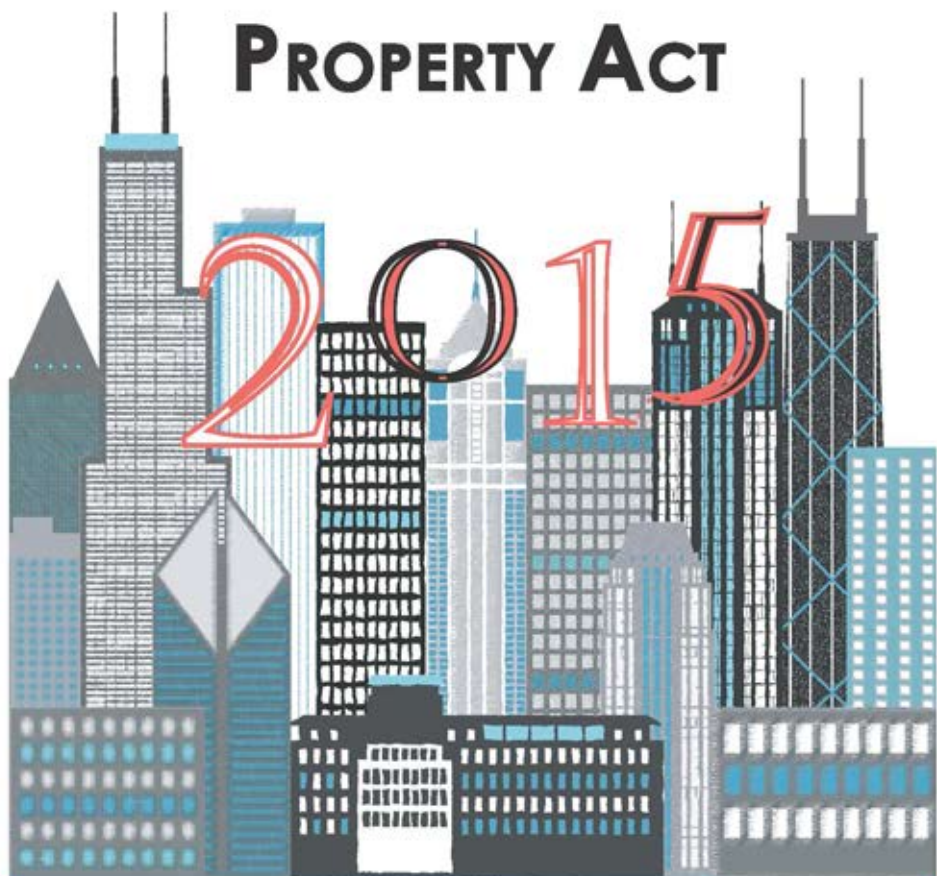


THE ILLINOIS CONDOMINIUM PROPERTY ACT



Includes a summary and detailed explanation
of all new condominium legislation taking effect
on January 1, 2015

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2015 FOREWORD

2014 yielded a bumper crop of new legislation and controversial court decisions that significantly impact Illinois condominium associations. Numerous changes to the Illinois Condominium Property Act (“ICPA”) affecting the way associations operate have been made, especially authorization for use of email and other technology to distribute official notices and conduct Board elections. In the courts, the Illinois Supreme Court addressed the defenses available to unit owners who are sued for failing to pay assessments, and the Illinois Appellate Court issued the *Palm II* decision on open meeting requirements, delegation of board authority and other key governance issues.

Amendments to the Illinois Condominium Property Act

Electronic Delivery of Notices and Other Communications

New ICPA Section 18.4(s) authorizes condominium boards to adopt rules permitting delivery of notices and other official communications by email and other electronic means to owners who agree to receive those communications electronically. A rule adopted pursuant to ICPA Section 18.4(s) may also allow unit owners to designate an email address, a U.S. Postal Service address, or both as the unit owner’s official address for purposes of the unit owner list that every Illinois condominium association must maintain and make available to unit owners for examination and copying. This allows owners to authorize email delivery of notices without exposing their email addresses to disclosure to other owners. Note that 18.4(s) authorizes use of email for notices only if an association’s board lawfully adopts a rule to that effect, and requires that owners provide written authorization for electronic delivery of notices.

The ICPA has been amended to authorize condominium boards to adopt rules for use of “acceptable technological means” -- that is,

electronic transmission over the Internet or other network, by direct connection, intranet, telecopier or electronic mail -- for voting and various other purposes.

Upon adoption of a rule, amended ICPA Section 18(b)(9) now authorizes condominium associations to use electronic technology to conduct board elections, in which case proxies and ballots may be submitted electronically, provided that the electronic proxy or ballot includes information from which it can be determined that the vote was authorized by the unit owner or the unit owner's proxy.

New ICPA Section 18.8 authorizes associations to obtain unit owner consents and conduct other votes (e.g., declaration amendments, special assessment over-rides, etc.) through "acceptable technological means," as long as a record of the vote is created and maintained in the association's records.

Insurance

All insurance policies issued to condominium associations after June 1, 2015 will need to reflect various changes made to ICPA Section 12:

- Section 12(a)(1) of the ICPA requires associations to carry property insurance for the full insurable replacement cost of the property, less deductibles, plus increased costs of construction due to building code requirements. In order to provide money with which to demolish some or all of a damaged building, the total amount of the association's property insurance coverage must also include demolition costs and increased construction cost coverage in an amount which is not less than 10% of the insured building's value or \$500,000, whichever is less. Although this new requirement makes good sense, higher coverage limits likely mean higher property insurance premiums.
- All Illinois condominium associations must carry directors and officers ("D&O") liability coverage to protect volunteer directors and officers from claims and lawsuits. As amended, ICPA Section 12(a)(3)(D) requires that D&O insurance policies provide coverage for non-monetary claims (e.g., a lawsuit seeking an injunction or

a declaratory judgment), breach of contract actions, and claims related to placement or adequacy of insurance. In addition, the D&O liability coverage must include coverage for past, present and future board members, the managing agent, and employees of the board or its managing agent.

- The definition of “improvements and betterments” in ICPA Section 12(b) has been revised to include “additions, alterations or upgrades installed or purchased by a unit owner.”

In addition, ICPA Section 12(h) has been modified to withdraw a condominium board’s authority to purchase liability insurance on behalf of owners who fail to comply with a mandatory insurance rule, as well as the board’s power to charge the unit owner for such coverage.

No Unit Owner Approval Required for Litigation

Some declarations include provisions that condition the board’s authority to pursue litigation – especially lawsuits against developers – on prior unit owner consent or mandatory mediation. New ICPA Section 18.8 nullifies such provisions.

Senate Bill 2664

Senate Bill 2664 was an extremely controversial piece of legislation whose final status was not resolved until November 24, 2014. SB 2664 sought to amend ICPA Section 9 by changing the amount of money that a condominium association can recover after a unit goes through foreclosure (the so-called “six months amount”) by expanding the pre-foreclosure collection period available to associations from six months to nine months of regular assessments, while prohibiting associations from collecting special assessments, fines, late fees, attorneys’ fees and costs beyond nine months of regular assessments. With the support of bankers and realtors, but over the strenuous objections of condominium associations and their supporters, SB 2664 was approved by both houses of the Illinois legislature. However, recognizing that SB 2664 would result in serious financial harm to condominium associations, Governor Quinn refused to sign SB 2664. Instead, he amendatorily vetoed SB 2664 to make the foreclosing lender liable for 100% of all other amounts owed to the

association by the defaulting unit owner, including special assessments, fines, late charges, attorneys' fees and court costs. When there was not enough support in the legislature to over-ride or approve the changes made by the Governor's amendatory veto, SB 2664 was declared dead. As a result, ICPA Section 9 and the "six months rule" remain unchanged.

Other New Laws Affecting Condominiums

Process Server Access A change to the Illinois Code of Civil Procedure requires employees of a condominium association to permit entry by a process server for the purpose of serving court papers on a defendant or witness who resides within or is known to be within the condominium.

13 Month Rental Term Pursuant to an Order for Possession When an association takes possession of a unit pursuant to an Order for Possession entered in a forcible entry and detainer case, the association may rent the unit and collect rents. In order to give associations more time to complete necessary repairs, more time to find a tenant, and the ability to offer renters a conventional 12-month lease, Illinois law now provides that an association may enter into a lease at any time within the first 8 months after expiration of the stay on an Order for Possession, and that any such lease may run for up to 13 months. Under prior law, a lease could not run for more than 13 months after expiration of the stay of the Order for Possession.

Records Inspection under the Chicago Condominium Ordinance In order to bring the Chicago Condominium Ordinance more in line with the records examination provisions of ICPA Section 19, Section 13-72-080 of the Chicago Condominium Ordinance was amended to clarify the records subject to unit owner examination, and to extend associations' response time from 10 days to 30 days.

Key Court Decisions

Spanish Court II – Defenses In Eviction/Collection Actions

Spanish Court Two Condominium Association v. Carlson involved a unit owner's defense that she was not required to pay her assessments because she believed that her association's board had breached its duty to maintain the common elements, which resulted in damage to her

unit. In the past, this defense was not allowed; a unit owner could file a separate lawsuit alleging a breach of duty, but the issue could not be presented as a defense in an eviction/collection action. After the Illinois Appellate Court ruled that a material breach of the association's duty to maintain common elements could be asserted as a defense in an eviction/collection lawsuit, the Illinois Supreme Court put the matter to rest in 2014, holding that failure to repair and maintain common elements is not a viable defense to an eviction/collection lawsuit based on failure to pay condominium assessments. This decision was a major victory for Illinois associations because it upholds the expedited collection procedure provided by the Forcible Entry and Detainer Act and does not allow unit owners to refuse to pay assessments because they disagree with decisions made by their association.

***Palm II* – Open Meetings Requirements and Delegation of Authority**

The Appellate Court's decision in *Palm vs 2800 Lake Shore* ("*Palm II*") provides critical guidance on the ICPA's open meeting requirements, on the power of a condominium board to delegate its authority to management, and other governance issues. (If the name of the case seems familiar, this new ruling arises out of the same litigation that resulted in a 2013 Illinois Supreme Court ruling that the Chicago Condominium Ordinance's record examination provisions take precedence over the record examination provisions of the ICPA.)

In its opinion, the Court rejected the commonly-held view that "conducting board business" means making decisions and not just talking about board business. Instead, the Appellate Court ruled that merely discussing association business, without making any decisions, constitutes "conducting board business," so that a closed gathering of a majority of the members of a condominium board is an unlawful "meeting of the board." The Court held that "not only must all board voting occur at meetings open to unit owners, so must all board discussion or consideration of association matters," except for discussion of the special subjects that ICPA Section 18(a)(9) allows to be discussed in closed session (namely, litigation, hiring and firing of employees, assessment delinquencies, and rule violations). On this basis, the Court in *Palm II* found that board workshops and similar gatherings that were not open to unit owners are unlawful.

This expanded judicial definition of “conducting board business” has far-reaching consequences. Pursuant to the Court’s analysis in *Palm II*, boards cannot lawfully gather to talk about association business unless the association’s owners receive advance notice of the gathering and are allowed to attend. Moreover, under the Court’s analysis in *Palm II*, it would be a violation of the ICPA’s open meeting requirements for any three members of a five-member condominium board (that is, a quorum of the board) to get together for a private conversation about association business.

The *Palm II* decision also addresses condominium boards’ authority to delegate authority to a property manager or the association’s executive officers, and thereby avoid the need for a formal board vote on every such decision. In *Palm II*, the board signed a management contract in which it authorized its management company to enter into contracts with the concurrence of three board officers. The Court ruled that this delegation of authority was improper because it was made dependent on the concurrence of a handful of board members acting outside of an open board meeting.

Arnstein & Lehr LLP is pleased to make this 2015 edition of our Illinois Condominium Property Act booklet available to you and we hope you find it useful.

For more information on Arnstein & Lehr LLP’s Condominium and Community Association Practice Group and the full range of legal services we provide to condominium associations, homeowners associations and residential cooperatives, please visit us at www.arnstein.com or contact us.

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PROPERTY
(765 ILCS 605/) Condominium Property Act.
ILLINOIS CONDOMINIUM PROPERTY ACT
[as in effect on January 1, 2015]
(Illinois Compiled Statutes, Ch. 765, Act 605, Sections 1 through 32)

AN ACT concerning the ownership in and rights and responsibilities of parties under the condominium form of ownership of property.

Sec. 1. SHORT TITLE.

This Act shall be known and may be cited as the "Condominium Property Act."

Sec. 2. DEFINITIONS.

As used in this Act, unless the context otherwise requires:

- (a) "Declaration" means the instrument by which the property is submitted to the provisions of this Act, as hereinafter provided, and such declaration as from time to time amended.
- (b) "Parcel" means the lot or lots, tract or tracts of land, described in the declaration, submitted to the provisions of this Act.
- (c) "Property" means all the land, property and space comprising the parcel, all improvements and structures erected, constructed or contained therein or thereon, including the building and all easements, rights and appurtenances belonging thereto, and all fixtures and equipment intended for the mutual use, benefit or enjoyment of the unit owners, submitted to the provisions of this Act.
- (d) "Unit" means a part of the property designed and intended for any type of independent use.
- (e) "Common Elements" means all portions of the property except the units, including limited common elements unless otherwise specified.
- (f) "Person" means a natural individual, corporation, partnership, trustee or other legal entity capable of holding title to real property.

- (g) "Unit Owner" means the person or persons whose estates or interests, individually or collectively, aggregate fee simple absolute ownership of a unit, or, in the case of a leasehold condominium, the lessee or lessees of a unit whose leasehold ownership of the unit expires simultaneously with the lease described in item (x) of this Section.
- (h) "Majority" or "majority of the unit owners" means the owners of more than 50% in the aggregate in interest of the undivided ownership of the common elements. Any specified percentage of the unit owners means such percentage in the aggregate in interest of such undivided ownership. "Majority" or "majority of the members of the board of managers" means more than 50% of the total number of persons constituting such board pursuant to the bylaws. Any specified percentage of the members of the board of managers means that percentage of the total number of persons constituting such board pursuant to the bylaws.
- (i) "Plat" means a plat or plats of survey of the parcel and of all units in the property submitted to the provisions of this Act, which may consist of a three-dimensional horizontal and vertical delineation of all such units.
- (j) "Record" means to record in the office of the recorder or, whenever required, to file in the office of the Registrar of Titles of the county wherein the property is located.
- (k) "Conversion Condominium" means a property which contains structures, excepting those newly constructed and intended for condominium ownership, which are, or have previously been, wholly or partially occupied before recording of condominium instruments by persons other than those who have contracted for the purchase of condominiums.
- (l) "Condominium Instruments" means all documents and authorized amendments thereto recorded pursuant to the provisions of the Act, including the declaration, bylaws and plat.
- (m) "Common Expenses" means the proposed or actual expenses affecting the property, including reserves, if any, lawfully assessed by the Board of Managers of the Unit Owner's Association.
- (n) "Reserves" means those sums paid by unit owners which are separately maintained by the board of managers for purposes specified by the board of managers or the condominium instruments.

- (o) "Unit Owners' Association" or "Association" means the association of all the unit owners, acting pursuant to bylaws through its duly elected board of managers.
- (p) "Purchaser" means any person or persons other than the Developer who purchase a unit in a bona fide transaction for value.
- (q) "Developer" means any person who submits property legally or equitably owned in fee simple by the developer, or leased to the developer under a lease described in item (x) of this Section, to the provisions of this Act, or any person who offers units legally or equitably owned in fee simple by the developer, or leased to the developer under a lease described in item (x) of this Section, for sale in the ordinary course of such person's business, including any successor or successors to such developers' entire interest in the property other than the purchaser of an individual unit.
- (r) "Add-on Condominium" means a property to which additional property may be added in accordance with condominium instruments and this Act.
- (s) "Limited Common Elements" means a portion of the common elements so designated in the declaration as being reserved for the use of a certain unit or units to the exclusion of other units, including but not limited to balconies, terraces, patios and parking spaces or facilities.
- (t) "Building" means all structures, attached or unattached, containing one or more units.
- (u) "Master Association" means an organization described in Section 18.5 whether or not it is also an association described in Section 18.3.
- (v) "Developer Control" means such control at a time prior to the election of the Board of Managers provided for in Section 18.2(b) of this Act.
- (w) "Meeting of Board of Managers or Board of Master Association" means any gathering of a quorum of the members of the Board of Managers or Board of the Master Association held for the purpose of conducting board business.
- (x) "Leasehold Condominium" means a property submitted to the provisions of this Act which is subject to a lease, the expiration or termination of which would terminate the condominium and the lessor of which is (i) exempt from taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, (ii) a limited liability

company whose sole member is exempt from taxation under Section 501 (c)(3) of the Internal Revenue Code of 1986, as amended, or (iii) a Public Housing Authority created pursuant to the Housing Authorities Act that is located in a municipality having a population in excess of 1,000,000 inhabitants.

- (y) "Electronic Transmission" means any form of communication, not directly involving the physical transmission of paper, that creates a record that may be retained, retrieved, and reviewed by a recipient and that may be directly reproduced in paper form by the recipient through an automated process.
- (z) "Acceptable technological means" includes, without limitation, electronic transmission over the Internet or other network, whether by direct connection, intranet, telecopier or electronic mail.

Sec. 2.1. APPLICABILITY.

Unless otherwise expressly provided in another Section, the provisions of this Act are applicable to all condominiums in this State. Any provisions of a condominium instrument that contains provisions inconsistent with the provisions of this Act are void as against public policy and ineffective.

Sec. 3. SUBMISSION OF PROPERTY.

Whenever the owner or owners in fee simple, or the sole lessee or all lessees of a lease described in item (x) of Section 2, of a parcel intend to submit such property to the provisions of this Act, they shall do so by recording a declaration, duly executed and acknowledged, expressly stating such intent and setting forth the particulars enumerated in Section 4. If the condominium is a leasehold condominium, then every lessor of the lease creating a leasehold interest as described in item (x) of Section 2 shall also execute the declaration and such lease shall be recorded prior to the recording of the declaration.

The execution of a declaration required under this Section by the lessor under a lease as described in item (x) of Section 2 does not make the lessor a developer for purposes of this Act.

Sec. 4. DECLARATION — CONTENTS.

The declaration shall set forth the following particulars:

- (a) The legal description of the parcel.

