number 6037045. The Association shall be responsible for complying with and enforcing the terms of such Wetland Restrictive Covenant and the Association shall be specifically responsible for ensuring that the Wetland Area remains free and clear of trash and debris at all times. Each Residential Owner shall be specifically prohibited from entering the Wetland Area for any reason whatsoever.

9.24 There shall be no Dog Runs erected, or maintained upon any Residential Lot or the Common Area, without the Residential Unit Owner thereof first obtaining the prior written approval of the Association as to location and screening materials, which approval shall not be unreasonably withheld and thereafter (but only thereafter) seeking and obtaining issuance of any appropriate permit from the Village.

ARTICLE 10

PARTY WALLS

10.1 All dividing walls which straddle the boundary line between Townhome Lots and which stand partly upon one Townhome Lot and partly upon another, and all walls which serve two or more Townhome Units (including, without limitation, the vertical fence/wall/railing of any decks which serve two or more Townhome Units), shall at all times be considered party walls, and each of the Townhome Unit Owners of Townhome Lots upon which any such party wall shall stand shall have the right to use said party wall below and above the surface of the ground and along the whole length or any part of the length thereof for the support of said Townhome Units, for the support of any building constructed to replace the same and/or for the purposes of dividing, or creating a boundary between, adjoining Townhome Units, and shall have the right to maintain in or on said wall any pipes, ducts or conduits originally located therein or thereon, subject to the restrictions hereinafter contained.

10.2 No Townhome Unit Owner of any Townhome Lot nor any successor in interest to any such Townhome Unit Owner shall have the right to extend said party wall in any manner, either in length, height or thickness, to alter structurally said party wall (except as described in Section 10.1 above), or to the extent said party wall is visible from outside of the Townhome Unit, to alter it aesthetically.

10.3 In the event of damage to or destruction by fire or other casualty of any party wall, including the foundation thereof, the Townhome Unit Owner of any Townhome Lot upon which such party wall may rest shall have the obligation to repair or rebuild such wall and the Townhome Unit Owner of each Townhome Lot upon which such wall shall rest, be served or benefited by shall pay his aliquot portion of the cost of such repair or rebuilding. All such repair or rebuilding shall be

done within a reasonable time, in a good and workmanlike manner with materials comparable to those used in the original wall and shall conform in all respects to the laws or ordinances regulating the construction of buildings in force at the time of such repair or reconstruction. Whenever any such wall or any portion thereof shall be rebuilt, it shall be erected in the same location and on the same line and be of the same size as the original wall.

10.4 The foregoing provisions of this Article 10 notwithstanding, the Townhome Unit Owner of any Townhome Lot, or other interested party, shall retain the right to receive a larger contribution from another or others under any rule or law regarding liability for negligent or willful acts or omissions. The right of any Townhome Unit Owner, or other interested party, to contribution from any other Townhome Unit Owner under this Article 10 shall be appurtenant to the land and shall pass to such Townhome Unit Owner's or other applicable person's successors in title.

10.5 The title of each Townhome Unit Owner to the portion of each party wall within such Townhome Unit is subject to a cross easement in favor of the adjoining Townhome Unit Owner for joint use of said wall.

ARTICLE 11

MISCELLANEOUS

11.1 The Association, the Village (with respect to its express rights hereunder) or any Residential Unit Owner, their successors or assigns, shall have the right to enforce, by any proceeding at law or in equity, all restrictions, easements, conditions, covenants, reservations, liens and charges now or hereafter imposed by the provisions of this Declaration. Any Residential Unit Owner found to be in violation by a court of competent jurisdiction of any of the foregoing shall also be liable for reasonable attorney's fees incurred by the Association or the Village in prosecuting such action. The amount of such attorney's fees together with court costs, if unpaid, shall constitute an additional lien against the defaulting Residential Unit Owner's Residential Lot, enforceable as other liens herein established. Failure by the Association, the Village or any Residential Unit Owner to enforce any covenant or restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter. The Association shall use its best efforts to assist the Village in connection with the enforcement of any provisions hereunder, the violation of which shall also be considered a violation of any applicable Village ordinance.

11.2 Invalidation of any of these covenants or restrictions by judgment or order shall in no way affect any other provisions which shall remain in full force and effect.

11.3 The covenants and restrictions of this Declaration shall run with and bind the land and shall inure to the benefit of and be enforceable by the Association, the Village, the Residential Unit Owner of any Residential Lot subject to this Declaration and their respective legal representatives, heirs, successors, and assigns, for a term of fifty (50) years from the date this Declaration is recorded,

after which time said covenants shall be automatically extended for successive periods of ten (10) years, subject to amendment as hereinafter set forth. The covenants and restrictions of this Declaration may be amended during the first fifty (50) year period or within any successive ten (10) year period by an instrument signed by those Members (Class A and Class B) entitled to cast seventy-five percent (75%) of the total votes as provided in Article 3, Section 3.1 hereof and then properly recorded, provided, however, that, except as set forth in Section 11.15(a)(iv) below, no Material Amendment to this Declaration, the By-Laws or the Association's articles of incorporation shall be effective unless approval thereof is obtained from Eligible Mortgage Holders representing at least fifty-one percent (51%) of the Residential Lots and Residential Units that are subject to mortgages held by Eligible Mortgage Holders. These covenants and restrictions may also be cancelled or amended by an instrument signed by sixty percent (60%) of Residential Unit Owners executed and recorded within ninety (90) days of the expiration of any successive ten (10) year period, such cancellation or amendment to be effective on the date of commencement of the ten (10) year period in question, provided, however, that no termination or alteration of the legal status of the Association or the Property for reasons other than substantial destruction or condemnation of the Property shall be effective unless approval thereof is obtained from Eligible Mortgage Holders representing at least sixty-seven percent (67%) of the Residential Lots that are subject to mortgages held by Eligible Mortgage Holders. Any instrument executed pursuant to the provisions contained in this Section 11.3 shall be filed for record in the Recorder's Office and a true, complete copy of such instrument promptly shall be transmitted to each Residential Unit Owner.

11.4 If and to the extent that any of the covenants, options or rights provided for in this Declaration would otherwise be unlawful or void for violation of (a) the rule against perpetuities, (b) the rule restricting restraints on alienation, or (c) any other applicable statute or common law rule analogous thereto or otherwise imposing limitations upon the time for which such covenants, options or rights may be valid, then the provision in question shall continue and endure only after the expiration of a period of twenty-one (21) years after the death of the last to survive of the class of persons consisting of all of the lawful descendants of Rod Blagojevich, Governor of the State of Illinois, living at the date of this Declaration.