- (b) The legal description of each unit, which may consist of the identifying number or symbol of such unit as shown on the plat.
 - (c) The name of the condominium, which name shall include the word "Condominium" or be followed by the words "a Condominium."
 - (d) The name of the city and county or counties in which the condominium is located.
 - (e) The percentage of ownership interest in the common elements allocated to each unit. Such percentages shall be computed by taking as a basis the value of each unit in relation to the value of the property as a whole, and having once been determined and set forth as herein provided, such percentages shall remain constant unless otherwise provided in this Act or thereafter changed by agreement of all unit owners.
 - (f) If applicable, all matters required by this Act in connection with an add-on condominium.
 - (g) A description of both the common and limited common elements, if any, indicating the manner of their assignment to a unit or units.
 - (h) If applicable, all matters required by this Act in connection with a conversion condominium.
- (h-5) If the condominium is a leasehold condominium, then:
- (1) The date of recording and recording document number for the lease creating a leasehold interest as described in item (x) of Section 2;
 - (2) The date on which the lease is scheduled to expire;
 - (3) The legal description of the property subject to the lease;
 - (4) Any right of the unit owners to redeem the reversion and the manner whereby those rights may be exercised, or a statement that the unit owners do not have such rights;
 - (5) Any right of the unit owners to remove any improvements within a reasonable time after the expiration or termination of the lease, or a statement that the unit owners do not have such rights;

- (6) Any rights of the unit owners to renew the lease and the conditions of any renewal, or a statement that the unit owners do not have such rights; and
 - (7) A requirement that any sale of the property pursuant to Section 15 of this Act, or any removal of the property pursuant to Section 16 of this Act, must be approved by the lessor under the lease.
- (i) Such other lawful provisions not inconsistent with the provisions of this Act as the owner or owners may deem desirable in order to promote and preserve the cooperative aspect of ownership of the property and to facilitate the proper administration thereof.

Sec. 4.1. CONSTRUCTION, INTERPRETATION, AND VALIDITY OF CONDOMINIUM INSTRUMENTS.

- (a) Except to the extent otherwise provided by the declaration or other condominium instruments:
- (1) The terms defined in Section 2 of this Act shall be deemed to have the meaning specified therein unless the context otherwise requires.
 - (2) To the extent that perimeter and partition walls, floors or ceilings are designated as the boundaries of the units or of any specified units, all decorating, wall and floor coverings, paneling, molding, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the finished surfaces thereof, shall be deemed a part of such units, while all other portions of such walls, floors or ceilings and all portions of perimeter doors and all portions of windows in perimeter walls shall be deemed part of the common elements.
 - (3) If any chutes, flues, ducts, conduits, wires, bearing walls, bearing columns, or any other apparatus lies partially within and partially outside of the designated boundaries of a unit, any portions thereof serving only that unit shall be deemed a part of that unit, while any portions thereof serving more than one unit or any portion of the common elements shall be deemed a part of the common elements.
 - (4) Subject to the provisions of paragraph (3) of subsection (a), all space and other fixtures and improvements within the boundaries of a unit shall be deemed a part of that unit.

- (5) Any shutters, awnings, window boxes, doorsteps, porches, balconies, patios, perimeter doors, windows in perimeter walls, and any other apparatus designed to serve a single unit shall be deemed a limited common element appertaining to that unit exclusively.
 - (6) All provisions of the declaration, bylaws and other condominium instruments are severable.
- (b) Except to the extent otherwise provided by the declaration or by other condominium instruments recorded prior to the effective date of this amendatory Act of 1984, in the event of a conflict between the provisions of the declaration and the bylaws or other condominium instruments, the declaration prevails except to the extent the declaration is inconsistent with this Act.
 - (c) A provision in the initial declaration limiting ownership, rental or occupancy of a condominium unit to a person 55 years of age or older shall be valid and deemed not to be in violation of Article 3 of the Illinois Human Rights Act provided that the person or the immediate family of a person owning, renting or lawfully occupying such unit prior to the recording of the initial declaration shall not be deemed to be in violation of such age restriction so long as they continue to own or reside in such unit.

Sec. 5. PLAT TO BE RECORDED.

Simultaneously with the recording of the declaration there shall be recorded a plat as defined in Section 2, which plat shall be made by a Registered Illinois Land Surveyor and shall set forth (1) all angular and linear data along the exterior boundaries of the parcel; (2) the linear measurements and location, with reference to said exterior boundaries, of any buildings improvements and structures located on the parcel; and (3) the elevations at, above, or below official datum of the finished or unfinished interior surfaces of the floors and ceilings and the linear measurements of the finished or unfinished interior surfaces of the perimeter walls, and lateral extensions thereof or other monumental perimeter boundaries, where there are no wall surfaces, that part of every unit which is in any building on the parcel, and the locations of such wall surfaces or unit boundaries with respect to the exterior boundaries of the parcel projected vertically upward; (4) the elevations at, above, or below official datum and the linear measurements of the perimeter boundaries, of that part of the property which constitute a unit or a part thereof outside any building on the parcel and the location of the boundaries with respect to the exterior vertical boundaries of the parcel, projected vertically upward. Every such unit shall be identified on the

plat by a distinguishing number or other symbol; (5) if the Registered Illinois Land Surveyor does not certify that such plat accurately depicts the matters set forth in subsection (3) and (4) above, such a certification for any particular unit or units as built shall be recorded prior to the first conveyance of such particular unit or units as part of an amended plat, thereby complying with the requirements of subsections (3) and (4) of this Section; (6) when adding additional property to an add-on condominium, the developer, or in the event of any other alteration in the boundaries or location of a unit, any building on the parcel or the parcel authorized in this Act, the president of the board of managers or other officer authorized and designated by the condominium instruments shall record an amended plat of survey conforming to the requirements of this Section, or shall provide a certificate of a plat previously recorded that is in accordance with the certification requirements of this subsection. Such amended plat or certificate shall be certified by a Registered Illinois Land Surveyor as to accuracy in depicting changes in boundary or location in the portions of the property set forth in subsections (1), (2), (3) and (4) above, and that such changes have been completed.

Sec. 6. RECORDING — EFFECT.

Upon compliance with the provisions of Sections 3, 4, and 5 and upon recording of the declaration and plat the property shall become subject to the provisions of this Act, and all units shall thereupon be capable of ownership in fee simple or any lesser estate, and may thereafter be conveyed, leased, mortgaged or otherwise dealt with in the same manner as other real property, but subject, however, to the limitations imposed by this Act.

Each unit owner shall be entitled to the percentage of ownership in the common elements appertaining to such unit as computed and set forth in the declaration pursuant to subsection (e) of Section 4 hereof, and ownership of such unit and of the owner's corresponding percentage of ownership in the common elements shall not be separated, except as provided in this Act, nor, except by the recording of an amended declaration and amended plat approved in writing by all unit owners, shall any unit, by deed, plat, judgment of a court or otherwise, be subdivided or in any other manner separated into tracts or parcels different from the whole unit as shown on the plat, except as provided in this Act.

The condominium instruments may contain provisions in accordance with this Act providing for the reallocation and adjustment of the percentage of ownership in the common elements appertaining to a unit or units in circumstances relating to the following transactions: an add-on condominium; condemnation; damage or destruction of all or a portion of the property; and the subdivision or combination of units. Interests in the common elements shall be re-allocated,

and the transaction shall be deemed effective at the time of the recording of an amended plat depicting same pursuant to Section 5 of this Act. Simultaneously with the recording of the amended plat, the developer in the case of an add-on condominium, or the President of the board of managers or other officer in other instances authorized in this Act shall execute and record an amendment to the declaration setting forth all pertinent aspects of the transaction including the reallocation or adjustment of the common interest. The amendment shall contain legal descriptions sufficient to indicate the location of any property involved in the transaction.

Sec. 7. DESCRIPTIONS IN DEEDS, ETC.

Every deed, lease, mortgage or other instrument may legally describe a unit by its identifying number or symbol as shown on the plat and as set forth in the declaration, and every such description shall be deemed good and sufficient for all purposes, and shall be deemed to convey, transfer, encumber or otherwise affect the owner's corresponding percentage of ownership in the common elements even though the same is not expressly mentioned or described therein.

Sec. 8. PARTITION OF COMMON ELEMENTS PROHIBITED.

As long as the property is subject to the provisions of this Act the common elements shall, except as provided in Section 14 hereof, remain undivided, and no unit owner shall bring any action for partition or division of the common elements. Any covenant or agreement to the contrary shall be void.

Sec. 9. SHARING OF EXPENSES — LIEN FOR NONPAYMENT.

- (a) All common expenses incurred or accrued prior to the first conveyance of a unit shall be paid by the developer, and during this period no common expense assessment shall be payable to the association. It shall be the duty of each unit owner including the developer to pay his proportionate share of the common expenses commencing with the first conveyance. The proportionate share shall be in the same ratio as his percentage of ownership in the common elements set forth in the declaration.
- (b) The condominium instruments may provide that common expenses for insurance premiums be assessed on a basis reflecting increased charges for coverage on certain units.
- (c) Budget and reserves.

- (1) The board of managers shall prepare and distribute to all unit owners a detailed proposed annual budget, setting forth with particularity all anticipated common expenses by category as well as all anticipated assessments and other income. The initial budget and common expense assessment based thereon shall be adopted prior to the conveyance of any unit. The budget shall also set forth each unit owner's proposed common expense assessment.
- (2) All budgets adopted by a board of managers on or after July 1, 1990 shall provide for reasonable reserves for capital expenditures and deferred maintenance for repair or replacement of the common elements. To determine the amount of reserves appropriate for an association, the board of managers shall take into consideration the following: (i) the repair and replacement cost, and the estimated useful life, of the property which the association is obligated to maintain, including but not limited to structural and mechanical components, surfaces of the buildings and common elements, and energy systems and equipment; (ii) the current and anticipated return on investment of association funds; (iii) any independent professional reserve study which the association may obtain; (iv) the financial impact on unit owners, and the market value of the condominium units, of any assessment increase needed to fund reserves; and (v) the ability of the association to obtain financing or refinancing.
- (3) Notwithstanding the provisions of this subsection (c), an association without a reserve requirement in its condominium instruments may elect to waive in whole or in part the reserve requirements of this Section by a vote of 2/3 of the total votes of the association. Any association having elected under this paragraph (3) to waive the provisions of subsection (c) may by a vote of 2/3 of the total votes of the association elect to again be governed by the requirements of subsection (c).
- (4) In the event that an association elects to waive all or part of the reserve requirements of this Section, that fact must be disclosed after the meeting at which the waiver occurs by the association in the financial statements of the association and, highlighted in bold print, in the response to any request of a prospective purchaser for the information prescribed under Section 22.1; and no member of the board of managers or the managing

agent of the association shall be liable, and no cause of action may be brought for damages against these parties, for the lack or inadequacy of reserve funds in the association budget.

- (d) (Blank).
- (e) The condominium instruments may provide for the assessment, in connection with expenditures for the limited common elements, of only those units to which the limited common elements are assigned.
- (f) Payment of any assessment shall be in amounts and at times determined by the board of managers.
- (g) Lien.
 - (1) If any unit owner shall fail or refuse to make any payment of the common expenses or the amount of any unpaid fine when due, the amount thereof together with any interest, late charges, reasonable attorney fees incurred enforcing the covenants of the condominium instruments, rules and regulations of the board of managers, or any applicable statute or ordinance, and costs of collections shall constitute a lien on the interest of the unit owner in the property prior to all other liens and encumbrances, recorded or unrecorded, except only (a) taxes, special assessments and special taxes theretofore or thereafter levied by any political subdivision or municipal corporation of this State and other State or federal taxes which by law are a lien on the interest of the unit owner prior to preexisting recorded encumbrances thereon and (b) encumbrances on the interest of the unit owner recorded prior to the date of such failure or refusal which by law would be a lien thereon prior to subsequently recorded encumbrances. Any action brought to extinguish the lien of the association shall include the association as a party.
 - (2) With respect to encumbrances executed prior to August 30, 1984 or encumbrances executed subsequent to August 30, 1984 which are neither bonafide first mortgages nor trust deeds and which encumbrances contain a statement of a mailing address in the State of Illinois where notice may be mailed to the encumbrancer thereunder, if and whenever and as often as the manager or board of managers shall send, by United States certified or registered mail, return receipt requested, to any such encumbrancer at the mailing address set forth in the recorded encumbrance a statement of the amounts and due dates of the

unpaid common expenses with respect to the encumbered unit, then, unless otherwise provided in the declaration or bylaws, the prior recorded encumbrance shall be subject to the lien of all unpaid common expenses with respect to the unit which become due and payable within a period of 90 days after the date of mailing of each such notice.

- (3) The purchaser of a condominium unit at a judicial foreclosure sale, or a mortgagee who receives title to a unit by deed in lieu of foreclosure or judgment by common law strict foreclosure or otherwise takes possession pursuant to court order under the Illinois Mortgage Foreclosure Law, shall have the duty to pay the unit's proportionate share of the common expenses for the unit assessed from and after the first day of the month after the date of the judicial foreclosure sale, delivery of the deed in lieu of foreclosure, entry of a judgment in common law strict foreclosure, or taking of possession pursuant to such court order. Such payment confirms the extinguishment of any lien created pursuant to paragraph (1) or (2) of this subsection (g) by virtue of the failure or refusal of a prior unit owner to make payment of common expenses, where the judicial foreclosure sale has been confirmed by order of the court, a deed in lieu thereof has been accepted by the lender, or a consent judgment has been entered by the court.
- (4) The purchaser of a condominium unit at a judicial foreclosure sale, other than a mortgagee, who takes possession of a condominium unit pursuant to a court order or a purchaser who acquires title from a mortgagee shall have the duty to pay the proportionate share, if any, of the common expenses for the unit which would have become due in the absence of any assessment acceleration during the 6 months immediately preceding institution of an action to enforce the collection of assessments, and which remain unpaid by the owner during whose possession the assessments accrued. If the outstanding assessments are paid at any time during any action to enforce the collection of assessments, the purchaser shall have no obligation to pay any assessments which accrued before he or she acquired title.
- (5) The notice of sale of a condominium unit under subsection (c) of Section 15-1507 of the Code of Civil Procedure shall state that the purchaser of the unit other than a mortgagee shall pay the

assessments and the legal fees required by subdivisions (g)(1) and (g)(4) of Section 9 of this Act. The statement of assessment account issued by the association to a unit owner under subsection (i) of Section 18 of this Act, and the disclosure statement issued to a prospective purchaser under Section 22.1 of this Act, shall state the amount of the assessments and the legal fees, if any, required by subdivisions (g)(1) and (g)(4) of Section 9 of this Act.

- (6) The purchaser of a unit of a common interest community at a judicial foreclosure sale, other than a mortgagee, who takes possession of a unit of a common interest community pursuant to a court order or a purchaser who acquires title from a mortgagee shall have the duty to pay the proportionate share, if any, of the common expenses for the unit that would have become due in the absence of any assessment acceleration during the 6 months immediately preceding institution of an action to enforce the collection of assessments, and that remain unpaid by the owner during whose possession the assessments accrued. If the outstanding assessments are paid at any time during any action to enforce the collection of assessments, the purchaser shall have no obligation to pay any assessments that accrued before he or she acquired title. The notice of sale of a unit of a common interest community under subsection (c) of Section 15-1507 of the Code of Civil Procedure shall state that the purchaser of the unit other than a mortgagee shall pay the assessments required by this subsection (g-1).
- (h) A lien for common expenses shall be in favor of the members of the board of managers and their successors in office and shall be for the benefit of all other unit owners. Notice of the lien may be recorded by the board of managers, or if the developer is the manager or has a majority of seats on the board of managers and the manager or board of managers fails to do so, any unit owner may record notice of the lien. Upon the recording of such notice the lien may be foreclosed by an action brought in the name of the board of managers in the same manner as a mortgage of real property.
- (i) Unless otherwise provided in the declaration, the members of the board of managers and their successors in office, acting on behalf of the other unit owners, shall have the power to bid on the interest so foreclosed at the foreclosure sale, and to acquire and hold, lease, mortgage and convey it.

- (j) Any encumbrancer may from time to time request in writing a written statement from the manager or board of managers setting forth the unpaid common expenses with respect to the unit covered by his encumbrance. Unless the request is complied with within 20 days, all unpaid common expenses which become due prior to the date of the making of such request shall be subordinate to the lien of the encumbrance. Any encumbrancer holding a lien on a unit may pay any unpaid common expenses payable with respect to the unit, and upon payment the encumbrancer shall have a lien on the unit for the amounts paid at the same rank as the lien of his encumbrance.
- (k) Nothing in Public Act 83-1271 is intended to change the lien priorities of any encumbrance created prior to August 30, 1984.

Sec. 9.1. OTHER LIENS; ATTACHMENT AND SATISFACTION.

- (a) Other liens; attachment and satisfaction. Subsequent to the recording of the declaration, no liens of any nature shall be created or arise against any portion of the property except against an individual unit or units. No labor performed or materials furnished with the consent or at the request of a particular unit owner shall be the basis for the filing of a mechanics' lien claim against any other unit. If the performance of the labor or furnishing of the materials is expressly authorized by the board of managers, each unit owner shall be deemed to have expressly authorized it and consented thereto, and shall be liable for the payment of his unit's proportionate share of any due and payable indebtedness as set forth in this Section. Each mortgage and other lien, including mechanics liens, securing a debt incurred in the development of the land submitted to the provisions of this Act for the sale of units shall be subject to the provisions of this Act, subsequent to the conveyance of a unit to the purchaser.

In the event any lien exists against 2 or more units and the indebtedness secured by such lien is due and payable, the unit owner of any such unit so affected may remove such unit and the undivided interest in the common elements appertaining thereto from such lien by payment of the proportional amount of such indebtedness attributable to such unit. In the event such lien exists against the units or against the property, the amount of such proportional payment shall be computed on the basis of the percentages set forth in the declaration. Upon payment as herein provided, it is the duty of the encumbrancer to execute and deliver to the unit owner a release of such unit and the undivided interest in the common elements appertaining thereto

from such lien, except that such proportional payment and release shall not prevent the encumbrancer from proceeding to enforce his rights against any unit or interest with respect to which such lien has not been so paid or released.

The owner of a unit shall not be liable for any claims, damages, or judgments, including but not limited to State or local government fees or fines, entered as a result of any action or inaction of the board of managers of the association other than for mechanics' liens as set forth in this Section. Unit owners other than the developer, members of the board of managers other than the developer or developer representatives, and the association of unit owners shall not be liable for any claims, damages, or judgments, including but not limited to State or local government fees or fines, entered as result of any action or inaction of the developer other than for mechanics' liens as set forth in this Section. Each unit owner's liability for any judgment entered against the board of managers or the association, if any, shall be limited to his proportionate share of the indebtedness as set forth in this Section, whether collection is sought through assessment or otherwise. A unit owner shall be liable for any claim, damage or judgment entered as a result of the use or operation of his unit, or caused by his own conduct. Before conveying a unit, a developer shall record and furnish purchaser releases of all liens affecting that unit and its common element interest which the purchaser does not expressly agree to take subject to or assume, and the developer shall provide a surety bond or substitute collateral for or insurance against liens for which a release is not provided. After conveyance of such unit, no mechanics lien shall be created against such unit or its common element interest by reason of any subsequent contract by the developer to improve or make additions to the property.