11.5 Any notices required under the provisions of this Declaration to be sent to any member, Residential Unit Owner, or to any holder, insurer or guarantor of a first mortgage secured by any portion of the Property shall be deemed to have been properly sent when mailed, postage prepaid, to the last known address of such Member, Residential Unit Owner or holder, insurer or guarantor as it appears on the records of the Association at the time of such mailing.

11.6 If at any time or times the Board shall deem it necessary or advisable to rerecord this Declaration or any part hereof in the Office of the Recorder of Lake County, Illinois, in order to avoid the expiration hereof or of any of the covenants, conditions, restrictions, rights, reservations, easements, agreements or other provisions herein contained under any statute or act relating to or governing marketable title, the Board shall submit the matter to a meeting of the Members called upon not less than ten (10) days' prior written notice, and unless at such meeting at least two-thirds (2/3) of said Members shall vote against such rerecording, the Association shall have, and is hereby

granted, the power to so rerecord this Declaration or such part thereof, and such rerecording shall be binding upon all Residential Unit Owners in every way and with the full force and effect as though such action were taken by each of said Owners and the rerecorded document executed and acknowledged by each of them.

11.7 All the easements, rights, covenants, agreements, reservations, restrictions and conditions herein contained shall run with the land and shall inure to the benefit of and be binding upon Declarant and each subsequent holder of any interest in any portion of the Property and their grantees, heirs, successors, personal representatives and assigns with the same full force and effect for all purposes as though set forth at length in each and every conveyance of the Property or any part thereof. Reference in the respective deeds of conveyance, or in any mortgage or trust deed or other evidence of obligation, to the easements and covenants herein described shall be sufficient to create and reserve such easements and covenants to the respective grantees, mortgagees or trustees of such parcels as fully and completely as though said easements and covenants were fully recited and set forth in their entirety in such documents.

11.8 In amplification of and in addition to the provisions contained in Article 6, in the event of any default of any Residential Unit Owner, the Association, all other Residential Unit Owners and the Village may and shall have all rights and remedies as shall otherwise be provided or permitted by law or in equity.

11.9 In the event that any part of any Residential Unit, including any roof overhangs or soffits, downspouts, scuppers and gutters, selected stone and brick masonry coursing and tile parapet copings, wood bays, window wells, roof canopies and brackets, ornamental metal railings, plumbing appurtenances (hose bibs, etc.), electrical appurtenances (electrical meters, etc.), mechanical appurtenances and equipment (gas meters, condensers, etc.), service walk, driveway, entry walkway, entry stairs or stoops, patio, deck or other similar improvement or architectural element appurtenant thereto, encroaches or shall hereafter encroach upon any part of any other Residential Lot or upon one of the Common Area, valid easements for the maintenance of such encroachments are hereby established and shall exist so long as all or any part of the same shall remain standing; provided, however, that in no event shall a valid easement for any encroachment be created in favor of any Residential Unit Owner if such encroachment or use is detrimental to, or interferes with, the reasonable use and enjoyment of the Residential Unit of another Residential Unit Owner or if such encroachment occurred due to the intentional or willful conduct or gross negligence of any Residential Unit Owner. It is expressly understood that any such encroachment resulting from any act or omission of Declarant shall in no event be deemed to be detrimental or to interfere, or to constitute intentional or willful conduct or gross negligence.

11.10 Any aggrieved Residential Unit Owner may enforce the provisions of this Declaration, the By-Laws, or any rules and regulations promulgated by the Board, by an action at law or in equity against the defaulting Residential Unit Owner (or Occupant of his Residential Unit).

11.11 Each Residential Unit Owner shall have the right to lease such Residential Unit Owner's Residential Unit. No Residential Unit Owner shall lease or rent his or her Residential Unit for a term less than thirty (30) days. Every lease of a Residential Unit shall be in writing and shall be made expressly subject to the requirements, rights, covenants, conditions, restrictions and easements of this Declaration and of the By-Laws.

11.12 The following provisions are intended for the benefit of each Eligible Mortgage Holder and to the extent if at all, that any other provisions of this Declaration conflicts with the following provisions, the provisions of this Section 11.12 shall control:

(a) Upon request in writing to the Association identifying the name and address of the Eligible Mortgage Holder or the insurer or guarantor of a recorded first mortgage or trust deed on a Residential Lot or Residential Unit ("**Insurer or Guarantor**") and the unit number, the Association shall furnish each Eligible Mortgage Holder, Insurer or Guarantor a written notice of the default of any Residential Unit Owner's obligations under this Declaration which is not cured within thirty (30) days. Any Eligible Mortgage Holder of a Residential Lot or Residential Unit who comes into possession of the said Residential Lot or Residential Unit pursuant to the remedies provided in the mortgage, foreclosure of the mortgage, or deed (or assignment) in lieu of foreclosure shall, to the extent permitted by law, take such property free of any claims for unpaid assessments or charges in favor of the Association against the mortgaged Residential Lot or Residential Unit which become due prior to (i) the date of the transfer of title or (ii) the date on which the holder comes into possession of the Residential Lot or Residential Unit, whichever occurs first.

(b) Upon request in writing, each Eligible Mortgage Holder, Insurer or Guarantor shall have the right:

- (i) to examine current copies of this Declaration, the By-Laws, rules and regulations and the books and records of the Association during normal business hours;
- (ii) to receive, without charge and within a reasonable time after such request, copies of such financial statements as are prepared by the Association at the end of each of its respective fiscal years;
- (iii) to receive written notices of all meetings of the Association and to designate a representative to attend all such meetings;
- (iv) to receive written notice of any decision by the Association or Residential Unit Owners to make a Material Amendment to this Declaration, the By-Laws or the articles of incorporation of the Association;

- (v) to receive written notice of any lapse, cancellation or material modification of any insurance policy or fidelity bond maintained by the Association;
- (vi) to receive written notice of any proposed action which would require the consent of a specified percentage of Eligible Mortgage Holders; and
- (vii) to receive written notice of any condemnation or casualty loss that affects either a material portion of the Property or the Residential Lot or Residential Unit on which it holds, insures or guarantees the mortgage.