Each mortgagee or other lienholder of the unit of a common interest community or of a unit subject to the Condominium Property Act shall provide an address to the unit owners' association at the time the lien or mortgage is recorded at which address such unit owners' association shall send notice to such mortgagee or lienholder of any eminent domain proceeding to which the association thereafter becomes a party. If the mortgagee or lienholder has not provided an address for notice purposes to the association, then such notice shall be sent to all mortgagees or lienholders which are named insureds on the master policy of insurance which exists or may exist on the common interest community or unit subject to the Condominium Property Act.

- (b) Board of Managers' standing and capacity. The board of managers shall have standing and capacity to act in a representative capacity in relation to matters involving the common elements or more than one unit, on behalf of the unit owners, as their interests may appear.

Sec. 9.2. OTHER REMEDIES.

- (a) In the event of any default by any unit owner, his tenant, invitee or guest in the performance of his obligations under this Act or under the declaration, bylaws, or the rules and regulations of the board of managers, the board of managers or its agents shall have such rights and remedies as provided in the Act or condominium instruments including the right to maintain an action for possession against such defaulting unit owner or his tenant for the benefit of all the other unit owners in the manner prescribed by Article IX of the Code of Civil Procedure.
- (b) Any attorneys' fees incurred by the Association arising out of a default by any unit owner, his tenant, invitee or guest in the performance of any of the provisions of the condominium instruments, rules and regulations or any applicable statute or ordinance shall be added to, and deemed a part of, his respective share of the common expense.
- (c) Other than attorney's fees, no fees pertaining to the collection of a unit owner's financial obligation to the Association, including fees charged by a manager or managing agent, shall be added to and deemed a part of an owner's respective share of the common expenses unless: (i) the managing agent fees relate to the costs to collect common expenses for the Association; (ii) the fees are set forth in a contract between the managing agent and the Association; and (iii) the authority to add the management fees to an owner's respective share of the common expenses is specifically stated in the declaration or bylaws of the Association.

Sec. 9.3. EMINENT DOMAIN PROCEEDINGS; STANDING.

Eminent domain proceedings; standing. The unit owners' association shall be named as defendant on behalf of all unit owners in any eminent domain proceeding to take or damage property which is a common element and which includes no portions of any units or limited common elements. The association shall act therein on behalf of all unit owners. Nothing contained herein shall bar a unit owner or mortgagee or lienholder from intervening in the eminent domain proceeding on his own behalf.

Sec. 9.4. EMINENT DOMAIN PROCEEDINGS; NOTICE.

After receipt of summons in an action to take or damage a common element, the unit owners' association shall provide to the plaintiff a list of the unit owners, mortgagees and lienholders, and the plaintiff shall provide notice by certified mail to the unit owners, mortgagees and lienholders.

The notice shall include the following:

- (1) case name and number and jurisdiction in which the case is filed;
- (2) date of filing;
- (3) brief description of the nature of the case;
- (4) description of the property being damaged or taken;
- (5) statement that the unit owner may petition the court to intervene; and
- (6) statement that the mortgagee or lienholder may petition the court to intervene.

An immaterial error in providing notice shall not invalidate the legal effect of the proceeding.

Sec. 10. SEPARATE TAXATION.

- (a) Real property taxes, special assessments, and any other special taxes or charges of the State of Illinois or of any political subdivision thereof, or other lawful taxing or assessing body, which are authorized by law to be assessed against and levied upon real property shall be assessed against and levied upon each unit and the owner's corresponding percentage of ownership in the common elements as a tract, and not upon the property as a whole. For purposes of property taxes, real property owned and used for residential purposes by a condominium association, including a master association, but subject to the exclusive right by easement, covenant, deed or other interest of the owners of one or more condominium properties and used exclusively by the unit owners for recreational or other residential purposes shall be assessed at \$1.00 per year. The balance of the value of the property shall be assessed to the condominium unit owners. In counties containing 1,000,000 or more inhabitants, any person desiring to establish or to reestablish an assessment of \$1.00 under this Section shall make application therefor and be subject to the provisions of Section 10-35 of the Property Tax Code.

- (b) Each condominium unit shall be only subject to the tax rate for those taxing districts in which such unit is actually, physically located. The county clerk shall not apply a rate which is an average of two or more different districts to any condominium unit.
- (c) Upon authorization by a two-thirds vote of the members of the board of managers or by the affirmative vote of not less than a majority of the unit owners at a meeting duly called for such purpose, or upon such greater vote as may be required by the declaration or bylaws, the board of managers acting on behalf of all unit owners shall have the power to seek relief from or in connection with the assessment or levy of any such taxes, special assessments or charges, and to charge and collect all expenses incurred in connection therewith as common expenses.

Sec. 11. TAX DEEDS.

In the event any person shall acquire or be entitled to the issuance of a tax deed conveying the interest of any unit owner, the interest so acquired shall be subject to all the provisions of this Act and to the terms, provisions, covenants, conditions and limitations contained in the declaration, the plat, the bylaws or any deed affecting such interest then in force.

Sec. 12. INSURANCE.

- (a) Required coverage. No policy of insurance shall be issued or delivered to a condominium association, and no policy of insurance issued to a condominium association shall be renewed, unless the insurance coverage under the policy includes the following:
 - (1) Property insurance. Property insurance (i) on the common elements and the units, including the limited common elements and except as otherwise determined by the board of managers, the bare walls, floors, and ceilings of the unit, (ii) providing coverage for special form causes of loss, and (iii) providing coverage, at the time the insurance is purchased and at each renewal date, in a total amount of not less than the full insurable replacement cost of the insured property, less deductibles, but including coverage sufficient to rebuild the insured property in compliance with building code requirements subsequent to an insured loss, including: Coverage B, demolition costs; and Coverage C, increased cost of construction coverage. The combined total of Coverage B and Coverage C shall be no less than 10% of each insured building value, or \$500,000, whichever is less.

- (2) General liability insurance. Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use, or management of the property in a minimum amount of \$1,000,000, or a greater amount deemed sufficient in the judgment of the board, insuring the board, the association, the management agent, and their respective employees and agents and all persons acting as agents. The developer must be included as an additional insured in its capacity as a unit owner, manager, board member, or officer. The unit owners must be included as additional insured parties but only for claims and liabilities arising in connection with the ownership, existence, use, or management of the common elements. The insurance must cover claims of one or more insured parties against other insured parties.

- (3) Fidelity bond; directors and officers coverage.
 - (A) An association with 6 or more dwelling units must obtain and maintain a fidelity bond covering persons, including the managing agent and its employees who control or disburse funds of the association, for the maximum amount of coverage available to protect funds in the custody or control of the association, plus the association reserve fund.
 - (B) All management companies that are responsible for the funds held or administered by the association must be covered by a fidelity bond for the maximum amount of coverage available to protect those funds. The association has standing to make a loss claim against the bond of the managing agent as a party covered under the bond.
 - (C) For purposes of paragraphs (A) and (B), the fidelity bond must be in the full amount of association funds and reserves in the custody of the association or the management company.
 - (D) The board of directors must obtain directors and officers liability coverage at a level deemed reasonable by the board, if not otherwise established by the declaration or bylaws. Directors and officers liability coverage must extend to all contracts and other actions taken by the board in their official capacity as directors and officers, but this coverage shall exclude actions for which the directors are

not entitled to indemnification under the General Not For Profit Corporation Act of 1986 or the declaration and bylaws of the association. The Coverage required by this subparagraph (D) shall include, but not be limited to, coverage of: defense of non-monetary actions; defense of breach of contract; and defense of decisions related to the placement or adequacy of insurance. The Coverage required by this subparagraph (D) shall include, but not be limited to, coverage of: defense of non-monetary actions; defense of breach of contract; and defense of decisions related to the placement or adequacy of insurance. The coverage required by this subparagraph (D) shall include as an insured: past, present, and future board members while acting in their capacity as members of the board of directors; the managing agent; and employees of the board of directors and the managing agent.

- (b) Contiguous units; improvements and betterments. The insurance maintained under subdivision (a)(1) must include the units, the limited common elements except as otherwise determined by the board of managers, and the common elements. The insurance need not cover improvements and betterments to the units installed by unit owners, but if improvements and betterments are covered, any increased cost may be assessed by the association against the units affected.

Common elements include fixtures located within the unfinished interior surfaces of the perimeter walls, floors, and ceilings of the individual units initially installed by the developer. Common elements exclude floor, wall, and ceiling coverings. "Improvements and betterments" means all decorating, fixtures, and furnishings installed or added to and located within the boundaries of the unit, including electrical fixtures, appliances, air conditioning and heating equipment, water heaters, or built-in cabinets installed by unit owners, or any other additions, alterations or upgrades installed or purchased by any unit owner.

- (c) Deductibles. The board of directors of the association may, in the case of a claim for damage to a unit or the common elements, (i) pay the deductible amount as a common expense, (ii) after notice and an opportunity for a hearing, assess the deductible amount against the owners who caused the damage or from whose units the damage or cause of loss originated, or (iii) require the unit owners of the units affected to pay the deductible amount.

- (d) Other coverages. The declaration may require the association to carry any other insurance, including workers compensation, employment practices, environmental hazards, and equipment breakdown, the board of directors considers appropriate to protect the association, the unit owners, or officers, directors, or agents of the association.
- (e) Insured parties; waiver of subrogation. Insurance policies carried pursuant to subsections (a) and (b) must include each of the following provisions:
 - (1) Each unit owner and secured party is an insured person under the policy with respect to liability arising out of the unit owner's interest in the common elements or membership in the association.
 - (2) The insurer waives its right to subrogation under the policy against any unit owner of the condominium or members of the unit owner's household and against the association and members of the board of directors.
 - (3) The unit owner waives his or her right to subrogation under the association policy against the association and the board of directors.
- (f) Primary insurance. If at the time of a loss under the policy there is other insurance in the name of a unit owner covering the same property covered by the policy, the association's policy is primary insurance.
- (g) Adjustment of losses; distribution of proceeds. Any loss covered by the property policy under subdivision (a)(1) must be adjusted by and with the association. The insurance proceeds for that loss must be payable to the association, or to an insurance trustee designated by the association for that purpose. The insurance trustee or the association must hold any insurance proceeds in trust for unit owners and secured parties as their interests may appear. The proceeds must be disbursed first for the repair or restoration of the damaged common elements, the bare walls, ceilings, and floors of the units, and then to any improvements and betterments the association may insure. Unit owners are not entitled to receive any portion of the proceeds unless there is a surplus of proceeds after the common elements and units have been completely repaired or restored or the association has been terminated as trustee.

- (h) Mandatory unit owner coverage. The board of directors may, under the declaration and bylaws or by rule, require condominium unit owners to obtain insurance covering their personal liability and compensatory (but not consequential) damages to another unit caused by the negligence of the owner or his or her guests, residents, or invitees, or regardless of any negligence originating from the unit. The personal liability of a unit owner or association member must include the deductible of the owner whose unit was damaged, any damage not covered by insurance required by this subsection, as well as the decorating, painting, wall and floor coverings, trim, appliances, equipment, and other furnishings.
- (i) Certificates of insurance. Contractors and vendors (except public utilities) doing business with a condominium association under contracts exceeding \$10,000 per year must provide certificates of insurance naming the association, its board of directors, and its managing agent as additional insured parties.
- (j) Non-residential condominiums. The provisions of this Section may be varied or waived in the case of a condominium community in which all units are restricted to nonresidential use.
- (k) Settlement of claims. Any insurer defending a liability claim against a condominium association must notify the association of the terms of the settlement no less than 10 days before settling the claim. The association may not veto the settlement unless otherwise provided by contract or statute.
- (l) The changes to this Section made by this amendatory Act of the 98th General Assembly apply only to insurance policies issued or renewed on or after June 1, 2015.

Sec. 12.1. INSURANCE RISK POOLING TRUSTS.

- (a) This Section shall be known and may be cited as the Condominium and Common Interest Community Risk Pooling Trust Act.
- (b) The boards of managers or boards of directors, as the case may be, of two or more condominium associations or common interest community associations, are authorized to establish, with the unit owners and the condominium or common interest community associations as the beneficiaries thereof, a trust fund for the purpose of providing protection of the participating condominium and common interest community associations against the risk of financial loss due to

damage to, destruction of or loss of property, or the imposition of legal liability as required or authorized under this Act or the declaration of the condominium or common interest community association.

- (c) The trust fund shall be established and amended only by a written instrument which shall be filed with and approved by the Director of Insurance prior to its becoming effective.
- (d) No association shall be a beneficiary of the trust fund unless it shall be incorporated under the laws of this State.
- (e) The trust fund is authorized to indemnify the condominium and common interest community association beneficiaries thereof against the risk of loss due to damage, destruction or loss to property or imposition of legal liability as required or authorized under this Act or the declaration of the condominium or common interest community association.
- (f) Risks assumed by the trust fund may be pooled and shared with other trust funds established under this Section.
- (g) (Blank).
- (h) (Blank).
- (i) No trustee of the trust fund shall be paid a salary or receive other compensation, except that the written trust instrument may provide for reimbursement for actual expenses incurred on behalf of the trust fund.
- (j) (Blank).
- (k) (Blank).
- (l) (Blank).
- (m) Each trust fund shall file annually with the Director of Insurance a full independently audited financial statement.
- (n) (Blank).
- (o) (Blank).
- (p) (Blank).
- (q) (Blank).
- (r) (Blank).

- (s) The Director of Insurance shall have with respect to trust funds established under this Section the powers of examination conferred upon him relative to insurance companies by Section 132 of the Illinois Insurance Code.
- (t) (Blank).
- (u) (Blank).
- (v) Trust funds established under and which fully comply with this Section shall not be considered member insurance companies or to be in the business of insurance nor shall the provision of Article XXXIV of the Illinois Insurance Code apply to any such trust fund established under this Section.
- (w) (Blank).
- (x) The Director of Insurance shall adopt reasonable rules pertaining to the standards of coverage and administration of trust funds authorized under this Section.

Sec. 13. APPLICATION OF INSURANCE PROCEEDS TO RECONSTRUCTION.

In case of fire or any other disaster the insurance proceeds, if sufficient to reconstruct the building, shall be applied to such reconstruction. Reconstruction of the building as used in this and succeeding Section 14 of this Act, means restoring the building to substantially the same condition in which it existed prior to the fire or other disaster, with each unit and the common elements having the same vertical and horizontal boundaries as before.

Sec. 14. DISPOSITION OF PROPERTY WHERE INSURANCE PROCEEDS ARE INSUFFICIENT FOR RECONSTRUCTION.

- (1) In case of fire or other disaster, if the insurance proceeds are insufficient to reconstruct the building and the unit owners and all other parties in interest do not voluntarily make provision for reconstruction of the building within 180 days from the date of damage or destruction, the board of managers may record a notice setting forth such facts and upon the recording of such notice:
 - (a) The property shall be deemed to be owned in common by the unit owners;

- (b) The undivided interest in the property owned in common which shall appertain to each unit owner shall be the percentage of undivided interest previously owned by such owner in the common elements;
 - (c) Any liens affecting any of the units shall be deemed to be transferred in accordance with the existing priorities to the undivided interest of the unit owner in the property as provided herein; and
 - (d) The property shall be subject to an action for partition at the suit of any unit owner, in which event the net proceeds of sale, together with the net proceeds of the insurance on the property, if any, shall be considered as one fund and shall be divided among all the unit owners in a percentage equal to the percentage of undivided interest owned by each owner in the property, after first paying out of the respective shares of the unit owners, to the extent sufficient for the purpose, all liens on the undivided interest in the property owned by each unit owner.
- (2) In the case of fire or other disaster in which fewer than 1/2 of the units are rendered uninhabitable: the condominium instruments may provide for the reconstruction of the building or other portion of the property, if the insurance proceeds are insufficient to reconstruct, upon the affirmative vote of not fewer than 3/4 of the owners voting at a meeting called for that purpose. The meeting shall be held within 30 days following the final adjustment of insurance claims, if any. Otherwise, such meeting shall be held within 90 days of the occurrence. At such meeting the board of managers, or its representative, shall present to the members present an estimate of the cost of repair or reconstruction, and the estimated amount of necessary assessments against each unit owner.
- (3) In the case of fire or other disaster, the condominium instruments may provide for the withdrawal of any portion of the property if the insurance proceeds are insufficient to reconstruct the portion of the property affected. Upon the withdrawal of any unit or portion thereof, the percentage of interest in the common elements appurtenant to such unit or portion thereof shall be reallocated among the remaining units on the basis of the percentage of interest of each remaining unit. If only a portion of a unit is withdrawn, the percentage of interest appurtenant to that unit shall be reduced accordingly, upon the basis

of diminution in market value of the unit, as determined by the board of managers. The payment of just compensation, or the allocation of any insurance, or other proceeds to any withdrawing or remaining unit owner shall be on an equitable basis, which need not be a unit's percentage interest. Any insurance or other proceeds available in connection with the withdrawal of any portion of the common elements, not necessarily including the limited common elements, shall be allocated on the basis of each unit owner's percentage interest therein. The declaration may provide that proceeds available from the withdrawal of any limited common element will be distributed in accordance with the interests of those entitled to their use. The condominium instruments shall provide for the cessation of responsibility for the payment of assessments for any unit or portion thereof withdrawn from the condominium.

Sec. 14.1. DISPOSITION OR REMOVAL OF ANY PORTION OF THE PROPERTY.

- (a) The condominium instruments may provide for the withdrawal of any portion of the property in connection with eminent domain proceedings in compliance with the provisions of this Act. Upon the withdrawal of any unit or portion thereof, the percentage of interest in the common elements appurtenant to such unit or portion thereof shall be reallocated among the remaining units on the basis of the percentage of interest of each remaining unit. If only a portion of a unit is withdrawn, the percentage of interest appurtenant to that unit shall be reduced accordingly, upon the basis of diminution in market value of the unit, as determined by the board of managers. The allocation of any condemnation award or other proceeds to any withdrawing or remaining unit owner shall be on an equitable basis, which need not be a unit's percentage interest. Any condemnation award or other proceeds available in connection with the withdrawal of any portion of the common elements, not necessarily including the limited common elements, shall be allocated on the basis of each unit owner's percentage interest therein. The declaration may provide that proceeds available from the withdrawal of any limited common element will be distributed in accordance with the interests of those entitled to their use. The condominium instruments shall provide for the cessation of responsibility for the payment of assessments for any unit or portion thereof withdrawn from the condominium. In the event that the unit owners' association is named as defendant in an eminent domain proceeding on behalf of all unit owners, then the payment of the

proceeds of the eminent domain proceeding attributable to the taking or damaging of the common element shall be according to this Section unless the condominium instrument or declaration of a common interest community expressly provides for different procedures. This Section shall also apply to eminent domain proceedings in which the unit owners' association of a common interest community is named as a defendant on behalf of all unit owners.

- (b) Notwithstanding anything to the contrary contained in this Section, in a leasehold condominium, any allocation of any condemnation award or other proceeds available in connection with the withdrawal of any portion of the property shall include an equitable allocation to the lessor. The allocation shall take into account any provisions of the lease described in item (x) of Section 2 of this Act concerning such allocations.