(c) No provision of this Declaration, the By-Laws or the articles of incorporation of the Association or any similar instrument pertaining to the Property or the Residential Lots or Residential Units therein shall be deemed to give a Residential Unit Owner or any other party priority over the rights of the Eligible Mortgage Holders pursuant to their mortgages in the case of distribution to Residential Unit Owners of insurance proceeds or condemnation awards for losses to or a taking of the Residential Lots or Residential Units, and/or the Common Area, or any portion thereof or interest therein. In such event, the Eligible Mortgage Holders, Insurers or Guarantors of the Residential Lots or Residential Units affected shall be entitled, upon specific written request, to timely written notice of any such loss.

(d) Upon specific written request to the Association, each Eligible Mortgage Holder, Insurer or Guarantor of a Residential Lot or Residential Unit shall be furnished notice in writing by the Association (i) of any damage to or destruction or taking of the Common Area if such damage or destruction or taking exceeds Ten Thousand and no/100 Dollars (\$10,000.00), or (ii) of any damage to a Residential Lot or Residential Unit if such damage exceeds One Thousand and no/100 Dollars (\$1,000.00).

(e) If any Residential Lot or Residential Unit or portion thereof or the Common Area or any portion thereof is made the subject matter of any condemnation or eminent domain proceeding or is otherwise sought to be acquired by a condemning authority, then the Eligible Mortgage Holder, Insurer or Guarantor of said Residential Lot or Residential Unit will be entitled to timely written notice, upon specific written request, of any such proceeding or proposed acquisition and no provisions of any document will entitle the owner of a Residential Lot or Residential Unit or other party to priority over such Eligible Mortgage Holder with respect to the distribution of the proceeds of any award or settlement in respect of such Residential Lot or Residential Unit.

11.13 If all or any part of the Common Area only shall be taken through condemnation by any governmental authority having power so to do, the net proceeds of such taking shall be paid to

and retained by the then owner of the Common Area subject, however, to the rights of the holders of first mortgage liens on the Residential Units. If any part of the Property including one or more Residential Units shall be taken by one or more concurrent condemnation proceedings, the entire net proceeds of such taking or takings, including (without limitation) all proceeds received on account of such taking of any part of the Common Area, shall be divided equitably among, and retained by, the Residential Unit Owners of the Residential Units wholly or partially taken in such condemnation proceedings, subject to the rights of the holders of first mortgage liens on the Residential Units. If the effect of such condemnation shall be to isolate any part of the Property from the remainder of the Property, and if no residential structures shall then have been constructed or be situated within the portion of the Property so isolated, then all the Residential Units lying wholly or partly within the portion of the Property so isolated shall be deemed to have been and shall be removed from and released from all of the terms and provisions of this Declaration and this Declaration shall be of no further force or effect with respect thereto. For purposes of this Section 11.13, the term "**condemnation**" shall include also any sale under threat of condemnation to any governmental authority having condemnation power.

11.14 Upon any dissolution of the Association, its assets shall be transferred to another homeowner's association having similar purposes.

11.15

(a) Declarant reserves the right and power, to be exercised without the consent of any Residential Unit Owner or his Eligible Mortgage Holder, to record a special amendment ("**Special Amendment**") to this Declaration and to the Plat of Subdivision at any time and from time to time which causes this Declaration or the Plat of Subdivision (i) to comply with requirements of the Federal National Mortgage Association, the Government National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Department of Housing and Urban Development, the Federal Housing Association, the Veteran's Administration, or any other governmental agency or any other public, quasi-public, or private entity which performs (or may in the future perform) functions similar to those currently performed by such entities, (ii) to induce any of such agencies or entities to make, purchase, sell, insure, or guarantee first mortgages covering Residential Unit, (iii) to correct clerical or typographical errors in this Declaration or any Exhibit hereto or any supplement or amendment thereto, or (iv) notwithstanding that such change or modification could otherwise be considered a Material Amendment, to change or modify any of the terms or conditions of this Declaration and the Plat of Subdivision based upon Declarant's determination, made in good faith, that such change or modification is in the best interests of the Property and is consistent with the intent and purposes of this Declaration and the Plat of Subdivision; provided, however, that no such change or modification which could reasonably be inferred to affect any of the rights of the Village hereunder shall be made without the written consent of the Village. In furtherance of the foregoing, a power coupled with an interest is hereby reserved and granted to Declarant to vote in favor of, make, or consent to a Special Amendment on behalf of each Residential Unit Owner as proxy or attorney-in-fact, as the case may be. Each deed, mortgage, trust deed, other evidence of obligation, or other instru-

ment affecting a Residential Lot, and the acceptance thereof shall be deemed to be a grant and acknowledgment of, and a consent to the reservation of, the power of Declarant to vote in favor of, make, execute and record Special Amendments. The right of Declarant to act pursuant to rights reserved or granted under this Section 11.15 shall terminate at such time as Declarant no longer holds or controls title to any Residential Lot.

(b) Inasmuch as the lot lines for the Residential Lots as set forth on the Plat of Subdivision have been established based upon Declarant's assumption that a certain type and size of Residential Unit will be located on each Residential Lot and Declarant expects that in the sale of Residential Units a configuration of Residential Lots may result which is different than the configuration contemplated by the Plat of Subdivision, Declarant hereby expressly reserves to itself the right and power, to be exercised without the consent of any Residential Unit Owner or his Eligible Mortgage Holder, to change, amend or modify the Plat of Subdivision by the recording of a plat of resubdivision (or other appropriate instrument) with respect to the portion or portions of the Property affected for purposes of changing, modifying or adjusting those lot lines dividing two or more immediately adjacent Residential Lots then owned by Declarant; provided, however, that (i) no such lot line change, modification or adjustment shall occur where two Residential Lots are separated by any portion of the Common Area without Village approval and (ii) the Village shall approve any plat of resubdivision (or other appropriate instrument) prior to its being recorded.

11.16 Each Residential Unit Owner shall notify the Association of the name and address of the Eligible Mortgage Holder relating to his respective Residential Lot.

11.17 Notwithstanding anything to the contrary contained in the Declaration (including, without limitation, Section 11.15(a)(iv)), neither Declarant nor the Association shall make any change or modification to this Declaration without the express prior written consent of the Village if such change or modification (a) materially amends the terms and provisions concerning: (i) the Village's right of entry onto and maintenance of the Property and its right to place liens thereon as provided in Section 4.4 above or (ii) the obligation that Residential Unit Owners comply with all applicable ordinances, codes and regulations of the Village; or (b) would result in this Declaration or the By-Laws conflicting with the codes, ordinances or regulations of the Village.

IN WITNESS WHEREOF, Declarant has caused this Declaration of Party Wall Rights, Covenants, Conditions, Restrictions and Easements for the Hamilton Riverwalk Townhomes to be executed as of the date first above written.

DECLARANT:

RSD DEER PARK, LLC, an Illinois limited liability company

By: **Red Seal Development Corp.**, an Illinois corporation, its Manager

By: _____

As: Vice Chief/CFO

STATE OF ILLINOIS)
) SS.
COUNTY OF COOK)

I, Shari Scheck, a Notary Public in
and for said County, in the State aforesaid, DO HEREBY CERTIFY THAT
Brian Holtman, the Vice Chairman & CFO of Red
Seal Development Corp., an Illinois corporation, personally known to me to be the same person
whose name is subscribed to the foregoing instrument as such Vice Chairman + CFO
appeared before me this day in person and acknowledged that he signed and delivered the said
instrument as his own free and voluntary act, and as the free and voluntary act of said corporation in
its capacity as the Manager of RSD DEER PARK, LLC, for the uses and purposes therein set forth.

GIVEN under my hand and Notarial Seal this 27th day of June,
2006.

Shari Scheck
Notary Public

My Commission Expires: 9/25/08



EXHIBIT A

THE PROPERTY

LOTS 1 THROUGH 76, INCLUSIVE, IN THE DEER PARK ESTATES SUBDIVISION
BEING A SUBDIVISION OF PART OF THE NORTHWEST QUARTER AND PART OF THE
SOUTHWEST QUARTER OF SECTION 34, TOWNSHIP 43 NORTH, RANGE 10 EAST OF
THE THIRD PRINCIPAL MERIDIAN IN LAKE COUNTY, ILLINOIS

P.I.N. 14-34-100-065
14-34-100-066
14-34-300-031
14-34-300-033
part of 14-34-300-034

EXHIBIT B

BY-LAWS OF

THE DEER PARK ESTATES HOMEOWNERS ASSOCIATION

ARTICLE 1

PURPOSES AND POWERS

The Association shall be responsible for the general management and supervision of the Property, and shall have all of the powers to perform, and shall be responsible to perform, all of the obligations provided in the Declaration. Further, the Association shall have all powers now or hereafter granted by the General Not For Profit Corporation Act of the State of Illinois which shall be consistent with the purposes specified herein and in the Declaration.

ARTICLE 2

OFFICES

2.1 **Registered Office.** The Association shall have and continuously maintain in this State a Registered Office and a Registered Agent whose office shall be identical with such Registered Office. The Association may have other offices within or without the State of Illinois as the Board of Directors may from time to time determine.

2.2 **Principal Office.** The principal office of the Association shall be maintained in Deer Park, Illinois, or such other location as reasonably determined by the Association.

ARTICLE 3

MEMBERSHIP

3.1 **Voting Members.** Every person or entity who is a record owner of a fee or undivided fee interest in any Residential Lot which is subject by covenants of record to assessment by the Association shall be a member of the Association. The foregoing is not intended to include persons or entities who hold an interest merely as security for the performance of an obligation. Membership shall be appurtenant to and may not be separated from ownership of any Residential Lot which is

subject to an assessment by the Association. Residential Unit ownership of such Residential Lot shall be the sole qualification of membership. Nothing herein contained shall be interpreted to exclude Declarant from membership while it or its successors in interest, if any, owns one or more Residential Lots. Voting rights with regard to each Member are set forth in Section 3.2 hereof.

3.2 **Classes of Membership.** The Association shall have two classes of voting membership:

Class A. Class A Members shall be all those Residential Unit Owners as defined in Section 3.1, provided that Declarant shall not be a Class A Member until the Transfer Date. Class A Members shall be entitled to one vote for each Residential Lot in which they hold the interest required for membership by Section 3.1. When more than one person holds such interest in any Residential Lot, all such persons shall be Members. The vote for such Residential Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Residential Lot. All Members holding any interest in a single Residential Lot shall together be entitled to cast only one vote for the Residential Lot.

Class B. The Class B Member shall be Declarant. The Class B Member shall be entitled to three (3) votes for each Residential Lot in which it holds the interest required for membership by Section 3.1; provided that the Class B membership shall cease and be converted to Class A membership on the Transfer Date.

3.3 **Meetings.**

(a) **Quorum: Procedure.** Meetings of the Members shall be held at the principal office of the Association or at such other place in Cook County, Illinois or Lake County, Illinois as may be designated in any notice of a meeting. The presence at any meeting, in person or by proxy, of a majority of the total votes determined pursuant to Section 3.2 above shall constitute a quorum. Unless otherwise expressly provided herein or in the Declaration, any action may be taken at any meeting of the Members at which a quorum is present upon the affirmative vote of the Members having a majority of the total votes present at such meeting. Any Member in writing may waive notice of a meeting, or consent to any action of the Association without a meeting.

(b) **Initial and Annual Meeting.** The initial meeting of the Members shall be held at such time as may be designated upon not less than twenty-one (21) days' prior written notice given by Declarant, provided that such initial meeting shall be held no later than one hundred and twenty (120) days after the Transfer Date. Thereafter, there shall be an annual meeting of the Members on the first Tuesday of May of each succeeding year, at 7:30 P.M., or at such other reasonable time or date as may be designated by written notice of the Board

delivered to the Residential Unit Owners in accordance with Section 3.4. If the date for the annual meeting of Members is a legal holiday, the meeting will be held at the same hour on the first day succeeding such date which is not a legal holiday.

(c) **Special Meetings.** Special meetings of the Members may be called at any time for the purpose of considering matters which, by the terms of the Declaration or these By-Laws, require the approval of all or some of the Members, or for any other reasonable purposes. Said meetings shall be called by written notice, authorized by a majority of the Board or by the Members having twenty percent (20%) of the total votes entitled to be cast by the Members as provided in Section 3.2 above, and delivered not less than five (5) days prior to the date fixed for said meeting. The notices shall specify the date, time and place of the meeting and the matters to be considered.

3.4 **Notices of Meetings.** Notices of meetings required to be given herein may be delivered either personally or by mail to the persons entitled to vote thereat, addressed to each such person at the address given by him to the Board for the purpose of service of such notice, or to the Residential Unit of the Residential Unit Owner with respect to which such voting right appertains, if no address has been given to the Board. The notices required herein shall state the specific purpose and the nature of the business for which the meeting is called. At any meeting, no business may be transacted other than that specified in the notice.