Sec. 14.2. STREET AND UTILITIES DEDICATION.

Unless the condominium instrument expressly provides for a greater percentage or different procedures a two-thirds majority of the unit owners at a meeting of unit owners duly called for such purpose may elect to dedicate a portion of the common elements to a public body for use as, or in connection with, a street or utility. Where such a dedication is made, nothing in this Act or any other law shall be construed to require that the real property taxes of every unit of the condominium must be paid prior to recordation of the dedication.

Sec. 14.3. GRANTING OF EASEMENT FOR LAYING OF CABLE TELEVISION OR HIGH SPEED INTERNET CABLE.

Unless the condominium instrument expressly provides for a greater percentage or different procedures a majority of more than 50% of the unit owners at a meeting of unit owners duly called for such purpose may authorize the granting of an easement for the laying of cable television or high speed Internet cable. The grant of such easement shall be according to the terms and conditions of the local ordinance providing for cable television or high speed Internet in the municipality.

Sec. 14.4. GRANTING OF EASEMENT TO A GOVERNMENTAL BODY FOR PROTECTION AGAINST WATER DAMAGE OR EROSION.

Unless the condominium instrument expressly provides for a greater percentage or different procedures, a majority of more than 50% of the unit owners at a meeting of unit owners duly called for such purpose may authorize the granting

of an easement to a governmental body for construction, maintenance or repair of a project for protection against water damage or erosion.

Sec. 14.5. DISTRESSED CONDOMINIUM PROPERTY.

(a) As used in this Section:

- (1) "Distressed condominium property" means a parcel containing condominium units which are operated in a manner or have conditions which may constitute a danger, blight, or nuisance to the surrounding community or to the general public, including but not limited to 2 or more of the following conditions:
 - (A) 50% or more of the condominium units are not occupied by persons with a legal right to reside in the units;
 - (B) the building has serious violations of any applicable local building code or zoning ordinance;
 - (C) 60% or more of the condominium units are in foreclosure or are units against which a judgment of foreclosure was entered within the last 18 months;
 - (D) there has been a recording of more condominium units on the parcel than physically exist;
 - (E) any of the essential utilities to the parcel or to 40% or more of the condominium units is either terminated or threatened with termination; or
 - (F) there is a delinquency on the property taxes for at least 60% of the condominium units.
- (2) "Owner" means any unit owner or owner of record of the condominium property.
- (3) "Other party in interest" means any mortgagee of record, lien holder of record, judgment creditor, tax purchaser, or other party of record, other than the owner, having legal or equitable title or other interest in the distressed condominium property or in a unit of the property.
- (4) "Municipality" means a city, village, or incorporated town in which the distressed condominium property is located.

- (b) A proceeding under this Section shall be commenced by a municipality filing a verified petition or verified complaint in the circuit court in the county in which the property is located. The petition or complaint shall allege conditions specified in paragraph (1) of subsection (a) of this Section and shall request the relief available under this Section. All owners shall be named as defendants in the petition or complaint and summons shall be issued and service shall be had as in other civil cases. All known other parties in interest shall be provided written notice and a copy of the petition or complaint either by United States certified mail, return receipt requested, within 30 days of the issuance of the summons or by personal service of the complaint. The hearing upon the suit shall be expedited by the court and shall be given precedence over other actions.
- (c) If a court finds that the property is a distressed condominium property:
- (1) the court may order the appointment of a receiver for the property with the powers specified in this Section; or
 - (2) the court, after a hearing held upon giving notice to all interested parties as provided in subsection (b), may appoint a receiver for the property and if the court further finds that the property is not viable as a condominium, then the court may declare:
 - (A) that the property is no longer a condominium;
 - (B) that the property shall be deemed to be owned in common by the unit owners;
 - (C) that the undivided interest in the property which shall appertain to each unit owner shall be the percentage of undivided interest previously owned by the owner in the common elements; and
 - (D) that any liens affecting any unit shall be deemed to be attached to the undivided interest of the unit owner in the property as provided herein.

A copy of the court's declaration under paragraph (2) of this subsection (c) shall be recorded by the municipality in the office of the recorder of deeds in the county where the property is located against both the individual units and owners and the general property. The court's declaration shall be forwarded to the county assessor's office in the county where the property is located.

- (d) If a court finds that property is subject to paragraph (2) of subsection (c) of this Section, the court may upon a motion filed, notice given to all owners and other parties in interest as provided in subsection (b) and those parties having an opportunity to be heard, authorize the receiver to enter into a sales contract and transfer the title of the property on behalf of the owners of the property. In the event of such a sale, the net proceeds of the sale, after payment of all the receiver's costs, time, expenses, and fees as approved by the court, shall be deposited into an escrow account. Proceeds in the escrow account shall be segregated into the respective shares of each unit owner as determined under subparagraph (C) of paragraph (2) of subsection (c) of this Section and shall be distributed from each respective share as follows: (1) to pay taxes attributable to the unit owner; then (2) to pay other liens attributable to the unit owner; and then (3) to pay each unit owner any remaining sums from his or her respective share.
- (e) A receiver appointed under this Section shall have possession of the property and shall have full power and authority to operate, manage, and conserve the property. A receiver appointed pursuant to this Section must manage the property as would a prudent person. A receiver may, without an order of the court, delegate managerial functions to a person in the business of managing real estate of the kind involved who is financially responsible and prudently selected.

Without limiting the foregoing, a receiver during such time shall have the power and authority to:

- (1) secure, clean, board and enclose, and keep secure, clean, boarded and enclosed, the property or any portion of the property;
- (2) secure tenants and execute leases for the property, the duration and terms of which are reasonable and customary for the type of use involved, and the leases shall have the same priority as if made by the owner of the property;
- (3) collect the rents, issues, and profits, including assessments which have been or may be levied;
- (4) insure the property against loss by fire or other casualty;
- (5) employ counsel, custodians, janitors, and other help;
- (6) pay taxes which may have been or may be levied against the property;

- (7) maintain or disconnect, as appropriate, any essential utility to the property;
 - (8) make repairs and improvements necessary to comply with building, housing, and other similar codes;
 - (9) hold receipts as reserves as reasonably required for the foregoing purposes; and
 - (10) exercise the other powers as are granted to the receiver by the appointing court.
- (f) If the court orders the appointment of a receiver, the receiver may use the rents and issues of the property toward maintenance, repair, and rehabilitation of the property prior to and despite any assignment of rents; and the court may further authorize the receiver to recover the cost of any feasibility study, sale, management, maintenance, repair, and rehabilitation by the issuance and sale of notes or receiver's certificates bearing such interest as the court may fix, and the notes or certificates, after their initial issuance and transfer by the receiver, shall be freely transferable and when sold or transferred by the receiver in return for a valuable consideration in money, material, labor, or services shall be a first lien upon the real estate and the rents and issues thereof and shall be superior to all prior assignments of rents and all prior existing liens and encumbrances, except taxes; provided, that within 90 days of the sale or transfer for value by the receiver of a note or certificate, the holder thereof shall file notice of the lien in the office of the recorder in the county in which the real estate is located. The notice of the lien filed shall set forth (i) a description of the real estate affected sufficient for the identification thereof, (ii) the face amount of the receiver's note or certificate, together with the interest payable thereon, and (iii) the date when the receiver's note or certificate was sold or transferred for value by the receiver. Upon payment to the holder of the receiver's note or certificate of the face amount thereof together with any interest thereon to the date of payment, and upon the filing of record of a sworn statement of such payment, the lien of such certificate shall be released. The lien may be enforced by proceedings to foreclose as in the case of a mortgage or a mechanics lien, and the action to foreclose the lien may be commenced at any time after the date of default. For the purposes of this subsection, the date of default shall be deemed to occur 30 days from the date of issuance of the receiver's certificate if at that time the certificate remains unpaid in whole or in part. The receiver's lien shall be paid upon the sale of the property as set forth in subsection (d) of this Section.

- (g) The court may remove a receiver upon a showing of good cause, in which case a new receiver may be appointed in accordance with this Section.

Sec. 15. SALE OF PROPERTY.

- (a) Unless a greater percentage is provided for in the declaration or bylaws, and notwithstanding the provisions of Sections 13 and 14 hereof, a majority of the unit owners where the property contains 2 units, or not less than 66 2/3% where the property contains three units, and not less than 75% where the property contains 4 or more units may, by affirmative vote at a meeting of unit owners duly called for such purpose, elect to sell the property. Such action shall be binding upon all unit owners, and it shall thereupon become the duty of every unit owner to execute and deliver such instruments and to perform all acts as in manner and form may be necessary to effect such sale, provided, however, that any unit owner who did not vote in favor of such action and who has filed written objection thereto with the manager or board of managers within 20 days after the date of the meeting at which such sale was approved shall be entitled to receive from the proceeds of such sale an amount equivalent to the value of his interest, as determined by a fair appraisal, less the amount of any unpaid assessments or charges due and owing from such unit owner.
- (b) If there is a disagreement as to the value of the interest of a unit owner who did not vote in favor of the sale of the property, that unit owner shall have a right to designate an expert in appraisal or property valuation to represent him, in which case, the prospective purchaser of the property shall designate an expert in appraisal or property valuation to represent him, and both of these experts shall mutually designate a third expert in appraisal or property valuation. The 3 experts shall constitute a panel to determine by vote of at least 2 of the members of the panel, the value of that unit owner's interest in the property.

Sec. 16. REMOVAL FROM PROVISIONS OF THIS ACT.

All of the unit owners may remove the property from the provisions of this Act by an instrument to that effect, duly recorded, provided that the holders of all liens affecting any of the units consent thereto or agree, in either case by instruments duly recorded, that their liens be transferred to the undivided interest of the unit owner. Upon such removal the property shall be deemed to be owned in

common by all the owners. The undivided interest in the property owned in common which shall appertain to each owner shall be the percentage of undivided interest previously owned by such owner in the common elements.

Sec. 17. AMENDMENTS TO THE DECLARATION OR BYLAWS.

- (a) The administration of every property shall be governed by bylaws, which may either be embodied in the declaration or in a separate instrument, a true copy of which shall be appended to and recorded with the declaration. No modification or amendment of the declaration or bylaws shall be valid unless the same is set forth in an amendment thereof and such amendment is duly recorded. An amendment of the declaration or bylaws shall be deemed effective upon recordation unless the amendment sets forth a different effective date.
- (b) Unless otherwise provided by this Act, amendments to condominium instruments authorized to be recorded shall be executed and recorded by the president of the association or such other officer authorized by the board of managers.

Sec. 18. CONTENTS OF BYLAWS.

The bylaws shall provide for at least the following:

- (a)
 - (1) the election from among the unit owners of a board of managers, the number of persons constituting such board, and that the terms of at least one-third of the members of the board shall expire annually and that all members of the board shall be elected at large. If there are multiple owners of a single unit, only one of the multiple owners shall be eligible to serve as a member of the board at any one time.
 - (2) the powers and duties of the board;
 - (3) the compensation, if any, of the members of the board;
 - (4) the method of removal from office of members of the board;
 - (5) that the board may engage the services of a manager or managing agent;
 - (6) that each unit owner shall receive, at least 30 days prior to the adoption thereof by the board of managers, a copy of the

proposed annual budget together with an indication of which portions are intended for reserves, capital expenditures or repairs or payment of real estate taxes;

- (7) that the board of managers shall annually supply to all unit owners an itemized accounting of the common expenses for the preceding year actually incurred or paid, together with an indication of which portions were for reserves, capital expenditures or repairs or payment of real estate taxes and with a tabulation of the amounts collected pursuant to the budget or assessment, and showing the net excess or deficit of income over expenditures plus reserves;
- (8) (i) that each unit owner shall receive notice, in the same manner as is provided in this Act for membership meetings, of any meeting of the board of managers concerning the adoption of the proposed annual budget and regular assessments pursuant thereto or to adopt a separate (special) assessment, (ii) that except as provided in subsection (iv) below, if an adopted budget or any separate assessment adopted by the board would result in the sum of all regular and separate assessments payable in the current fiscal year exceeding 115% of the sum of all regular and separate assessments payable during the preceding fiscal year, the board of managers, upon written petition by unit owners with 20 percent of the votes of the association delivered to the board within 14 days of the board action, shall call a meeting of the unit owners within 30 days of the date of delivery of the petition to consider the budget or separate assessment; unless a majority of the total votes of the unit owners are cast at the meeting to reject the budget or separate assessment, it is ratified, (iii) that any common expense not set forth in the budget or any increase in assessments over the amount adopted in the budget shall be separately assessed against all unit owners, (iv) that separate assessments for expenditures relating to emergencies or mandated by law may be adopted by the board of managers without being subject to unit owner approval or the provisions of item (ii) above or item (v) below. As used herein, "emergency" means an immediate danger to the structural integrity of the common elements or to the life, health, safety or property of the unit owners, (v) that assessments for additions and alterations to the common elements or to association-owned property not included in the adopted annual budget, shall be separately assessed and are subject to approval of two-thirds of the total votes of all unit

owners, (vi) that the board of managers may adopt separate assessments payable over more than one fiscal year. With respect to multi-year assessments not governed by items (iv) and (v), the entire amount of the multi-year assessment shall be deemed considered and authorized in the first fiscal year in which the assessment is approved;

- (9) that meetings of the board of managers shall be open to any unit owner, except for the portion of any meeting held (i) to discuss litigation when an action against or on behalf of the particular association has been filed and is pending in a court or administrative tribunal, or when the board of managers finds that such an action is probable or imminent, (ii) to consider information regarding appointment, employment or dismissal of an employee, or (iii) to discuss violations of rules and regulations of the association or a unit owner's unpaid share of common expenses; that any vote on these matters shall be taken at a meeting or portion thereof open to any unit owner; that any unit owner may record the proceedings at meetings or portions thereof required to be open by this Act by tape, film or other means; that the board may prescribe reasonable rules and regulations to govern the right to make such recordings, that notice of such meetings shall be mailed or delivered at least 48 hours prior thereto, unless a written waiver of such notice is signed by the person or persons entitled to such notice pursuant to the declaration, bylaws, other condominium instrument, or provision of law other than this subsection before the meeting is convened, and that copies of notices of meetings of the board of managers shall be posted in entranceways, elevators, or other conspicuous places in the condominium at least 48 hours prior to the meeting of the board of managers except where there is no common entranceway for 7 or more units, the board of managers may designate one or more locations in the proximity of these units where the notices of meetings shall be posted;
- (10) that the board shall meet at least 4 times annually;
- (11) that no member of the board or officer shall be elected for a term of more than 2 years, but that officers and board members may succeed themselves;
- (12) the designation of an officer to mail and receive all notices and execute amendments to condominium instruments as provided for in this Act and in the condominium instruments;

- (13) the method of filling vacancies on the board which shall include authority for the remaining members of the board to fill the vacancy by two-thirds vote until the next annual meeting of unit owners or for a period terminating no later than 30 days following the filing of a petition signed by unit owners holding 20% of the votes of the association requesting a meeting of the unit owners to fill the vacancy for the balance of the term, and that a meeting of the unit owners shall be called for purposes of filling a vacancy on the board no later than 30 days following the filing of a petition signed by unit owners holding 20% of the votes of the association requesting such a meeting, and the method of filling vacancies among the officers that shall include the authority for the members of the board to fill the vacancy for the unexpired portion of the term;
- (14) what percentage of the board of managers, if other than a majority, shall constitute a quorum;
- (15) provisions concerning notice of board meetings to members of the board;
- (16) the board of managers may not enter into a contract with a current board member or with a corporation or partnership in which a board member or a member of the board member's immediate family has 25% or more interest, unless notice of intent to enter the contract is given to unit owners within 20 days after a decision is made to enter into the contract and the unit owners are afforded an opportunity by filing a petition, signed by 20% of the unit owners, for an election to approve or disapprove the contract; such petition shall be filed within 20 days after such notice and such election shall be held within 30 days after filing the petition; for purposes of this subsection, a board member's immediate family means the board member's spouse, parents, and children;
- (17) that the board of managers may disseminate to unit owners biographical and background information about candidates for election to the board if (i) reasonable efforts to identify all candidates are made and all candidates are given an opportunity to include biographical and background information in the information to be disseminated; and (ii) the board does not express a preference in favor of any candidate;
- (18) any proxy distributed for board elections by the board of managers gives unit owners the opportunity to designate any

person as the proxy holder, and gives the unit owner the opportunity to express a preference for any of the known candidates for the board or to write in a name;

- (19) that special meetings of the board of managers can be called by the president or 25% of the members of the board; and
 - (20) that the board of managers may establish and maintain a system of master metering of public utility services and collect payments in connection therewith, subject to the requirements of the Tenant Utility Payment Disclosure Act.
- (b)
- (1) What percentage of the unit owners, if other than 20%, shall constitute a quorum provided that, for condominiums with 20 or more units, the percentage of unit owners constituting a quorum shall be 20% unless the unit owners holding a majority of the percentage interest in the association provide for a higher percentage, provided that in voting on amendments to the association's bylaws, a unit owner who is in arrears on the unit owner's regular or separate assessments for 60 days or more, shall not be counted for purposes of determining if a quorum is present, but that unit owner retains the right to vote on amendments to the association's bylaws;
 - (2) that the association shall have one class of membership;
 - (3) that the members shall hold an annual meeting, one of the purposes of which shall be to elect members of the board of managers;
 - (4) the method of calling meetings of the unit owners;
 - (5) that special meetings of the members can be called by the president, board of managers, or by 20% of unit owners;
 - (6) that written notice of any membership meeting shall be mailed or delivered giving members no less than 10 and no more than 30 days notice of the time, place and purpose of such meeting except that notice may be sent, to the extent the condominium instruments or rules adopted thereunder expressly so provide, by electronic transmission consented to by the unit owner to whom the notice is given, provided the director and officer or his agent certifies in writing to the delivery by electronic transmission;