3.5 **Proxies.** At any meeting of Members, a Member entitled to vote may either vote in person or by proxy executed in writing by the Member or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven (11) months from the date of its execution unless otherwise provided in the proxy.

ARTICLE 4

BOARD OF DIRECTORS

4.1 **Board of Directors.** The direction and administration of the Property in accordance with the provisions of the Declaration shall be vested in the Board of Directors, consisting of five (5) persons who shall be elected in the manner hereinafter provided, except for the first Board of Directors appointed by Declarant (or its designee). The Members having at least two-thirds (2/3) of the total votes may from time to time increase or decrease the term of the office of the Board members at any annual meeting, provided the terms of at least one of the persons on the Board shall expire annually. Each member of the Board, with the exception of the Board members appointed by Declarant (or its designee) shall be one of the Residential Unit Owners (including Declarant); provided, however, that in the event an Residential Unit Owner is a corporation, partnership, trust, limited liability company, or other legal entity other than a natural person or persons, then any director or officer of such corporation, partner of such partnership, individual trustee or beneficiary

of such trust, manager, officer or member of such limited liability company, or manager or principal of such legal entity, shall be eligible to serve as a member of the Board and provided further that in the event a member of the Board has entered into a contract to sell his Residential Unit and vacates the Residential Unit prior to the consummation of that transaction, such member shall thereafter no longer be eligible to serve on the Board and his term of office shall be deemed terminated.

4.2 **Determination of Board to be Binding.** All matters of dispute or disagreement between Residential Unit Owners with respect to interpretation or application of the provisions of the Declaration or these By-Laws shall be determined by the Board as hereinafter provided, which determination shall be final and binding on the Association and on all Residential Unit Owners subject, however, to the jurisdiction of any applicable court of law.

4.3 **Election of Board Members.** At the initial meeting of the Members and at all subsequent annual meetings of the Members there shall be elected a Board of Directors. In all elections for members of the Board of Directors, each Member shall be entitled to vote on a non-cumulative basis and the candidates receiving the highest number of votes with respect to the number of offices to be filled shall be deemed to be elected. The initial Board of Directors designated by Declarant pursuant to Section 4.1 hereof shall serve for a period commencing on the date the Declaration is executed and ending upon the qualification of the directors elected at the initial meeting of Members held as provided in Section 3.3(b) hereof. Five (5) Board Members shall be elected at the initial meeting. The three (3) persons receiving the highest number of votes at the initial meeting shall be elected to the Board for a term of *approximately* two (2) years, in that said term shall run from the date of the initial meeting until the date of the *second* annual meeting; and the two (2) persons receiving the next highest number of votes shall be elected to the Board for a term of *approximately* one (1) year, in that said term shall run from the date of the initial meeting until the date of the *first* annual meeting. In the event of a tie vote, the members of the Board shall determine which members shall have the two (2) year term and which members shall have the one (1) year terms. Upon the expiration of the terms of office of the Board members so elected at the initial meeting and thereafter, successors shall be elected for a term of two (2) years each. Notwithstanding the aforesaid election procedure Declarant or its designee or beneficiaries may appoint a Board which shall have the same powers and authority as given to the Board generally, as provided hereinafter, and such appointed Board shall function until such time as the initial meeting of the Members is held.

4.4 **Compensation.** Members of the Board shall receive no compensation for their services, unless expressly allowed by the Board at the direction of the Members having two-thirds (2/3) of the total votes. However, any director may be reimbursed for reasonable expenses incurred in the performance of his duties.

4.5 **Vacancies in Board.** Vacancies in the Board, other than as a result of removal pursuant to Paragraph 4.7 hereof, including vacancies due to any increase in the number of persons

on the Board, shall be filled by the remaining members of the Board until the next annual meeting; or by the Members present at the next annual meeting; or at a special meeting of the Members called for such purpose.

4.6 **Election of Officers.** The Board shall elect from among its members a President who shall preside over both its meetings and those of the Members, and who shall be the chief executive officer of the Board and Association; a Secretary who will keep the minutes of all meetings of the Members and of the Board and who shall, in general, perform all the duties incident to the office of Secretary; a Treasurer to keep the financial records and books of account, and such additional officers as the Board shall see fit to elect. All officers shall be elected at each annual meeting of the Board and shall hold office at the pleasure of the Board.

4.7 **Removal of Board Members.** Any Board member may be removed from office by affirmative vote of the Members having at least two-thirds (2/3) of the total votes, at any special meeting called for the purpose in the manner aforesaid. A successor to fill the unexpired term of a Board member removed may be elected by the Members at the same meeting or any subsequent meeting called for that purpose.

4.8 **Meeting of Board.** The initial meeting of the Board shall be held immediately following the initial meeting of the Members and at the same place. At such meeting the Board shall elect its officers to serve until the first annual meeting of the Board which shall be held immediately following the first annual meeting of the Members and at the same place. All subsequent annual meetings of the Board shall be held without notice immediately after, and at the same place as, the annual meeting of Members. Special meetings of the Board shall be held upon call by the President or by a majority of the Board on not less than forty-eight (48) hours' notice in writing to each member, delivered personally or by mail or telegram. Any member may in writing waive notice of a meeting, or consent to the holding of a meeting without notice, or consent to any action of the Board without a meeting. A majority of the number of Board members shall constitute a quorum for the transaction of business. Unless otherwise expressly provided herein, any action may be taken by the Board upon the affirmative vote of those present at its meetings when a quorum is present.

4.9 **Execution of Investments.** All agreements, contracts, deeds, leases, vouchers for payment of expenditures, and other instruments shall be signed by such officer or officers, agent or agents of the Board and in such manner as from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by the President and countersigned by the Secretary.