- (7) that voting shall be on a percentage basis, and that the percentage vote to which each unit is entitled is the percentage interest of the undivided ownership of the common elements appurtenant thereto, provided that the bylaws may provide for approval by unit owners in connection with matters where the requisite approval on a percentage basis is not specified in this Act, on the basis of one vote per unit;
- (8) that, where there is more than one owner of a unit, if only one of the multiple owners is present at a meeting of the association, he is entitled to cast all the votes allocated to that unit, if more than one of the multiple owners are present, the votes allocated to that unit may be cast only in accordance with the agreement of a majority in interest of the multiple owners, unless the declaration expressly provides otherwise, that there is majority agreement if any one of the multiple owners cast the votes allocated to that unit without protest being made promptly to the person presiding over the meeting by any of the other owners of the unit;
- (9)
 - (A) except as provided in subparagraph (B) of this paragraph (9) in connection with board elections, that a unit owner may vote by proxy executed in writing by the unit owner or by his duly authorized attorney in fact; that the proxy must bear the date of execution and, unless the condominium instruments or the written proxy itself provide otherwise, is invalid after 11 months from the date of its execution; to the extent the condominium instruments or rules adopted thereunder expressly so provide, a vote or proxy may be submitted by electronic transmission, provided that any such electronic transmission shall either set forth or be submitted with information from which it can be determined that the electronic transmission was authorized by the unit owner or the unit owner's proxy;
 - (B) that if a rule adopted at least 120 days before a board election or the declaration or bylaws provide for balloting as set forth in this subsection, unit owners may not vote by proxy in board elections, but may vote only (i) by submitting an association-issued ballot in person at the election meeting or (ii) by submitting an association-issued ballot to the association or its designated agent by mail or other means of delivery specified in the declaration, bylaws, or rule; that the ballots shall be mailed or otherwise distributed

to unit owners not less than 10 and not more than 30 days before the election meeting, and the board shall give unit owners not less than 21 days' prior written notice of the deadline for inclusion of a candidate's name on the ballots; that the deadline shall be no more than 7 days before the ballots are mailed or otherwise distributed to unit owners; that every such ballot must include the names of all candidates who have given the board or its authorized agent timely written notice of their candidacy and must give the person casting the ballot the opportunity to cast votes for candidates whose names do not appear on the ballot; that a ballot received by the association or its designated agent after the close of voting shall not be counted; that a unit owner who submits a ballot by mail or other means of delivery specified in the declaration, bylaws, or rule may request and cast a ballot in person at the election meeting, and thereby void any ballot previously submitted by that unit owner;

- (B-5) that if a rule adopted at least 120 days before a board election or the declaration or bylaws provide for balloting as set forth in this subparagraph, unit owners may not vote by proxy in board elections, but may vote only (i) by submitting an association-issued ballot in person at the election meeting; or (ii) by any acceptable technological means as defined in Section 2 of this Act; instructions regarding the use of electronic means for voting shall be distributed to all unit owners not less than 10 and not more than 30 days before the election meeting, and the board shall give unit owners not less than 21 days' prior written notice of the deadline for inclusion of a candidate's name on the ballots; the deadline shall be no more than 7 days before the instructions for voting using electronic or acceptable technological means is distributed to unit owners; every instruction notice must include the names of all candidates who have given the board or its authorized agent timely written notice of their candidacy and must give the person voting through electronic or acceptable technological means the opportunity to cast votes for candidates whose names do not appear on the ballot; a unit owner who submits a vote using electronic or acceptable technological means may request and cast a ballot in person at the election meeting, thereby voiding any vote previously submitted by that unit owner;

- (C) that if a written petition by unit owners with at least 20% of the votes of the association is delivered to the board within 14 days after the board's approval of a rule adopted pursuant to subparagraph (B) or subparagraph (B-5) of this paragraph (9), the board shall call a meeting of the unit owners within 30 days after the date of delivery of the petition; that unless a majority of the total votes of the unit owners are cast at the meeting to reject the rule, the rule is ratified;
 - (D) that votes cast by ballot under subparagraph (B) or electronic acceptable technological means under subparagraph (B-5) of this paragraph (9) are valid for the purpose of establishing a quorum;
- (10) that the association may, upon adoption of the appropriate rules by the board of managers, conduct elections by secret ballot whereby the voting ballot is marked only with the percentage interest for the unit and the vote itself, provided that the board further adopt rules to verify the status of the unit owner issuing a proxy or casting a ballot; and further, that a candidate for election to the board of managers or such candidate's representative shall have the right to be present at the counting of ballots at such election;
- (11) that in the event of a resale of a condominium unit the purchaser of a unit from a seller other than the developer pursuant to an installment contract for purchase shall during such times as he or she resides in the unit be counted toward a quorum for purposes of election of members of the board of managers at any meeting of the unit owners called for purposes of electing members of the board, shall have the right to vote for the election of members of the board of managers and to be elected to and serve on the board of managers unless the seller expressly retains in writing any or all of such rights. In no event may the seller and purchaser both be counted toward a quorum, be permitted to vote for a particular office or be elected and serve on the board. Satisfactory evidence of the installment contact shall be made available to the association or its agents. For purposes of this subsection, "installment contact" shall have the same meaning as set forth in Section 1 (e) of "An Act relating to installment contracts to sell dwelling structures", approved August 11, 1967, as amended;

- (12) the method by which matters subject to the approval of unit owners set forth in this Act, or in the condominium instruments, will be submitted to the unit owners at special membership meetings called for such purposes; and
- (13) that matters subject to the affirmative vote of not less than 2/3 of the votes of unit owners at a meeting duly called for that purpose, shall include, but not be limited to:
 - (i) merger or consolidation of the association;
 - (ii) sale, lease, exchange, or other disposition (excluding the mortgage or pledge) of all, or substantially all of the property and assets of the association; and
 - (iii) the purchase or sale of land or of units on behalf of all unit owners.
- (c) Election of a president from among the board of managers, who shall preside over the meetings of the board of managers and of the unit owners.
- (d) Election of a secretary from among the board of managers, who shall keep the minutes of all meetings of the board of managers and of the unit owners and who shall, in general, perform all the duties incident to the office of secretary.
- (e) Election of a treasurer from among the board of managers, who shall keep the financial records and books of account.
- (f) Maintenance, repair and replacement of the common elements and payments therefor, including the method of approving payment vouchers.
- (g) An association with 30 or more units shall obtain and maintain fidelity insurance covering persons who control or disburse funds of the association for the maximum amount of coverage available to protect funds in the custody or control of the association plus the association reserve fund. All management companies which are responsible for the funds held or administered by the association shall maintain and furnish to the association a fidelity bond for the maximum amount of coverage available to protect funds in the custody of the management company at any time. The association shall bear the cost of the fidelity insurance and fidelity bond, unless otherwise provided by contract between the association and a management company. The association shall be the direct obligee of any such fidelity bond. A management company holding reserve funds of an association shall at all times

maintain a separate account for each association, provided, however, that for investment purposes, the Board of Managers of an association may authorize a management company to maintain the association's reserve funds in a single interest bearing account with similar funds of other associations. The management company shall at all times maintain records identifying all moneys of each association in such investment account. The management company may hold all operating funds of associations which it manages in a single operating account but shall at all times maintain records identifying all moneys of each association in such operating account. Such operating and reserve funds held by the management company for the association shall not be subject to attachment by any creditor of the management company.

For the purpose of this subsection a management company shall be defined as a person, partnership, corporation, or other legal entity entitled to transact business on behalf of others, acting on behalf of or as an agent for a unit owner, unit owners or association of unit owners for the purpose of carrying out the duties, responsibilities, and other obligations necessary for the day to day operation and management of any property subject to this Act. For purposes of this subsection, the term "fiduciary insurance coverage" shall be defined as both a fidelity bond and directors and officers liability coverage, the fidelity bond in the full amount of association funds and association reserves that will be in the custody of the association, and the directors and officers liability coverage at a level as shall be determined to be reasonable by the board of managers, if not otherwise established by the declaration or by laws.

Until one year after the effective date of this amendatory Act of 1985, if a condominium association has reserves plus assessments in excess of \$250,000 and cannot reasonably obtain 100% fidelity bond coverage for such amount, then it must obtain a fidelity bond coverage of \$250,000.

- (h) Method of estimating the amount of the annual budget, and the manner of assessing and collecting from the unit owners their respective shares of such estimated expenses, and of any other expenses lawfully agreed upon.
- (i) That upon 10 days notice to the manager or board of managers and payment of a reasonable fee, any unit owner shall be furnished a statement of his account setting forth the amount of any unpaid assessments or other charges due and owing from such owner.
- (j) Designation and removal of personnel necessary for the maintenance, repair and replacement of the common elements.

- (k) Such restrictions on and requirements respecting the use and maintenance of the units and the use of the common elements, not set forth in the declaration, as are designed to prevent unreasonable interference with the use of their respective units and of the common elements by the several unit owners.
- (l) Method of adopting and of amending administrative rules and regulations governing the operation and use of the common elements.
- (m) The percentage of votes required to modify or amend the bylaws, but each one of the particulars set forth in this section shall always be embodied in the bylaws.
- (n) (i) The provisions of this Act, the declaration, bylaws, other condominium instruments, and rules and regulations that relate to the use of the individual unit or the common elements shall be applicable to any person leasing a unit and shall be deemed to be incorporated in any lease executed or renewed on or after the effective date of this amendatory Act of 1984. (ii) With regard to any lease entered into subsequent to the effective date of this amendatory Act of 1989, the unit owner leasing the unit shall deliver a copy of the signed lease to the board or if the lease is oral, a memorandum of the lease, not later than the date of occupancy or 10 days after the lease is signed, whichever occurs first. In addition to any other remedies, by filing an action jointly against the tenant and the unit owner, an association may seek to enjoin a tenant from occupying a unit or seek to evict a tenant under the provisions of Article IX of the Code of Civil Procedure for failure of the lessor-owner to comply with the leasing requirements prescribed by this Section or by the declaration, bylaws, and rules and regulations. The board of managers may proceed directly against a tenant, at law or in equity, or under the provisions of Article IX of the Code of Civil Procedure, for any other breach by tenant of any covenants, rules, regulations or bylaws.
- (o) The association shall have no authority to forbear the payment of assessments by any unit owner.
- (p) That when 30% or fewer of the units, by number, possess over 50% in the aggregate of the votes in the association, any percentage vote of members specified herein or in the condominium instruments shall require the specified percentage by number of units rather than by percentage of interest in the common elements allocated to units that would otherwise be applicable and garage units or storage units, or both, shall have, in total, no more votes than their aggregate percentage of ownership in the common elements; this shall mean that if garage units or storage units, or both, are to be given a vote, or portion of a vote, that the association must add the total number of votes cast of

garage units, storage units, or both, and divide the total by the number of garage units, storage units, or both, and multiply by the aggregate percentage of ownership of garage units and storage units to determine the vote, or portion of a vote, that garage units or storage units, or both, have. For purposes of this subsection (p), when making a determination of whether 30% or fewer of the units, by number, possess over 50% in the aggregate of the votes in the association, a unit shall not include a garage unit or a storage unit.

- (q) That a unit owner may not assign, delegate, transfer, surrender, or avoid the duties, responsibilities, and liabilities of a unit owner under this Act, the condominium instruments, or the rules and regulations of the Association; and that such an attempted assignment, delegation, transfer, surrender, or avoidance shall be deemed void.

The provisions of this Section are applicable to all condominium instruments recorded under this Act. Any portion of a condominium instrument which contains provisions contrary to these provisions shall be void as against public policy and ineffective. Any such instrument which fails to contain the provisions required by this Section shall be deemed to incorporate such provisions by operation of law.

Sec. 18.1. INCORPORATION AS NOT-FOR-PROFIT CORPORATION.

- (a) The owner or owners of the property, or the board of managers, may cause to be incorporated a not-for-profit corporation under the General Not For Profit Corporation Act of the State of Illinois for the purpose of facilitating the administration and operation of the property.
- (b) The Secretary of State shall include on the application of the Articles of Incorporation under the General Not For Profit Corporation Act and the annual report form and such other forms as he deems necessary a question asking whether the corporation is a condominium association under the provisions of this Act.
- (c) The Secretary of State shall maintain a computer record of all not for profit corporations which are condominium associations in this State and their current officers and members of the Board of Managers or Board of Directors, as shown on the latest annual report or the articles of incorporation, whichever is more current.
- (d) The board of directors of such corporation shall constitute the board of managers provided for in this Act, and all of the rights, titles, powers, privileges and obligations vested in or imposed upon the board of managers in this Act and in the declaration may be held or performed by such corporation or by the duly elected members of the board of directors thereof and their successors in office.

- (e) Nothing in this Section shall be construed to affect the ownership of the property.

Sec. 18.2. ADMINISTRATION OF PROPERTY PRIOR TO ELECTION OF INITIAL BOARD OF MANAGERS.

- (a) Until election of the initial board of managers that is comprised of a majority of unit owners other than the developer (first unit owner board of managers), the same rights, titles, powers, privileges, trusts, duties and obligations vested in or imposed upon the board of managers by this Act and in the declaration and bylaws shall be held and performed by the developer.
- (b)
 - (i) The election of the first unit owner board of managers shall be held not later than 60 days after the conveyance by the developer of 75% of the units, or 3 years after the recording of the declaration, whichever is earlier. The developer shall give at least 21 days notice of such meeting to elect the first unit owner board of managers and shall provide to any unit owner within 3 working days of the request, the names, addresses, and weighted vote of each unit owner entitled to vote at such meeting. Any unit owner shall be provided with the same information within 10 days of receipt of the request, with respect to each subsequent meeting to elect members of the Board of Managers.
 - (ii) In the event the developer does not call a meeting for the purpose of election of the board of managers within the time provided in this subsection (b), unit owners holding 20% of the interest in the association may call a meeting by filing a petition for such meeting with the developer, after which said unit owners shall have authority to send notice of said meeting to the unit owners and to hold such meeting.
- (c) If the first unit board of managers is not elected at the time so established, the developer shall continue in office for a period of 30 days whereupon written notice of his resignation shall be sent to all of the unit owners entitled to vote at such election.
- (d) Within 60 days following the election of the first unit owner board of managers, the developer shall deliver to the board of managers:

- (1) All original documents as recorded or filed pertaining to the property, its administration, and the association, such as the declaration, by-laws, articles of incorporation, other condominium instruments, annual reports, minutes and rules and regulations, contracts, leases, or other agreements entered into by the Association. If any original documents are unavailable, a copy may be provided if certified by affidavit of the developer, or an officer or agent of the developer, as being a complete copy of the actual document recorded as filed.
 - (2) A detailed accounting by the developer, setting forth the source and nature of receipts and expenditures in connection with the management, maintenance and operation of the property and copies of all insurance policies and a list of any loans or advances to the association which are outstanding.
 - (3) Association funds, which shall have been at all times segregated from any other moneys of the developer.
 - (4) A schedule of all real or personal property, equipment and fixtures belonging to the association, including documents transferring the property, warranties, if any, for all real and personal property and equipment, deeds, title insurance policies, and all tax bills.
 - (5) A list of all litigation, administrative action and arbitrations involving the association, any notices of governmental bodies involving actions taken or which may be taken concerning the association, engineering and architectural drawings and specifications as approved by any governmental authority, all other documents filed with any other governmental authority, all governmental certificates, correspondence involving enforcement of any association requirements, copies of any documents relating to disputes involving unit owners, originals of all documents relating to everything listed in this subparagraph.
- (e) Upon election of the first unit owner board of managers, any contract, lease, or other agreement made prior to the date of election of the first unit owner board by or on behalf of unit owners, individually or collectively, the unit owners' association, the board of managers, or the developer or its affiliates which extends for a period of more than 2 years from the date of the election, shall be subject to cancellation by a majority of the votes of the unit owners other than the developer

cast at a special meeting of members called for that purpose during the 180 day period beginning on the date of the election of the first unit owner board. At least 60 days prior to the expiration of the 180 day cancellation period, the board of managers shall send notice to every unit owner, notifying them of this provision, what contracts, leases and other agreements are affected, and the procedure for calling a meeting of the unit owners for the purpose of voting on termination of such contracts, leases or other agreements. During the 180 day cancellation period the other party to the contract, lease, or other agreement shall also have the right of cancellation. The cancellation shall be effective 30 days after mailing notice by certified mail, return receipt requested, to the last known address of the other parties to the contract, lease, or other agreement.

- (f) The statute of limitations for any actions in law or equity which the condominium association may bring shall not begin to run until the unit owners have elected a majority of the members of the board of managers.
- (g) If the developer fails to fully comply with subsection (d) within the 60 days provided and fails to fully comply within 10 days of written demand mailed by registered or certified mail to his or her last known address, the board may bring an action to compel compliance with subsection (d). If the court finds that any of the required deliveries were not made within the required period, the board shall be entitled to recover its reasonable attorneys' fees and costs incurred from and after the date of expiration of the 10 day demand.

Sec. 18.3. UNIT OWNERS' ASSOCIATION.

The unit owners' association is responsible for the overall administration of the property through its duly elected board of managers. Each unit owner shall be a member of the association. The association, whether or not it is incorporated, shall have those powers and responsibilities specified in the General Not For Profit Corporation Act of 1986 that are not inconsistent with this Act or the condominium instruments, including but not limited to the power to acquire and hold title to land. Such land is not part of the common elements unless and until it has been added by an amendment of the condominium instruments, properly executed and placed of record as required by this Act. The association shall have and exercise all powers necessary or convenient to effect any or all of the purposes for which the association is organized, and to do every other act not inconsistent with law which may be appropriate to promote and attain the purposes set forth in this Act or in the condominium instruments.

Sec. 18.4. POWERS AND DUTIES OF BOARD OF MANAGERS.

The board of managers shall exercise for the association all powers, duties and authority vested in the association by law or the condominium instruments except for such powers, duties and authority reserved by law to the members of the association. The powers and duties of the board of managers shall include, but shall not be limited to, the following:

- (a) To provide for the operation, care, upkeep, maintenance, replacement and improvement of the common elements. Nothing in this subsection (a) shall be deemed to invalidate any provision in a condominium instrument placing limits on expenditures for the common elements, provided, that such limits shall not be applicable to expenditures for repair, replacement, or restoration of existing portions of the common elements. The term "repair, replacement or restoration" means expenditures to deteriorated or damaged portions of the property related to the existing decorating, facilities, or structural or mechanical components, interior or exterior surfaces, or energy systems and equipment with the functional equivalent of the original portions of such areas. Replacement of the common elements may result in an improvement over the original quality of such elements or facilities; provided that, unless the improvement is mandated by law or is an emergency as defined in item (iv) of subparagraph (8) of paragraph (a) of Section 18, if the improvement results in a proposed expenditure exceeding 5% of the annual budget, the board of managers, upon written petition by unit owners with 20% of the votes of the association delivered to the board within 14 days of the board action to approve the expenditure, shall call a meeting of the unit owners within 30 days of the date of delivery of the petition to consider the expenditure. Unless a majority of the total votes of the unit owners are cast at the meeting to reject the expenditure, it is ratified.
- (b) To prepare, adopt and distribute the annual budget for the property.
- (c) To levy and expend assessments.
- (d) To collect assessments from unit owners.
- (e) To provide for the employment and dismissal of the personnel necessary or advisable for the maintenance and operation of the common elements.
- (f) To obtain adequate and appropriate kinds of insurance.