ARTICLE 5

POWERS OF THE BOARD

5.1 **General Powers of the Board.** Without limiting the general powers which may be provided by law, the Declaration or these By-Laws, the Board shall have the following general powers and duties:

- (a) to elect the officers of the Association as hereinabove provided;
- (b) to administer the affairs of the Association and the Property;
- (c) subject to Section 5.5(b) below, to engage the services of a manager or managing agent who shall manage and operate the Property and the Common Area;
- (d) to formulate policies for the Administration, management and operation of the Property and the Common Area;
- (e) to adopt administrative rules and regulations governing the administration, management, operation and use of the Property and the Common Area, and to amend such rules and regulations from time to time;
- (f) after notice and an opportunity to be heard, to levy and collect reasonable fines from members for violations of the Declaration, By-laws, and rules and regulations;
- (g) to provide for the maintenance, repair and replacement of the Common Area, landscaping installed by Declarant on the Residential Lot, and the exterior portions of the Residential Units and payments therefor, and to approve payment vouchers or to delegate such approval to the officers or the manager or managing agent;
- (h) to provide for the designation, hiring and removal of employees and other personnel, including accountants and legal counsel, and to engage or contract for the services of others, and to make purchases for the maintenance, repair, replacement, administration, management and operation of the Common Area, landscaping installed by Declarant on the Residential Lot, and the exterior portions of the Residential Units and to delegate any such powers to the manager or managing agent (and any such employees or other personnel as may be the employees of the managing agent);
- (i) to estimate the amount of the annual budget, and to provide the manner of assessing and collecting from the Residential Unit Owners of such Residential Lots as have been occupied for residential purposes, their respective shares of such estimated expenses, as hereinafter provided;

(j) to the extent the same may then be owned by the Association, to dedicate or transfer all or any part of the Common Area to any public agency, authority or utility or to mortgage the Common Area or any portion thereof for such purposes and subject to such conditions as may be agreed to by the Members. No such dedication, transfer or mortgage shall be effective unless an instrument signed by Declarant so long as Declarant continues to exercise any of the votes allocated by the Class B membership has been recorded, agreeing to such mortgage, dedication or transfer. In the event Class B membership has ceased, then three-fourths (3/4) of the votes of the Class A membership shall be the required to make such action effective; and

(k) to exercise all other powers and duties vested in or delegated to the Association, and not specifically reserved to the Residential Unit Owners by the Articles of Incorporation, the Declaration or these By-Laws.

5.2 **Common Area Improvement Maintenance Fund.** The fees collected by the Board at the initial sale of each Residential Unit (as set forth in Section 6.4 below and in section 6.2 of the Declaration) shall be collected for the purpose of maintaining a reserve account for the maintenance and replacement of Common Area improvements. Such fee shall be collected from each Residential Unit Owner concurrently with the first payment owed by each Residential Unit Owner pursuant to the rules and regulations adopted by the Board. In addition to this one-time fee, each Residential Unit Owner shall be obligated to pay a monthly reserve fee such that Common Area maintenance and repair account will be kept current to maintain and replace the Common Area improvements on a reasonable schedule.

5.3 **Capital Additions and Improvements.** The Board's powers hereinabove enumerated shall be limited in that the Board shall have no authority to acquire and pay for out of the maintenance fund any structural alterations, capital additions or capital improvements to the Common Area (other than for purposes of replacing or restoring portions of the Common Area, subject to all the provisions of the Declaration) or to those portions of the Residential Units as set forth in Section 5.01 of the Declaration having a total cost in excess of Ten Thousand and no/100 Dollars (\$10,000.00), without in each case the prior approval of the owners holding two-thirds (2/3) of the total votes.

5.4 **Tax Relief.** In connection with the Common Area, and to the extent the Association may be the legal titleholder thereof, the Board shall have the power to seek relief from or in connection with the assessment or levy of any real property taxes, special assessments and any other special taxes or charges of the State of Illinois or any political subdivision thereof, or any other lawful taxing or assessing body, which are authorized by law to be assessed and levied on real property and to charge all expenses incurred in connection therewith to the maintenance fund.

5.5 **Rules and Regulations; Management.**

(a) **Rules.** The Board may adopt such reasonable rules and regulations as it may deem advisable for the maintenance, conservation and beautification of the Property, and for the health, comfort, safety and general welfare of the Residential Unit Owners and Occupants. Written notice of such rules and regulations shall be given to all Residential Unit Owners and Occupants, and the entire Property shall at all times be maintained subject to such rules and regulations.

(b) **Management.** Declarant or the Board shall engage the initial management organization under contracts expiring not later than ninety (90) days after the date the initial meeting of Members is held. Thereafter, the Board may engage the services of an agent to manage the Property to the extent deemed advisable by the Board; provided, however, that if the Association, Declarant or Board shall enter into an agreement or agreements for the professional management of the Property before the Transfer Date, each such agreement shall be terminable by the Association without cause at any time after the Transfer Date; shall not require the payment of any penalty by the Association; and shall not require advance notice of termination of more than ninety (90) days. Any management fees incurred pursuant to this Section 5.5(b) shall be paid from the assessments collected pursuant to Article 6 hereof.

(c) Nothing hereinabove contained shall be construed to give the Board authority to conduct an active business for profit on behalf of all of the Residential Unit Owners or any of them.

5.6 **Liability of the Board of Directors.** The members of the Board and the officers of the Association shall not be personally liable to the Residential Unit Owners or others for any mistake of judgment or for any acts or omissions made in good faith by such officers or Board members. The Residential Unit Owners shall indemnify and hold harmless each of the members of the Board and each of the officers against all contractual liability to others arising out of contracts made by the Board or officers on behalf of the Residential Unit Owners, unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration. The liability of any Residential Unit Owner arising out of any such contract made by the Board or officers or out of the aforesaid indemnity in favor of the members of the Board or officers, to the extent not covered by insurance, shall be limited to his proportionate share of the total liability thereunder.

ARTICLE 6

ASSESSMENTS - MAINTENANCE FUND

6.1 **Preparation of Estimated Budget.** Each year on or before December 15, the Board will approve a Budget with an estimate of the total amount necessary to pay the cost of wages,

materials, taxes, insurance, services and supplies which will be required during the ensuing calendar year for the rendering of all services authorized by the Board, together with a reasonable amount considered by the Board to be necessary for a reserve for contingencies and replacements. Each Residential Unit Owner shall receive, at least 30 days prior to the adoption thereof by the Board, a copy of the proposed budget. On or before January 1 of the ensuing calendar year, and the first of each and every month of said year, each Residential Unit Owner, other than Declarant, shall be obligated to pay to the Board, or as it may direct, one-twelfth (1/12) of the assessment made pursuant to this Section 6.1.

6.2 **Year End Reconciliation.** Within 120 days of the end of the fiscal year, the Board shall supply to all Residential Unit Owners an itemized accounting of the maintenance expenses for the preceding fiscal year actually incurred and paid, together with a tabulation of the amounts collected from the Residential Unit Owners pursuant to assessments made during such year (including amounts collected from Declarant) and showing the net amount over or short of the actual expenditures, plus reserves. Such year end accounting shall in all instances be reviewed by a certified public accountant.

6.3 **Paid Assessment Letter.** The Board shall upon demand at any time furnish a certificate in writing signed by an officer or agent of the Association, setting forth whether the assessments on a specified Residential Lot have been paid. Such certificates shall be conclusive evidence of payment of any assessment therein. In addition, the Association will provide such information as may be required by law. The Board may levy a reasonable fee for the preparation of such certificate and the copying of any documents requested by the Residential Unit Owner.

6.4 **Extraordinary Expenditures/Special Assessment.** The Board shall build up and maintain a reasonable reserve fund for authorized capital expenditures, contingencies, replacements and deficits in the Association's operating account ("**Extraordinary Expenditures**") not originally included in the annual estimate. Extraordinary Expenditures which may become necessary during the year may be charged against such reserve fund. If such reserve fund proves inadequate, in the Board's determination for any reason, including non-payment of any Residential Unit Owner's assessment, the Board may, upon such determination, levy a further assessment, which shall be assessed to the Residential Unit Owners utilizing a specific percentage associated with each Residential Lot, as such percentages are set forth on Exhibit D. In the event, however, that the Board determines that there exists a surplus in the reserve for Extraordinary Expenditures, the Board shall have the authority to transfer such funds into the operating account. In the event the Board levies such further assessment, the Board shall serve notice thereof on all such Residential Unit Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall become effective with the monthly maintenance payment which is due more than ten (10) days after the delivery or mailing of such notice of further assessment. All such Residential Unit Owners shall be obligated to pay the adjusted monthly amount. At the time of closing of the sale of each Residential Lot by Declarant, the Residential Unit Owner shall pay (in addition to the

first monthly assessment) to the Association, or as otherwise directed by the Board, an amount equal to two (2) times the first full monthly assessment for such Residential Unit Owner.

6.5 **Budget for First Year.** When the first Board elected hereunder (or appointed by Declarant) takes office, it shall determine the budget for the period commencing on the day of the conveyance of the first Residential Lot and ending on December 31 of the calendar year following said conveyance. The initial budget shall be divided among the remaining monthly installments of such calendar year and assessed equally to all Residential Unit Owners, other than Declarant.

6.6 **Failure to Prepare Annual Budget.** The failure or delay of the Board to prepare or serve the annual or adjusted estimate on a Residential Unit Owner shall not constitute a waiver or release in any manner of such Residential Unit Owner's obligation to pay the maintenance costs and necessary reserves, as herein provided, whenever the same shall be determined, and, in the absence of any annual estimate or adjusted estimate, the Residential Unit Owner shall continue to pay the monthly maintenance charge at the then existing monthly rate established for the previous period until the monthly maintenance payment which is due more than ten (10) days after such new annual or adjusted estimate shall have been mailed or delivered.

6.7 **Books and Records.** The Board shall keep full and correct books of account in chronological order of the receipts and expenditures affecting the Property, specifying and itemizing the maintenance and repair expenses and any other expenses incurred. Such records and the vouchers authorizing the payments shall be available for inspection by any Residential Unit Owner or any representative of a Residential Unit Owner duly authorized in writing or any holder, insurer or guarantor of a first mortgage secured by any portion of the Property at such reasonable time or times during normal business hours as may be requested by such Residential Unit Owner or his representative or such holder, insurer or guarantor. Upon not less than ten (10) days' prior notice to the Board, any Residential Unit Owner shall be furnished a statement of his account, setting forth the amount of any unpaid assessment or other charges due and owing from such Residential Unit Owner. In addition, the Board shall provide for the preceding fiscal year, upon the written request of any holder, insurer or guarantor of a first mortgage secured by any portion of the Property, any annual audited or unaudited financial statements which are prepared and distributed by the Association to the Residential Unit Owners at the end of each of its respective fiscal years, provided, however, that in the event an audited financial statement is not available, 51% or more of the Eligible Mortgage Holders (by number) shall upon request, be entitled to have such an audited statement prepared at their expense.

6.8 **Status of Collected Funds.** All funds collected hereunder shall be held and expended for the purposes designated herein, and (except for such special assessments as may be levied hereunder against less than all the Residential Unit Owners and for such adjustments as may be required to reflect delinquent or prepaid assessments) shall be deemed to be held in trust for the benefit, use and account of all the Residential Unit Owners, other than Declarant. All funds not

otherwise employed shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board may select.

6.9 **Remedies for Failure to Pay Assessments.** Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within fifteen (15) days after the due date, then (i) the amount of the assessment shall bear interest from the due date at the rate per annum equal to the lesser of (a) eighteen percent (18%) and (b) the maximum rate then allowed by law, and (ii) in addition to said interest, the Association shall have the right, to be exercised in a non-discriminatory manner, to charge a delinquent Residential Unit Owner a late fee of Twenty-Five and no/100 Dollars (\$25.00) for each month or portion thereof that said amount remains delinquent, said late fee to cover the Association's administrative costs in monitoring and collecting such amount. The Association may bring an action at law against the Residential Unit Owner personally obligated to pay the same, or foreclose the lien against the said Owner's Residential Lot, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of such assessment. The amount of any delinquent and unpaid charges or assessments, and interest, costs and fees as above provided, shall be and become a lien or charge against the Residential Lot of the Residential Unit Owner involved when payable and may be foreclosed by an action brought in the name of the Board as in the case of foreclosure of liens against the real estate. Unless otherwise provided in the Declaration, the members of the Board and their successors in office, acting on behalf of the other Residential Unit Owners, shall have the power to bid in the interest so foreclosed at foreclosure sale, and to acquire and hold, lease, mortgage and convey the same. The lien of the assessments provided for herein shall be subordinate to the lien of any first or prior recorded mortgage now or hereafter placed on the Residential Lots provided, however, that such prior recorded mortgage shall be subject to the lien of all unpaid assessments with respect to such Residential Lot which became due and payable subsequent to the first to occur of the date the holder of said mortgage (a) takes possession of the Residential Lot, (b) accepts a conveyance of any interest in the Residential Lot and (c) has a receiver appointed in a suit to foreclose his lien.