- (g) To own, convey, encumber, lease, and otherwise deal with units conveyed to or purchased by it.
- (h) To adopt and amend rules and regulations covering the details of the operation and use of the property, after a meeting of the unit owners called for the specific purpose of discussing the proposed rules and regulations. Notice of the meeting shall contain the full text of the proposed rules and regulations, and the meeting shall conform to the requirements of Section 18(b) of this Act, except that no quorum is required at the meeting of the unit owners unless the declaration, bylaws or other condominium instrument expressly provides to the contrary. However, no rule or regulation may impair any rights guaranteed by the First Amendment to the Constitution of the United States or Section 4 of Article I of the Illinois Constitution including, but not limited to, the free exercise of religion, nor may any rules or regulations conflict with the provisions of this Act or the condominium instruments. No rule or regulation shall prohibit any reasonable accommodation for religious practices, including the attachment of religiously mandated objects to the front-door area of a condominium unit.
- (i) To keep detailed, accurate records of the receipts and expenditures affecting the use and operation of the property.
- (j) To have access to each unit from time to time as may be necessary for the maintenance, repair or replacement of any common elements or for making emergency repairs necessary to prevent damage to the common elements or to other units.
- (k) To pay real property taxes, special assessments, and any other special taxes or charges of the State of Illinois or of any political subdivision thereof, or other lawful taxing or assessing body, which are authorized by law to be assessed and levied upon the real property of the condominium.
- (l) To impose charges for late payment of a unit owner's proportionate share of the common expenses, or any other expenses lawfully agreed upon, and after notice and an opportunity to be heard, to levy reasonable fines for violation of the declaration, by-laws, and rules and regulations of the association.
- (m) Unless the condominium instruments expressly provide to the contrary, by a majority vote of the entire board of managers, to assign the right of the association to future income from common expenses or other sources, and to mortgage or pledge substantially all of the remaining assets of the association.

- (n) To record the dedication of a portion of the common elements to a public body for use as, or in connection with, a street or utility where authorized by the unit owners under the provisions of Section 14.2.
- (o) To record the granting of an easement for the laying of cable television or high speed Internet cable where authorized by the unit owners under the provisions of Section 14.3; to obtain, if available and determined by the board to be in the best interests of the association, cable television or bulk high speed Internet service for all of the units of the condominium on a bulk identical service and equal cost per unit basis; and to assess and recover the expense as a common expense and, if so determined by the board, to assess each and every unit on the same equal cost per unit basis.
- (p) To seek relief on behalf of all unit owners when authorized pursuant to subsection (c) of Section 10 from or in connection with the assessment or levying of real property taxes, special assessments, and any other special taxes or charges of the State of Illinois or of any political subdivision thereof or of any lawful taxing or assessing body.
- (q) To reasonably accommodate the needs of a handicapped unit owner as required by the federal Civil Rights Act of 1968, the Human Rights Act and any applicable local ordinances in the exercise of its powers with respect to the use of common elements or approval of modifications in an individual unit.
- (r) To accept service of a notice of claim for purposes of the Mechanics Lien Act on behalf of each respective member of the Unit Owners' Association with respect to improvements performed pursuant to any contract entered into by the Board of Managers or any contract entered into prior to the recording of the condominium declaration pursuant to this Act, for a property containing more than 8 units, and to distribute the notice to the unit owners within 7 days of the acceptance of the service by the Board of Managers. The service shall be effective as if each individual unit owner had been served individually with notice.
- (s) To adopt and amend rules and regulations (1) authorizing electronic delivery of notices and other communications required or contemplated by this Act to each unit owner who provides the association with written authorization for electronic delivery and an electronic address to which such communications are to be electronically transmitted; and (2) authorizing each unit owner to designate an electronic address or a U.S. Postal Service address, or both, as the unit owner's address on any list of members or unit owners which an association is required to provide upon request pursuant to any provision of this Act or any condominium instrument.

In the performance of their duties, the officers and members of the board, whether appointed by the developer or elected by the unit owners, shall exercise the care required of a fiduciary of the unit owners.

The collection of assessments from unit owners by an association, board of managers or their duly authorized agents shall not be considered acts constituting a collection agency for purposes of the Collection Agency Act.

The provisions of this Section are applicable to all condominium instruments recorded under this Act. Any portion of a condominium instrument which contains provisions contrary to these provisions shall be void as against public policy and ineffective. Any such instrument that fails to contain the provisions required by this Section shall be deemed to incorporate such provisions by operation of law.

Sec. 18.5. MASTER ASSOCIATIONS.

- (a) If the declaration, other condominium instrument, or other duly recorded covenants provide that any of the powers of the unit owners associations are to be exercised by or may be delegated to a nonprofit corporation or unincorporated association that exercises those or other powers on behalf of one or more condominiums, or for the benefit of the unit owners of one or more condominiums, such corporation or association shall be a master association.
- (b) There shall be included in the declaration, other condominium instruments, or other duly recorded covenants establishing the powers and duties of the master association the provisions set forth in subsections (c) through (h).

In interpreting subsections (c) through (h), the courts should interpret these provisions so that they are interpreted consistently with the similar parallel provisions found in other parts of this Act.

- (c) Meetings and finances.
 - (1) Each unit owner of a condominium subject to the authority of the board of the master association shall receive, at least 30 days prior to the adoption thereof by the board of the master association, a copy of the proposed annual budget.
 - (2) The board of the master association shall annually supply to all unit owners of condominiums subject to the authority of the board of the master association an itemized accounting of the

common expenses for the preceding year actually incurred or paid, together with a tabulation of the amounts collected pursuant to the budget or assessment, and showing the net excess or deficit of income over expenditures plus reserves.

- (3) Each unit owner of a condominium subject to the authority of the board of the master association shall receive written notice mailed or delivered no less than 10 and no more than 30 days prior to any meeting of the board of the master association concerning the adoption of the proposed annual budget or any increase in the budget, or establishment of an assessment.
- (4) Meetings of the board of the master association shall be open to any unit owner in a condominium subject to the authority of the board of the master association, except for the portion of any meeting held:
 - (A) to discuss litigation when an action against or on behalf of the particular master association has been filed and is pending in a court or administrative tribunal, or when the board of the master association finds that such an action is probable or imminent,
 - (B) to consider information regarding appointment, employment or dismissal of an employee, or
 - (C) to discuss violations of rules and regulations of the master association or unpaid common expenses owed to the master association.

Any vote on these matters shall be taken at a meeting or portion thereof open to any unit owner of a condominium subject to the authority of the master association.

Any unit owner may record the proceedings at meetings required to be open by this Act by tape, film or other means; the board may prescribe reasonable rules and regulations to govern the right to make such recordings. Notice of meetings shall be mailed or delivered at least 48 hours prior thereto, unless a written waiver of such notice is signed by the persons entitled to notice before the meeting is convened. Copies of notices of meetings of the board of the master association shall be posted in entranceways, elevators, or other conspicuous places in the condominium

at least 48 hours prior to the meeting of the board of the master association. Where there is no common entrance way for 7 or more units, the board of the master association may designate one or more locations in the proximity of these units where the notices of meetings shall be posted.

- (5) If the declaration provides for election by unit owners of members of the board of directors in the event of a resale of a unit in the master association, the purchaser of a unit from a seller other than the developer pursuant to an installment contract for purchase shall, during such times as he or she resides in the unit, be counted toward a quorum for purposes of election of members of the board of directors at any meeting of the unit owners called for purposes of electing members of the board, and shall have the right to vote for the election of members of the board of directors and to be elected to and serve on the board of directors unless the seller expressly retains in writing any or all of those rights. In no event may the seller and purchaser both be counted toward a quorum, be permitted to vote for a particular office, or be elected and serve on the board. Satisfactory evidence of the installment contract shall be made available to the association or its agents. For purposes of this subsection, "installment contract" shall have the same meaning as set forth in subsection (e) of Section 1 of the Dwelling Unit Installment Contract Act.
- (6) The board of the master association shall have the authority to establish and maintain a system of master metering of public utility services and to collect payments in connection therewith, subject to the requirements of the Tenant Utility Payment Disclosure Act.
- (7) The board of the master association or a common interest community association shall have the power, after notice and an opportunity to be heard, to levy and collect reasonable fines from members for violations of the declaration, bylaws, and rules and regulations of the master association or the common interest community association. Nothing contained in this subdivision (7) shall give rise to a statutory lien for unpaid fines.
- (8) Other than attorney's fees, no fees pertaining to the collection of a unit owner's financial obligation to the Association, including fees charged by a manager or managing agent, shall

be added to and deemed a part of an owner's respective share of the common expenses unless: (i) the managing agent fees relate to the costs to collect common expenses for the Association; (ii) the fees are set forth in a contract between the managing agent and the Association; and (iii) the authority to add the management fees to an owner's respective share of the common expenses is specifically stated in the declaration or bylaws of the Association.

(d) Records.

- (1) The board of the master association shall maintain the following records of the association and make them available for examination and copying at convenient hours of weekdays by any unit owners in a condominium subject to the authority of the board or their mortgagees and their duly authorized agents or attorneys:
 - (i) Copies of the recorded declaration, other condominium instruments, other duly recorded covenants and bylaws and any amendments, articles of incorporation of the master association, annual reports and any rules and regulations adopted by the master association or its board shall be available. Prior to the organization of the master association, the developer shall maintain and make available the records set forth in this subdivision (d)(1) for examination and copying.
 - (ii) Detailed and accurate records in chronological order of the receipts and expenditures affecting the common areas, specifying and itemizing the maintenance and repair expenses of the common areas and any other expenses incurred, and copies of all contracts, leases, or other agreements entered into by the master association, shall be maintained.
 - (iii) The minutes of all meetings of the master association and the board of the master association shall be maintained for not less than 7 years.
 - (iv) Ballots and proxies related thereto, if any, for any election held for the board of the master association and for any other matters voted on by the unit owners shall be maintained for not less than one year.

- (v) Such other records of the master association as are available for inspection by members of a not-for-profit corporation pursuant to Section 107.75 of the General Not For Profit Corporation Act of 1986 shall be maintained.
 - (vi) With respect to units owned by a land trust, if a trustee designates in writing a person to cast votes on behalf of the unit owner, the designation shall remain in effect until a subsequent document is filed with the association.
- (2) Where a request for records under this subsection is made in writing to the board of managers or its agent, failure to provide the requested record or to respond within 30 days shall be deemed a denial by the board of directors.
 - (3) A reasonable fee may be charged by the master association or its board for the cost of copying.
 - (4) If the board of directors fails to provide records properly requested under subdivision (d)(1) within the time period provided in subdivision (d)(2), the unit owner may seek appropriate relief, including an award of attorney's fees and costs.
- (e) The board of directors shall have standing and capacity to act in a representative capacity in relation to matters involving the common areas of the master association or more than one unit, on behalf of the unit owners as their interests may appear.
 - (f) Administration of property prior to election of the initial board of directors.
 - (1) Until the election, by the unit owners or the boards of managers of the underlying condominium associations, of the initial board of directors of a master association whose declaration is recorded on or after August 10, 1990, the same rights, titles, powers, privileges, trusts, duties and obligations that are vested in or imposed upon the board of directors by this Act or in the declaration or other duly recorded covenant shall be held and performed by the developer.
 - (2) The election of the initial board of directors of a master association whose declaration is recorded on or after August 10, 1990, by the unit owners or the boards of managers of the underlying condominium associations, shall be held not later

than 60 days after the conveyance by the developer of 75% of the units, or 3 years after the recording of the declaration, whichever is earlier. The developer shall give at least 21 days notice of the meeting to elect the initial board of directors and shall upon request provide to any unit owner, within 3 working days of the request, the names, addresses, and weighted vote of each unit owner entitled to vote at the meeting. Any unit owner shall upon receipt of the request be provided with the same information, within 10 days of the request, with respect to each subsequent meeting to elect members of the board of directors.

- (3) If the initial board of directors of a master association whose declaration is recorded on or after August 10, 1990 is not elected by the unit owners or the members of the underlying condominium association board of managers at the time established in subdivision (f)(2), the developer shall continue in office for a period of 30 days, whereupon written notice of his resignation shall be sent to all of the unit owners or members of the underlying condominium board of managers entitled to vote at an election for members of the board of directors.
- (4) Within 60 days following the election of a majority of the board of directors, other than the developer, by unit owners, the developer shall deliver to the board of directors:
 - (i) All original documents as recorded or filed pertaining to the property, its administration, and the association, such as the declaration, articles of incorporation, other instruments, annual reports, minutes, rules and regulations, and contracts, leases, or other agreements entered into by the association. If any original documents are unavailable, a copy may be provided if certified by affidavit of the developer, or an officer or agent of the developer, as being a complete copy of the actual document recorded or filed.
 - (ii) A detailed accounting by the developer, setting forth the source and nature of receipts and expenditures in connection with the management, maintenance and operation of the property, copies of all insurance policies, and a list of any loans or advances to the association which are outstanding.
 - (iii) Association funds, which shall have been at all times segregated from any other moneys of the developer.

- (iv) A schedule of all real or personal property, equipment and fixtures belonging to the association, including documents transferring the property, warranties, if any, for all real and personal property and equipment, deeds, title insurance policies, and all tax bills.
 - (v) A list of all litigation, administrative action and arbitrations involving the association, any notices of governmental bodies involving actions taken or which may be taken concerning the association, engineering and architectural drawings and specifications as approved by any governmental authority, all other documents filed with any other governmental authority, all governmental certificates, correspondence involving enforcement of any association requirements, copies of any documents relating to disputes involving unit owners, and originals of all documents relating to everything listed in this subparagraph.
 - (vi) If the developer fails to fully comply with this paragraph (4) within the 60 days provided and fails to fully comply within 10 days of written demand mailed by registered or certified mail to his or her last known address, the board may bring an action to compel compliance with this paragraph (4). If the court finds that any of the required deliveries were not made within the required period, the board shall be entitled to recover its reasonable attorneys' fees and costs incurred from and after the date of expiration of the 10 day demand.
- (5) With respect to any master association whose declaration is recorded on or after August 10, 1990, any contract, lease, or other agreement made prior to the election of a majority of the board of directors other than the developer by or on behalf of unit owners or underlying condominium associations, the association or the board of directors, which extends for a period of more than 2 years from the recording of the declaration, shall be subject to cancellation by more than 1/2 of the votes of the unit owners, other than the developer, cast at a special meeting of members called for that purpose during a period of 90 days prior to the expiration of the 2 year period if the board of managers is elected by the unit owners, otherwise by more than 1/2 of the underlying condominium board of managers. At least 60 days prior to the expiration of the 2 year period, the board of directors, or, if the board is still under developer control, then

the board of managers or the developer shall send notice to every unit owner or underlying condominium board of managers, notifying them of this provision, of what contracts, leases and other agreements are affected, and of the procedure for calling a meeting of the unit owners or for action by the underlying condominium board of managers for the purpose of acting to terminate such contracts, leases or other agreements. During the 90 day period the other party to the contract, lease, or other agreement shall also have the right of cancellation.

- (6) The statute of limitations for any actions in law or equity which the master association may bring shall not begin to run until the unit owners or underlying condominium board of managers have elected a majority of the members of the board of directors.
- (g) In the event of any resale of a unit in a master association by a unit owner other than the developer, the owner shall obtain from the board of directors and shall make available for inspection to the prospective purchaser, upon demand, the following:
 - (1) A copy of the declaration, other instruments and any rules and regulations.
 - (2) A statement of any liens, including a statement of the account of the unit setting forth the amounts of unpaid assessments and other charges due and owing.
 - (3) A statement of any capital expenditures anticipated by the association within the current or succeeding 2 fiscal years.
 - (4) A statement of the status and amount of any reserve for replacement fund and any portion of such fund earmarked for any specified project by the board of directors.
 - (5) A copy of the statement of financial condition of the association for the last fiscal year for which such a statement is available.
 - (6) A statement of the status of any pending suits or judgments in which the association is a party.
 - (7) A statement setting forth what insurance coverage is provided for all unit owners by the association.
 - (8) A statement that any improvements or alterations made to the unit, or any part of the common areas assigned thereto, by the

prior unit owner are in good faith believed to be in compliance with the declaration of the master association.

The principal officer of the unit owner's association or such other officer as is specifically designated shall furnish the above information when requested to do so in writing, within 30 days of receiving the request.

A reasonable fee covering the direct out-of-pocket cost of copying and providing such information may be charged by the association or its board of directors to the unit seller for providing the information.

- (g-1) The purchaser of a unit of a common interest community at a judicial foreclosure sale, other than a mortgagee, who takes possession of a unit of a common interest community pursuant to a court order or a purchaser who acquires title from a mortgagee shall have the duty to pay the proportionate share, if any, of the common expenses for the unit that would have become due in the absence of any assessment acceleration during the 6 months immediately preceding institution of an action to enforce the collection of assessments and the court costs incurred by the association in an action to enforce the collection that remain unpaid by the owner during whose possession the assessments accrued. If the outstanding assessments and the court costs incurred by the association in an action to enforce the collection are paid at any time during any action to enforce the collection of assessments, the purchaser shall have no obligation to pay any assessments that accrued before he or she acquired title. The notice of sale of a unit of a common interest community under subsection (c) of Section 15-1507 of the Code of Civil Procedure shall state that the purchaser of the unit other than a mortgagee shall pay the assessments and court costs required by this subsection (g-1).
- (h) Errors and omissions.
 - (1) If there is an omission or error in the declaration or other instrument of the master association, the master association may correct the error or omission by an amendment to the declaration or other instrument, as may be required to conform it to this Act, to any other applicable statute, or to the declaration. The amendment shall be adopted by vote of two-thirds of the members of the board of directors or by a majority vote of the unit owners at a meeting called for that purpose, unless the Act or the declaration of the master association specifically provides for greater percentages or different procedures.

- (2) If, through a scrivener's error, a unit has not been designated as owning an appropriate undivided share of the common areas or does not bear an appropriate share of the common expenses, or if all of the common expenses or all of the common elements in the condominium have not been distributed in the declaration, so that the sum total of the shares of common areas which have been distributed or the sum total of the shares of the common expenses fail to equal 100%, or if it appears that more than 100% of the common elements or common expenses have been distributed, the error may be corrected by operation of law by filing an amendment to the declaration, approved by vote of two-thirds of the members of the board of directors or a majority vote of the unit owners at a meeting called for that purpose, which proportionately adjusts all percentage interests so that the total is equal to 100%, unless the declaration specifically provides for a different procedure or different percentage vote by the owners of the units and the owners of mortgages thereon affected by modification being made in the undivided interest in the common areas, the number of votes in the unit owners association or the liability for common expenses appertaining to the unit.
- (3) If an omission or error or a scrivener's error in the declaration or other instrument is corrected by vote of two-thirds of the members of the board of directors pursuant to the authority established in subdivisions (h)(1) or (h)(2) of this Section, the board, upon written petition by unit owners with 20% of the votes of the association or resolutions adopted by the board of managers or board of directors of the condominium and common interest community associations which select 20% of the members of the board of directors of the master association, whichever is applicable, received within 30 days of the board action, shall call a meeting of the unit owners or the boards of the condominium and common interest community associations which select members of the board of directors of the master association within 30 days of the filing of the petition or receipt of the condominium and common interest community association resolution to consider the board action. Unless a majority of the votes of the unit owners of the association are cast at the meeting to reject the action, or board of managers or board of directors of condominium and common interest community associations which select over 50% of the members of the board of the master association adopt resolutions prior to the meeting rejecting the action of the board of directors of the

master association, it is ratified whether or not a quorum is present.