6.10 **Exempt Residential Lots.** With regard to any Residential Lots which are vacant or upon which Residential Units are being constructed or have been completed and to which title has not been conveyed by Declarant (the "**Declarant Owned Lots**"), the total aggregate assessment due with respect to all Declarant Owned Lots shall be limited to the amount (the "**Shortfall**") by which (a) the aggregate amount of actual operating expenses from time to time required to be paid with respect to the Property exceeds (b) the amounts required to be paid by the Residential Unit Owners other than Declarant for said actual operating expenses. For purposes of the foregoing calculation, in the event Declarant enters into a lease or installment contract for any Residential Lot, then Declarant shall, as of the first day of occupancy under such lease or contract, be responsible for the payment of assessments on those Residential Lots on the same basis as any other Residential Unit Owner as provided in Section 6.1 hereof and, consequently, said Lot shall no longer be deemed to be a Declarant Owned Lot hereunder. Actual operating expenses shall mean those ordinary expenses attributable only to the period in question covering the maintenance and operation of the Property

and shall not include capital expenditures, amounts set aside as a reserve for contingencies or replacements, prepaid items or inventory items to the extent attributable to subsequent periods. The foregoing amounts owed by Declarant for the Declarant Owned Lots may be paid by Declarant on a monthly basis or, at its option, paid to the Association at the close of each calendar year without interest. It is expressly understood and agreed that in no event shall Declarant's total obligation under this Section 6.10 with respect to Declarant Owned Lots ever exceed the amount of assessment due from each of the Townhouse Unit Owners other than Declarant multiplied by the number of Declarant Owned Lots from time to time.

6.11 **Fiscal Year.** The fiscal year of the Association shall be a calendar year from January 1 to December 31.

ARTICLE 7

COVENANTS AND RESTRICTIONS AS TO USE AND OCCUPANCY

All Residential Unit Owners shall maintain, occupy and use their Residential Units and the Common Area only in accordance with the terms of the Declaration and any additional rules and regulations adopted by the Board or by the Members.

The Board shall have full authority to enforce all such rules and regulations by taking all action as may be necessary.

ARTICLE 8

COMMITTEES

8.1 **Board Committees.** The Board, by resolution adopted by a majority of the directors in office, may designate one (1) or more committees, each of which shall consist of one (1) or more directors; said committees, to the extent consistent with law and as provided in said resolution, shall have and exercise the authority of the Board in the management of the Association; but the designation of such committees and the delegation to such committee of authority shall not operate to relieve the Board, or any individual director, of any responsibility imposed upon it or him by law.

8.2 **Special Committees.** Other committees not having and exercising the authority of the Board in the management of the Association may be designated by a resolution adopted by a majority of the directors present at a meeting at which a quorum is present. Except as otherwise provided in such resolution, members of each such committee shall be Members, and the President of the Association shall appoint the members thereof. Any member thereof may be removed

whenever in the Board's judgment the best interests of the Association shall be served by such removal.

8.3 **Term.** Each member of the committee shall continue as such until the next annual meeting of the Board and until his successor is appointed and shall have qualified, unless the committee shall be sooner terminated, or unless such member shall cease to qualify as a member thereof.

8.4 **Chairman.** One (1) member of each committee shall be appointed chairman.

8.5 **Vacancies.** Vacancies in the membership of any committee may be filled by appointment made in the same manner as provided in the case of the original appointments.

8.6 **Quorum.** Unless otherwise provided in the resolution of the Board designating a committee, a majority of the whole committee shall constitute a quorum and the act of a majority of the members present at a meeting at which a quorum is present shall be the act of the committee.

8.7 **Rules.** Each committee may adopt rules for its own government not inconsistent with these By-Laws or with rules adopted by the Board.

ARTICLE 9

INTERIM PROCEDURE

Until the initial meeting of the Members, Declarant (or its designee) may appoint the Board which shall have the same powers and authority as given to the Board generally.

ARTICLE 10

AMENDMENTS

These By-laws may be amended or modified from time to time in accordance with the provisions of Section 11.3 of the Declaration. Such amendments shall be recorded in the Office of the Recorder of Deeds of Lake County, Illinois.

ARTICLE 11

DEFINITION OF TERMS

The terms used in these By-Laws shall have the same definition as set forth in the Declaration to which these By-Laws are attached to the extent such terms are defined therein. To the extent of any conflict, ambiguity or contradiction between the terms and provisions contained in these By-Laws and those contained in the Declaration, those contained in the Declaration shall, in all instances, control and prevail.

EXHIBIT C

**PERCENTAGE OF EACH RESIDENTIAL UNIT
RELATIVE TO ANNUAL ASSESSMENTS**

Single Family

Lot #1	1.66%	Lot #7	1.66%
Lot #2	1.66%	Lot #8	1.66%
Lot #3	1.66%	Lot #9	1.66%
Lot #4	1.66%	Lot #10	1.66%
Lot #5	1.66%	Lot #11	1.66%
Lot #6	1.66%		

Townhomes

Lot #12	1.34%	Lot #33	1.34%	Lot #54	1.34%
Lot #13	1.34%	Lot #34	1.34%	Lot #55	1.34%
Lot #14	1.34%	Lot #35	1.34%	Lot #56	1.34%
Lot #15	1.34%	Lot #36	1.34%	Lot #57	1.34%
Lot #16	1.34%	Lot #37	1.34%	Lot #58	1.34%
Lot #17	1.34%	Lot #38	1.34%	Lot #59	1.34%
Lot #18	1.34%	Lot #39	1.34%	Lot #60	1.34%
Lot #19	1.34%	Lot #40	1.34%	Lot #61	1.34%
Lot #20	1.34%	Lot #41	1.34%	Lot #62	1.34%
Lot #21	1.34%	Lot #42	1.34%	Lot #63	1.34%
Lot #22	1.34%	Lot #43	1.34%	Lot #64	1.34%
Lot #23	1.34%	Lot #44	1.34%	Lot #65	1.34%
Lot #24	1.34%	Lot #45	1.34%	Lot #66	1.34%
Lot #25	1.34%	Lot #46	1.34%	Lot #67	1.34%
Lot #26	1.34%	Lot #47	1.34%	Lot #68	1.34%
Lot #27	1.34%	Lot #48	1.34%	Lot #69	1.34%
Lot #28	1.34%	Lot #49	1.34%	Lot #70	1.34%
Lot #29	1.34%	Lot #50	1.34%	Lot #71	1.34%
Lot #30	1.34%	Lot #51	1.34%	Lot #72	1.34%
Lot #31	1.34%	Lot #52	1.34%		
Lot #32	1.34%	Lot #53	1.34%		