- (4) The procedures for amendments set forth in this subsection (h) cannot be used if such an amendment would materially or adversely affect property rights of the unit owners unless the affected unit owners consent in writing. This Section does not restrict the powers of the association to otherwise amend the declaration, bylaws, or other condominium instruments, but authorizes a simple process of amendment requiring a lesser vote for the purpose of correcting defects, errors, or omissions when the property rights of the unit owners are not materially or adversely affected.
- (5) If there is an omission or error in the declaration or other instruments that may not be corrected by an amendment procedure set forth in subdivision (h)(1) or (h)(2) of this Section, then the circuit court in the county in which the master association is located shall have jurisdiction to hear a petition of one or more of the unit owners thereon or of the association, to correct the error or omission, and the action may be a class action. The court may require that one or more methods of correcting the error or omission be submitted to the unit owners to determine the most acceptable correction. All unit owners in the association must be joined as parties to the action. Service of process on owners may be by publication, but the plaintiff shall furnish all unit owners not personally served with process with copies of the petition and final judgment of the court by certified mail, return receipt requested, at their last known address.
- (6) Nothing contained in this Section shall be construed to invalidate any provision of a declaration authorizing the developer to amend an instrument prior to the latest date on which the initial membership meeting of the unit owners must be held, whether or not it has actually been held, to bring the instrument into compliance with the legal requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the United States Veterans Administration or their respective successors and assigns.
 - (i) The provisions of subsections (c) through (h) are applicable to all declarations, other condominium instruments, and other duly

recorded covenants establishing the powers and duties of the master association recorded under this Act. Any portion of a declaration, other condominium instrument, or other duly recorded covenant establishing the powers and duties of a master association which contains provisions contrary to the provisions of subsection (c) through (h) shall be void as against public policy and ineffective. Any declaration, other condominium instrument, or other duly recorded covenant establishing the powers and duties of the master association which fails to contain the provisions required by subsections (c) through (h) shall be deemed to incorporate such provisions by operation of law.

- (j) (Blank).

Sec. 18.6. DISPLAY OF AMERICAN FLAG OR MILITARY FLAG.

- (a) Notwithstanding any provision in the declaration, bylaws, rules, regulations, or agreements or other instruments of a condominium association or a master association or a common interest community association or a board's construction of any of those instruments, a board may not prohibit the display of the American flag or a military flag, or both, on or within the limited common areas and facilities of a unit owner or on the immediately adjacent exterior of the building in which the unit of a unit owner is located. A board may adopt reasonable rules and regulations, consistent with Sections 4 through 10 of Chapter 1 of Title 4 of the United States Code, regarding the placement and manner of display of the American flag and a board may adopt reasonable rules and regulations regarding the placement and manner of display of a military flag. A board may not prohibit the installation of a flagpole for the display of the American flag or a military flag, or both, on or within the limited common areas and facilities of a unit owner or on the immediately adjacent exterior of the building in which the unit of a unit owner is located, but a board may adopt reasonable rules and regulations regarding the location and size of flagpoles.

- (b) As used in this Section:

American flag" means the flag of the United States (as defined in Section 1 of Chapter 1 of Title 4 of the United States Code and the Executive Orders entered in connection with that Section) made of fabric, cloth, or paper displayed from a staff or flagpole or in a window, but "American flag" does not include a depiction or emblem of the American flag made of lights, paint, roofing, siding, paving materials, flora, or balloons, or any other similar building, landscaping, or decorative component.

“Board” includes a board of managers or a board of a master association or a common interest community association.

“Military flag” means a flag of any branch of the United States armed forces or the Illinois National Guard made of fabric, cloth, or paper displayed from a staff or flagpole or in a window, but “military flag” does not include a depiction or emblem of a military flag made of lights, paint, roofing, siding, paving materials, flora, or balloons, or any other similar building, landscaping, or decorative component.

Sec. 18.7. STANDARDS FOR COMMUNITY ASSOCIATION MANAGERS.

- (a) “Community association” means an association in which membership is a condition of ownership or shareholder interest of a unit in a condominium, cooperative, townhouse, villa, or other residential unit that is part of a residential development plan as a master association or common interest community and that is authorized to impose an assessment and other costs that may become a lien on the unit or lot.
- (b) “Community association manager” means an individual who administers for compensation the coordination of financial, administrative, maintenance, or other duties called for in the management contract, including individuals who are direct employees of a community association. A manager does not include support staff, such as bookkeepers, administrative assistants, secretaries, property inspectors, or customer service representatives.
- (c) Requirements. To perform services as a community association manager, an individual must meet these requirements:
 - (1) shall have attained the age of 21 and be a citizen or legal permanent resident of the United States;
 - (2) shall not have been convicted of forgery, embezzlement, obtaining money under false pretenses, larceny, extortion, conspiracy to defraud or other similar offense or offenses;
 - (3) shall have a working knowledge of the fundamentals of community association management, including the Condominium Property Act, the Illinois Not-for-Profit Corporation Act, and any other laws pertaining to community association management; and

- (4) shall not have engaged in the following activities: failure to cooperate with any law enforcement agency in the investigation of a complaint; or failure to produce any document, book, or record in the possession or control of the community association manager after a request for production of that document, book, or record in the course of an investigation of a complaint.
- (d) Access to community association funds. For community associations of 6 or more units, apartments, townhomes, villas or other residential units, a community association manager or the firm with whom the manager is employed shall not solely and exclusively have access to and disburse funds of a community association unless:
- (1) There is a fidelity bond in place.
 - (2) The fidelity bond is in an amount not less than all monies of that association in the custody or control of the community association manager.
 - (3) The fidelity bond covers the community association manager and all partners, officers, and employees of the firm with whom the community association manager is employed during the term of the bond, as well as the community association officers, directors, and employees of the community association who control or disburse funds.
 - (4) The insurance company issuing the bond may not cancel or refuse to renew the bond without giving not less than 10 days' prior written notice to the community association.
 - (5) The community association shall secure and pay for the bond.
- (e) A community association manager who provides community association management services for more than one community association shall maintain separate, segregated accounts for each community association. The funds shall not, in any event, be commingled with funds of the community association manager, the firm of the community association manager, or any other community association. The maintenance of these accounts shall be custodial, and the accounts shall be in the name of the respective community association.
- (f) Exempt persons. Except as otherwise provided, this Section does not apply to any person acting as a receiver, trustee in bankruptcy, administrator, executor, or guardian acting under a court order or under the authority of a will or of a trust instrument.

(g) Right of Action.

- (1) Nothing in this amendatory Act of the 95th General Assembly shall create a cause of action by a unit owner, shareholder, or community association member against a community association manager or the firm of a community association manager.
- (2) This amendatory Act of the 95th General Assembly shall not impair any right of action by a unit owner or shareholder against a community association board of directors under existing law.

Sec. 18.8. COMMON ELEMENTS; RIGHTS OF BOARD.

- (a) Any provision in a condominium instrument is void as against public policy and ineffective if it limits or restricts the rights of the board of managers by:
 - (1) requiring the prior consent of the unit owners in order for the board of managers to take any action, including the institution of any action in court or a demand for a trial by jury; or
 - (2) notwithstanding Section 32 of this Act, requiring the board of managers to arbitrate or mediate a dispute with any one or more of all of the declarants under the condominium instruments or the developer or any person not then a unit owner prior to the institution of any action by the board of managers or a demand for a trial by jury.
- (b) A provision in a declaration which would otherwise be void and ineffective under this Section may be enforced if it is approved by a vote of not less than 75% of the unit owners at any time after the election of the first unit owner board of managers.

Sec. 18.8. USE OF TECHNOLOGY.

- (a) Any notice required to be sent or received or signature, vote, consent, or approval required to be obtained under any condominium instrument or any provision of this Act may be accomplished using the technology generally available at that time. This Section shall govern the use of technology in implementing the provisions of any condominium instrument or any provision of this Act concerning notices, signatures, votes, consents, or approvals.

- (b) The association, unit owners, and other persons entitled to occupy a unit may perform any obligation or exercise any right under any condominium instrument or any provision of this Act by use of any technological means that provides sufficient security, reliability, identification, and verifiability.
- (c) A verifiable electronic signature satisfies any requirement for a signature under any condominium instrument or any provision of this Act.
- (d) Voting on, consent to, and approval of any matter under any condominium instrument or any provision of this Act may be accomplished by electronic transmission or other equivalent technological means, provided that a record is created as evidence thereof and maintained as long as the record would be required to be maintained in nonelectronic form.
- (e) Subject to other provisions of law, no action required or permitted by any condominium instrument or any provision of this Act need be acknowledged before a notary public if the identity and signature of the person can otherwise be authenticated to the satisfaction of the board of directors or board of managers.
- (f) If any person does not provide written authorization to conduct business using electronic transmission or other equivalent technological means, the association shall, at its expense, conduct business with the person without the use of electronic transmission or other equivalent technological means.
- (g) This Section does not apply to any notices required under Article IX of the Code of Civil Procedure related to: (i) an action by the association to collect a common expense; or (ii) foreclosure proceedings in enforcement of any lien rights under this Act.

Sec. 19. RECORDS OF THE ASSOCIATION — AVAILABILITY FOR EXAMINATION.

- (a) The board of managers of every association shall keep and maintain the following records, or true and complete copies of these records, at the association's principal office:
 - (1) the association's declaration, bylaws, and plats of survey, and all amendments of these;
 - (2) the rules and regulations of the association, if any;

- (3) if the association is incorporated as a corporation, the articles of incorporation of the association and all amendments to the articles of incorporation;
 - (4) minutes of all meetings of the association and its board of managers for the immediately preceding 7 years;
 - (5) all current policies of insurance of the association;
 - (6) all contracts, leases, and other agreements then in effect to which the association is a party or under which the association or the unit owners have obligations or liabilities;
 - (7) a current listing of the names, addresses, and weighted vote of all members entitled to vote;
 - (8) ballots and proxies related to ballots for all matters voted on by the members of the association during the immediately preceding 12 months, including but not limited to the election of members of the board of managers; and
 - (9) the books and records of account for the association's current and 10 immediately preceding fiscal years, including but not limited to itemized and detailed records of all receipts and expenditures.
- (b) Any member of an association shall have the right to inspect, examine, and make copies of the records described in subdivisions (1), (2), (3), (4), and (5) of subsection (a) of this Section, in person or by agent, at any reasonable time or times, at the association's principal office. In order to exercise this right, a member must submit a written request to the association's board of managers or its authorized agent, stating with particularity the records sought to be examined. Failure of an association's board of managers to make available all records so requested within 30 days of receipt of the member's written request shall be deemed a denial.
- Any member who prevails in an enforcement action to compel examination of records described in subdivisions (1), (2), (3), (4), and (5) of subsection (a) of this Section shall be entitled to recover reasonable attorney's fees and costs from the association.
- (c) (Blank).
- (d) (Blank).

- (e) Except as otherwise provided in subsection (g) of this Section, any member of an association shall have the right to inspect, examine, and make copies of the records described in subdivisions (6), (7), (8), and (9) of subsection (a) of this Section, in person or by agent, at any reasonable time or times but only for a proper purpose, at the association's principal office. In order to exercise this right, a member must submit a written request, to the association's board of managers or its authorized agent, stating with particularity the records sought to be examined and a proper purpose for the request. Subject to the provisions of subsection (g) of this Section, failure of an association's board of managers to make available all records so requested within 30 business days of receipt of the member's written request shall be deemed a denial; provided, however, that the board of managers of an association that has adopted a secret ballot election process as provided in Section 18 of this Act shall not be deemed to have denied a member's request for records described in subdivision (8) of subsection (a) of this Section if voting ballots, without identifying unit numbers, are made available to the requesting member within 30 days of receipt of the member's written request.

In an action to compel examination of records described in subdivisions (6), (7), (8), and (9) of subsection (a) of this Section, the burden of proof is upon the member to establish that the member's request is based on a proper purpose. Any member who prevails in an enforcement action to compel examination of records described in subdivisions (6), (7), (8), and (9) of subsection (a) of this Section shall be entitled to recover reasonable attorney's fees and costs from the association only if the court finds that the board of directors acted in bad faith in denying the member's request.

- (f) The actual cost to the association of retrieving and making requested records available for inspection and examination under this Section shall be charged by the association to the requesting member. If a member requests copies of records requested under this Section, the actual costs to the association of reproducing the records shall also be charged by the association to the requesting member.
- (g) Notwithstanding the provisions of subsection (e) of this Section, unless otherwise directed by court order, an association need not make the following records available for inspection, examination, or copying by its members:

- (1) documents relating to appointment, employment, discipline, or dismissal of association employees;
 - (2) documents relating to actions pending against or on behalf of the association or its board of managers in a court or administrative tribunal;
 - (3) documents relating to actions threatened against, or likely to be asserted on behalf of, the association or its board of managers in a court or administrative tribunal;
 - (4) documents relating to common expenses or other charges owed by a member other than the requesting member; and
 - (5) documents provided to an association in connection with the lease, sale, or other transfer of a unit by a member other than the requesting member.
- (h) The provisions of this Section are applicable to all condominium instruments recorded under this Act. Any portion of a condominium instrument that contains provisions contrary to these provisions shall be void as against public policy and ineffective. Any condominium instrument that fails to contain the provisions required by this Section shall be deemed to incorporate the provisions by operation of law.

Sec. 20. EXEMPTION FROM RULES OF PROPERTY.

It is expressly provided that the rule of property known as the rule against perpetuities and the rule of property known as the rule restricting unreasonable restraints on alienation shall not be applied to defeat any of the provisions of this Act.

Sec. 21. SEVERABILITY.

If any provision of this Act or any section, sentence, clause, phrase or word, or the application thereof in any circumstance, is held invalid, the validity of the remainder of the Act and of the application of any such provision, section, sentence, clause, phrase or word in any other circumstances shall not be affected thereby.

Sec. 22. FULL DISCLOSURE BEFORE SALE.

In relation to the initial sale or offering for sale of any condominium unit, the seller must make full disclosure of, and provide copies to the prospective buyer of, the following information relative to the condominium project:

- (a) the Declaration;
- (b) the Bylaws of the association;
- (c) a projected operating budget for the condominium unit to be sold to the prospective buyer, including full details concerning the estimated monthly payments for the condominium unit, estimated monthly charges for maintenance or management of the condominium property, and monthly charges for the use of recreational facilities; and
- (d) a floor plan of the apartment to be purchased by the prospective buyer and the street address of the unit, if any, and if the unit has no unique street address, the street address of the project.
- (e) in addition, any developer of a conversion condominium shall include the following information:
 - (1) A specific statement of the amount of any initial or special condominium fee due from the purchaser on or before settlement of the purchase contract and the basis of such fee;
 - (2) Information, if available, on the actual expenditures made on all repairs, maintenance, operation, or upkeep of the subject building or buildings within the last 2 years, set forth tabularly with the proposed budget of the condominium and cumulatively, broken down on a per unit basis in proportion to the relative voting strengths allocated to the units by the bylaws. If such building or buildings have not been occupied for a period of 3 years then the information shall be set forth for the last 2 year period such building or buildings have been occupied;
 - (3) A description of any provisions made in the budget for reserves for capital expenditures and an explanation of the basis for such reserves, or, if no provision is made for such reserves, a statement to that effect;
 - (4) For developments of more than 6 units for which the notice of intent to convert is issued after the effective date of this

amendatory Act of 1979, an engineer's report furnished by the developer as to the present condition of all structural components and major utility installations in the condominium, which statement shall include the approximate dates of construction, installation, major repairs and the expected useful life of such items, together with the estimated cost (in current dollars) of replacing such items; and

- (5) Any release, warranty, certificate of insurance, or surety required by Section 9.1.

All of the information required by this Section which is available at the time shall be furnished to the prospective buyer before execution of the contract for sale. Thereafter, no changes or amendments may be made in any of the items furnished to the prospective buyer which would materially affect the rights of the buyer or the value of the unit without obtaining the approval of at least 75% of the buyers then owning interest in the condominium. If all of the information is not available at the time of execution of the contract for sale, then the contract shall be voidable at option of the buyer at any time up until 5 days after the last item of required information is furnished to the prospective buyer, or until the closing of the sale, whichever is earlier. Failure on the part of the seller to make full disclosure as required by this Section shall entitle the buyer to rescind the contract for sale at any time before the closing of the contract and to receive a refund of all deposit moneys paid with interest thereon at the rate then in effect for interest on judgments.

A sale is not an initial sale for the purposes of this Section if there is not a bona fide transfer of the ownership and possession of the condominium unit for the purpose of occupancy of such unit as the result of the sale or if the sale was entered into for the purpose of avoiding the requirements of this Section. The buyer in the first bona fide sale of any condominium unit has the rights granted to buyers under this Section. If the buyer in any sale of a condominium unit asserts that such sale is the first bona fide sale of that unit, the seller has the burden of proving that his interest was acquired through a bona fide sale.

Sec. 22.1. RESALES — DISCLOSURES — FEES.

- (a) In the event of any resale of a condominium unit by a unit owner other than the developer such owner shall obtain from the Board of Managers and shall make available for inspection to the prospective purchaser, upon demand, the following:
 - (1) A copy of the Declaration, by-laws, other condominium instruments and any rules and regulations.

- (2) A statement of any liens, including a statement of the account of the unit setting forth the amounts of unpaid assessments and other charges due and owing as authorized and limited by the provisions of Section 9 of this Act or the condominium instruments.
 - (3) A statement of any capital expenditures anticipated by the unit owner's association within the current or succeeding two fiscal years.
 - (4) A statement of the status and amount of any reserve for replacement fund and any portion of such fund earmarked for any specified project by the Board of Managers.
 - (5) A copy of the statement of financial condition of the unit owner's association for the last fiscal year for which such statement is available.
 - (6) A statement of the status of any pending suits or judgments in which the unit owner's association is a party.
 - (7) A statement setting forth what insurance coverage is provided for all unit owners by the unit owner's association.
 - (8) A statement that any improvements or alterations made to the unit, or the limited common elements assigned thereto, by the prior unit owner are in good faith believed to be in compliance with the condominium instruments.
 - (9) The identity and mailing address of the principal officer of the unit owner's association or of the other officer or agent as is specifically designated to receive notices.
- (b) The principal officer of the unit owner's association or such other officer as is specifically designated shall furnish the above information when requested to do so in writing and within 30 days of the request.
- (c) Within 15 days of the recording of a mortgage or trust deed against a unit ownership given by the owner of that unit to secure a debt, the owner shall inform the Board of Managers of the unit owner's association of the identity of the lender together with a mailing address at which the lender can receive notices from the association. If a unit owner fails or refuses to inform the Board as required under subsection (c) then that unit owner shall be liable to the association for all costs,

expenses and reasonable attorneys fees and such other damages, if any, incurred by the association as a result of such failure or refusal.

A reasonable fee covering the direct out-of-pocket cost of providing such information and copying may be charged by the association or its Board of Managers to the unit seller for providing such information.

Sec. 22.2. RESALE APPROVAL.

In the event of a sale of a condominium unit by a unit owner, no condominium association shall exercise any right of refusal, option to purchase, or right to disapprove the sale, on the basis that the purchaser's financing is guaranteed by the Federal Housing Administration.

Sec. 23. ENCROACHMENTS.

If any portion of the common elements encroaches upon any unit, or if any unit encroaches upon any portion of the common elements or any other unit as a result of the construction, repair, reconstruction, settlement or shifting of any building, a valid mutual easement shall exist in favor of the owners of the common elements and the respective unit owners involved to the extent of the encroachment. A valid easement shall not exist in favor of any owner who creates an encroachment by his intentional, wilful or negligent conduct or that of his agent.

Sec. 24. DEPOSITS BY PURCHASER.

Any deposit, payment or advance in the payment of the purchase price for the initial sale of a unit, received by the developer or his agent other than a payment made for extra work ordered in writing by the purchaser of a unit, shall be held in an escrow account until title is conveyed to the purchaser. The escrow funds shall be segregated in a separate account designated for this purpose. The developer shall deposit all the payments in an interest bearing account at a federally insured bank or savings and loan institution, which account shall be maintained within applicable federal insurance limits, and all the interest is to be credited to the purchaser on the purchase price of the unit. Such interest shall accrue from the time of the deposit, payment or advance in the payment of the purchase price of the unit. There shall be no interest however, if the transfer of title takes place 45 days from the time the contract to purchase is entered. In the event of a refund or default, the interest earned on such deposit, payment or advance shall follow the disposition of the deposit, payment or advance. Escrow funds shall not be subject to attachment by any creditor of a purchaser or of the developer or by the holder of a lien against any portion of the property.

The provisions of this Section shall not apply to any payment received on account for the purchase of a completed condominium unit under articles of agreement for deed, installment agreement for deed, or lease with option to purchase, if the agreement provides for conveyance of title more than one year after the date of execution of the agreement.

Sec. 25. ADD-ON CONDOMINIUMS.

The developer may reserve the right to add additional property to that which has been submitted to the provisions of this Act, and in the event of any addition, to reallocate percentage interests in the common elements in accordance with the provisions of this Act and the condominium instruments by: recording an amended plat in accordance with the provisions of Section 5 of this Act, together with an amendment to the declaration in accordance with Section 6 of this Act. Notwithstanding any other provisions of this Act requiring approval of unit owners, no approval shall be required if the developer complies with the requirements of this Section.

If the developer wishes to reserve the right to add additional property, the declaration shall contain:

- (a) an explicit reservation of an option to add additional property to the condominium;
- (b) a statement of the method by which the reallocation of percentage interests, adjustments to voting rights, and rights, and changes in liability for common expenses shall be determined if additional units are added;
- (c) a legal description of all land which may be added to the property, herein referred to as 'additional land' whether the units are occupied or not;
- (d) a time limit of 10 years from the date of the recording of the declaration, after which the option to add additional property shall no longer be in effect and a statement of the circumstances, if any, under which it may terminate. In all cases in which the option to add additional property is exercised, the contracts for construction and delivery of such additional property shall contain a date for the completion and delivery of the additional property to be constructed;
- (e) a statement as to whether portions of the additional land may be added to the property at different times, and as to whether there are any limitations on the order thereof, or any limitations fixing the boundaries of these portions, or whether any particular portion of it must be added;

- (f) a statement concerning limitations, if any, on the locations of improvements which may be made on the additional land added;
- (g) a statement of the maximum number of units, if any, which may be created on the additional land. If portions of the additional land may be added to the property and the boundaries of those portions are fixed in accordance with paragraph (e) of this Section, the declaration shall also state the maximum number of units that may be created on each such portion to be added to the property. If portions of the additional land may be added to the property and the boundaries of those portions are not fixed in accordance with paragraph (e) of this Section, then the declaration shall also state the largest number of units which may be created on each acre of any portion added to the property;
- (h) a statement of the extent to which structures, improvements, buildings and units will be compatible with the configuration of the property in relation to density, use, construction and architectural style; and
- (i) any plat or site plans or other graphic material which the developer may wish to set forth in order to supplement or explain the information provided.

Subject to any restrictions and limitations specified by the condominium instruments, there shall be an appurtenant easement over and on the common elements for the purpose of making improvements on the additional land, and for the purpose of doing what is reasonably necessary and proper in conjunction therewith.

No provision of this Act shall be binding upon or obligate the developer to exercise his option to make additions or bind the land described in the condominium instruments. No provision of the condominium instruments shall be construed to be binding upon or obligate the developer to exercise his option to make additions, and the land legally described therein shall not be bound thereby, except in the case of any covenant, restriction, limitation, or other representation or commitment in the condominium instruments, or in any other agreement made with, or by, the developer, requiring the developer to add all or any portion of the additional land, or imposing any obligation with regard to anything that is or is not to be done thereon or with regard thereto, or imposing any obligations with regard to anything that is or is not to be done on or with regard to the property or any portion thereof, this Section shall not be construed to nullify, limit, or otherwise affect any such obligation.

Any amendment to the declaration adding additional land may contain such complementary additions and modifications of the provisions of the declaration affecting the additional land which are necessary to reflect the differences in

character, if any, of the additional land and the improvements thereto. In no event, however, shall any such amendment to a declaration revoke, modify or add to the covenants established by the declaration for the property already subject to the declaration.

Sec. 26. TRANSFER OF LIMITED COMMON ELEMENTS.

The use of limited common elements may be transferred between unit owners at their expense, provided that the transfer may be made only in accordance with the condominium instruments and the provision of this Act. Each transfer shall be made by an amendment to the declaration executed by all unit owners who are parties to the transfer and consented to by all other unit owners who have any right to use the limited common elements affected. The amendment shall contain a certificate showing that a copy of the amendment has been delivered to the board of managers. The amendment shall contain a statement from the parties involved in the transfer which sets forth any changes in the parties' proportionate shares. If the parties cannot agree upon a reapportionment of their respective shares, the board of managers shall decide such reapportionment. No transfer shall become effective until the amendment has been recorded. Rights and obligations in respect to any limited common element shall not be affected, nor shall any transfer of it be effective, unless a transaction is in compliance with the requirements of this Section.

Each limited common element may be identified on the plat by the distinguishing number or other symbol of the unit or units to which it is assigned, and its location in respect to the unit or units may also be shown or may be otherwise located in the declaration.

Sec. 27. AMENDMENT OF CONDOMINIUM INSTRUMENT.

- (a) If there is any unit owner other than the developer, and unless otherwise provided in this Act, the condominium instruments shall be amended only as follows:
 - (i) upon the affirmative vote of 2/3 of those voting or upon the majority specified by the condominium instruments, provided that in no event shall the condominium instruments require more than a three-quarters vote of all unit owners; and
 - (ii) with the approval of any mortgagees required under the provisions of the condominium instruments.
- (b)
 - (1) If there is an omission or error in the declaration, bylaws or other condominium instrument, the association may correct the error

or omission by an amendment to the declaration, bylaws, or other condominium instrument in such respects as may be required to conform to this Act, and any other applicable statute or to the declaration by vote of two-thirds of the members of the Board of Managers or by a majority vote of the unit owners at a meeting called for this purpose, unless the Act or the condominium instruments specifically provide for greater percentages or different procedures.

- (2) If through a scrivener's error, a unit has not been designated as owning an appropriate undivided share of the common elements or does not bear an appropriate share of the common expenses or that all the common expenses or all of the common elements in the condominium have not been distributed in the declaration, so that the sum total of the shares of common elements which have been distributed or the sum total of the shares of the common expenses fail to equal 100%, or if it appears that more than 100% of the common elements or common expenses have been distributed, the error may be corrected by operation of law by filing an amendment to the declaration approved by vote of two-thirds of the members of the Board of Managers or a majority vote of the unit owners at a meeting called for this purpose which proportionately adjusts all percentage interests so that the total is equal to 100% unless the condominium instruments specifically provide for a different procedure or different percentage vote by the owners of the units and the owners of mortgages thereon affected by modification being made in the undivided interest in the common elements, the number of votes in the unit owners association or the liability for common expenses appertaining to the unit.
- (3) If an omission or error or a scrivener's error in the declaration, bylaws or other condominium instrument is corrected by vote of two-thirds of the members of the Board of Managers pursuant to the authority established in subsections (b)(1) or (b)(2) of Section 27 of this Act, the Board upon written petition by unit owners with 20 percent of the votes of the association filed within 30 days of the Board action shall call a meeting of the unit owners within 30 days of the filing of the petition to consider the Board action. Unless a majority of the votes of the unit owners of the association are cast at the meeting to reject the action, it is ratified whether or not a quorum is present.
- (4) The procedures for amendments set forth in this subsection (b) cannot be used if such an amendment would materially or

adversely affect property rights of the unit owners unless the affected unit owners consent in writing. This Section does not restrict the powers of the association to otherwise amend the declaration, bylaws, or other condominium instruments, but authorizes a simple process of amendment requiring a lesser vote for the purpose of correcting defects, errors, or omissions when the property rights of the unit owners are not materially or adversely affected.

- (5) If there is an omission or error in the declaration, bylaws, or other condominium instruments, which may not be corrected by an amendment procedure set forth in paragraphs (1) and (2) of subsection (b) of Section 27 in the declaration then the Circuit Court in the County in which the condominium is located shall have jurisdiction to hear a petition of one or more of the unit owners thereon or of the association, to correct the error or omission, and the action may be a class action. The court may require that one or more methods of correcting the error or omission be submitted to the unit owners to determine the most acceptable correction. All unit owners in the association must be joined as parties to the action. Service of process on owners may be by publication, but the plaintiff shall furnish all unit owners not personally served with process with copies of the petition and final judgment of the court by certified mail return receipt requested, at their last known address.
- (6) Nothing contained in this Section shall be construed to invalidate any provision of a condominium instrument authorizing the developer to amend a condominium instrument prior to the latest date on which the initial membership meeting of the unit owners must be held, whether or nor it has actually been held, to bring the instrument into compliance with the legal requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the United States Veterans Administration or their respective successors and assigns.

Sec. 28. (BLANK).

Sec. 29. ALTERATIONS WITHIN UNITS.

A unit owner owning 2 or more units shall have the right, subject to such reasonable limitations as the condominium instruments may impose, to remove or otherwise alter any intervening partition, so long as the action does not

weaken, impair or endanger any common element or unit. The unit owner shall notify the board of managers of the nature of the removal or alteration at least 10 days prior to commencing work.

Sec. 30. CONVERSION CONDOMINIUMS; NOTICE; RECORDING.

(a)

- (1) No real estate may be submitted to the provisions of the Act as a conversion condominium unless (i) a notice of intent to submit the real estate to this Act (notice of intent) has been given to all persons who were tenants of the building located on the real estate on the date the notice is given. Such notice shall be given at least 30 days, and not more than 1 year prior to the recording of the declaration which submits the real estate to this Act; and (ii) the developer executes and acknowledges a certificate which shall be attached to and made a part of the declaration and which provides that the developer, prior to the execution by him or his agent of any agreement for the sale of a unit, has given a copy of the notice of intent to all persons who were tenants of the building located on the real estate on the date the notice of intent was given.
 - (2) If the owner fails to provide a tenant with notice of the intent to convert as defined in this Section, the tenant permanently vacates the premises as a direct result of non-renewal of his or her lease by the owner, and the tenant's unit is converted to a condominium by the filing of a declaration submitting a property to this Act without having provided the required notice, then the owner is liable to the tenant for the following:
 - (A) the tenant's actual moving expenses incurred when moving from the subject property, not to exceed \$1,500;
 - (B) three month's rent at the subject property; and
 - (C) reasonable attorney's fees and court costs.
- (b) Any developer of a conversion condominium must, upon issuing the notice of intent, publish and deliver along with such notice of intent, a schedule of selling prices for all units subject to the condominium instruments and offer to sell such unit to the current tenants, except for units to be vacated for rehabilitation subsequent to such notice of intent. Such offer shall not expire earlier than 30 days after receipt of the offer by the current tenant, unless the tenant notifies the developer in writing of his election not to purchase the condominium unit.
- (c) Any tenant who was a tenant as of the date of the notice of intent and whose tenancy expires (other than for cause) prior to the expiration of 120 days from the date on which a copy of the notice of intent was

- given to the tenant shall have the right to extend his tenancy on the same terms and conditions and for the same rental until the expiration of such 120 day period by the giving of written notice thereof to the developer within 30 days of the date upon which a copy of the notice of intent was given to the tenant by the developer.
- (d) Each lessee in a conversion condominium shall be informed by the developer at the time the notice of intent is given whether his tenancy will be renewed or terminated upon its expiration. If the tenancy is to be renewed, the tenant shall be informed of all charges, rental or otherwise, in connection with the new tenancy and the length of the term of occupancy proposed in conjunction therewith.
 - (e) For a period of 120 days following his receipt of the notice of intent, any tenant who was a tenant on the date the notice of intent was given shall be given the right to purchase his unit on substantially the same terms and conditions as set forth in a duly executed contract to purchase the unit, which contract shall conspicuously disclose the existence of, and shall be subject to, the right of first refusal. The tenant may exercise the right of first refusal by giving notice thereof to the developer prior to the expiration of 30 days from the giving of notice by the developer to the tenant of the execution of the contract to purchase the unit. The tenant may exercise such right of first refusal within 30 days from the giving of notice by the developer of the execution of a contract to purchase the unit, notwithstanding the expiration of the 120 day period following the tenant's receipt of the notice of intent, if such contract was executed prior to the expiration of the 120 day period. The recording of the deed conveying the unit to the purchaser which contains a statement to the effect that the tenant of the unit either waived or failed to exercise the right of first refusal or option or had no right of first refusal or option with respect to the unit shall extinguish any legal or equitable right or interest to the possession or acquisition of the unit which the tenant may have or claim with respect to the unit arising out of the right of first refusal or option provided for in this Section. The foregoing provision shall not affect any claim which the tenant may have against the landlord for damages arising out of the right of first refusal provided for in this Section.
 - (f) During the 30 day period after the giving of notice of an executed contract in which the tenant may exercise the right of first refusal, the developer shall grant to such tenant access to any portion of the building to inspect any of its features or systems and access to any reports, warranties, or other documents in the possession of the developer which reasonably pertain to the condition of the building. Such access shall be subject to reasonable limitations, including as to hours. The refusal of the developer to grant such access is a business offense punishable by a fine of \$500. Each refusal to an individual lessee who is a potential purchaser is a separate violation.

- (g) Any notice provided for in this Section shall be deemed given when a written notice is delivered in person or mailed, certified or registered mail, return receipt requested to the party who is being given the notice.
- (h) Prior to their initial sale, units offered for sale in a conversion condominium and occupied by a tenant at the time of the offer shall be shown to prospective purchasers only a reasonable number of times and at appropriate hours. Units may only be shown to prospective purchasers during the last 90 days of any expiring tenancy.
- (i) Any provision in any lease or other rental agreement, or any termination of occupancy on account of condominium conversion, not authorized herein, or contrary to or waiving the foregoing provisions, shall be deemed to be void as against public policy.
- (j) A tenant is entitled to injunctive relief to enforce the provisions of subsections (a) and (c) of this Section.
- (k) A non-profit housing organization, suing on behalf of an aggrieved tenant under this Section, may also recover compensation for reasonable attorney's fees and court costs necessary for filing such action.
- (l) Nothing in this Section shall affect any provision in any lease or rental agreement in effect before this Act becomes law.
- (m) Nothing in this amendatory Act of 1978 shall be construed to imply that there was previously a requirement to record the notice provided for in this Section.

Sec. 30.5 CONVERSION OF APARTMENTS.

In the case of the conversion of an apartment building into condominium units, a municipality shall have the right to inspect the apartment building prior to the conversion to condominium units and may require that each new proposed condominium unit comply with the current life safety, building, and zoning codes of the municipality.

Sec. 31. SUBDIVISION OR COMBINATION OF UNITS.

Unless the condominium instruments expressly prohibit the subdivision or combination of any units, and subject to additional limitations provided by the condominium instruments, the owner or owners may, at their own expense, subdivide or combine and locate or relocate common elements affected or required thereby, in accordance with the provisions of the condominium

instruments and the requirements of this Act. The owner or owners shall make written application to the board of managers, requesting an amendment to the condominium instruments, setting forth in the application a proposed reallocation to the new units of the percentage interest in the common elements, and setting forth whether the limited common elements, if any, previously assigned to the unit to be subdivided should be assigned to each new unit or to fewer than all of the new units created and requesting, if desired in the event of a combination of any units, that the new unit be granted the exclusive right to use as a limited common element, a portion of the common elements within the building adjacent to the new unit. If the transaction is approved by a majority of the board of managers, it shall be effective upon (1) recording of an amendment to condominium instruments in accordance with the provisions of Sections 5 and 6 of this Act, and (2) execution by the owners of the units involved. In the event of a combination of any units, the amendment may grant the owner of the combined unit the exclusive right to use, as a limited common element, a portion of the common elements within the building adjacent to the new unit. The request for the amendment shall be granted and the amendment shall grant this exclusive right to use as a limited common element if the following conditions are met:

- (1) the common element for which the exclusive right to use as a limited common element is sought is not necessary or practical for use by the owners of any units other than the owner or owners of the combined unit; and
- (2) the owner or owners of the combined unit are responsible for any and all costs associated with the renovation, modification, or other adaptation performed as a result of the granting of the exclusive right to use as a limited common element.

If the combined unit is divided, part of the original combined unit is sold, and the grant of the exclusive right to use as a limited common element is no longer necessary, practical, or appropriate for the use and enjoyment of the owner or owners of the original combined unit, the board may terminate the grant of the exclusive right to use as a limited common element and require that the owner or owners of the original combined unit restore the common area to its condition prior to the grant of the exclusive right to use as a limited common element. If the combined unit is sold without being divided, the grant of the exclusive right to use as a limited common element shall apply to the new owner or owners of the combined unit, who shall assume the rights and responsibilities of the original owner or owners.

**Sec. 32. ALTERNATE DISPUTE RESOLUTION; MEDIATION;
ARBITRATION.**

- (a) The declaration or bylaws of a condominium association may require mediation or arbitration of disputes in which the matter in controversy has either no specific monetary value or a value of \$10,000 or less, other than the levying and collection of assessments, or that arises out of violations of the declaration, bylaws, or rules and regulations of the condominium association. A dispute not required to be mediated or arbitrated by an association pursuant to its powers under this Section, that is submitted to mediation or arbitration by the agreement of the disputants, is also subject to this Section.
- (b) The Illinois Uniform Arbitration Act shall govern all arbitrations proceeding under this Section.
- (b-5) The Uniform Mediation Act shall govern all mediations proceeding under this Section.
- (c) The association may require the disputants to bear the costs of mediation or arbitration.

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