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DECLARATION OF CONDOMINIUM NEW HANOVER CO. NC

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COMPASS BEND CONDOMINIUM

RETURNED TO

Prepared by: Daniel D. Mahn
Attorney at Law
19 North Fifth Avenue
Wilmington, NC 28401

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NORTH CAROLINA
NEW HANOVER COUNTY

DECLARATION OF CONDOMINIUM
COMPASS BEND CONDOMINIUM

THIS DECLARATION and the exhibits which are attached hereto and made a part hereto by this reference are made and executed this 26th day of May, 1998, by SANCO BUILDERS CORP., (formerly T. J. N. CORPORATION), a North Carolina Corporation, hereinafter called the "Declarant", for itself, its successors, grantees and assigns, pursuant to the provisions of the North Carolina Condominium Act (N.C.G.S. Chapter 47C).

WITNESSETH:

WHEREAS, the Declarant is the owner in fee simple of a certain tract of real property (the "Property") situated in the Town of Carolina Beach, New Hanover County, North Carolina, more particularly described on Exhibit "A" attached hereto and made a part hereof, together with all improvements now or hereafter constructed or located thereon, and all rights, privileges, easements and appurtenances belonging to or in any way pertaining to said real property; and

WHEREAS, the Declarant desires to submit all of the property described on Exhibit "A" to the Act.

NOW, THEREFORE, the Declarant, as the owner of the property, hereby declares as follows:

ARTICLE I

DEFINITIONS

When used herein the following terms shall have the following meanings:

1.1 **Act.** The North Carolina Condominium Act (N.C.G.S. Chapter 47C).

1.2 **Affiliate of a Declarant.** Any person who controls, is controlled by or is under common control with the Declarant. A person "controls" the Declarant if the person (i) is a general partner, officer, director or employer of the Declarant, (ii) directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing, more than twenty percent (20%) of the voting interests in the Declarant, (iii) controls in any manner the election of a majority of the directors of the Declarant. A person "is

controlled by" the Declarant if the Declarant (i) is a general partner, officer, director, or employer of the person. (ii) directly or indirectly or acting in concert with one or more other persons, or through one or more subsidiaries, owns, controls, holds with power to vote, or holds proxies representing more than twenty percent (20%) of the voting interests in the persons, (iii) controls in any manner the election of a majority of the directors of the person, or (iv) has contributed more than twenty percent (20%) of the capital of the person. Control does not exist if the powers described in this paragraph are held solely as security for an obligation and are not exercised.

1.3 Allocated interests. The undivided interests in the common elements, the common expense liability and votes in the association allocated to each unit.

1.4 Association or Unit Owners' Association. As used herein it shall mean and refer to COMPASS BEND OWNERS ASSOCIATION, INC., a North Carolina Nonprofit Corporation, which was organized under N.C.G.S. Section 47C-3-101.

1.5 Common Elements. All portions of the Condominium not encompassed and included within the Condominium Units. Limited Common Elements are Common Elements.

1.6 Common Expenses. Expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

1.7 Common Expense Liability. The liability for common expenses allocated to each Unit pursuant to N.C.G.S. Section 47C-2-107.

1.8 Condominium. The condominium created by this Declaration.

1.9 Declarant. Any person or group of persons acting in concert who (i) as part of a common promotional plan offers to dispose of his or its interest in a unit not previously disposed of or (ii) reserves or succeeds to any special declarant right. As used herein, the term "Declarant" shall mean and refer to T. J. N. CORPORATION, its successors and assigns, as the owner of the property. The rights of a person or entity as Declarant under this Declaration of Condominium and By-Laws of the Association shall be subject to all limitations and consents as shall be hereinafter set out in this Declaration.

1.10 Declaration. The Declaration of Condominium for COMPASS BEND CONDOMINIUM, and any and all amendments hereto.

1.11 Development Rights. Any right or combination of rights reserved by the Declarant in this Declaration to create Units, Common Elements or Limited Common Elements within the condominium; to subdivide Units or convert Units into Common Elements; or to withdraw real estate from the condominium.

1.12 **Dispose or Disposition.** A voluntary transfer to a purchaser of any legal or equitable interest in a Unit, but not a transfer or release of a security interest.

1.13 **Executive Board.** The body, regardless of name, designated in the Declaration to act on behalf of the Association. It shall be designated herein as the "Board of Directors" or "Board".

1.14 **Identifying Number.** A symbol or address that identifies only one Unit in the Condominium.

1.15 **Institutional Lender.** Banks, savings and loan associations, mortgage companies, mortgage insurers, mortgage guarantors, insurance companies, other firms or entities customarily affording loans secured by first liens on residences, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and eligible insurers and governmental guarantors.

1.16 **Lessees.** The party entitled to present possession of a leased Unit whether lessee, sublessee or assignee.

1.17 **Limited Common Elements.** A portion of the common elements allocated by this Declaration or by operation of N.C.G.S. Section 47C-2-102(2) or (4) for the exclusive use of one or more but fewer than all of the units. As used herein, the term "Limited Common Elements" shall also mean and refer to the following:

- a. Limited Common Elements as may be shown on the Plats and Plans recorded in Condominium Plat Book 11, Pages 147, 148, New Hanover County Registry, or as shown on in Exhibit "B" to this Declaration or otherwise by the Declarant.

1.18 **Occupant.** Any person or persons in possession of a Unit including unit owners, the family members, lessees, guests and invitees of such person or person and family members of such guests and invitees of such lessees.

1.19 **Person.** A natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or other legal or commercial entity.

1.20 **Purchaser.** Any person, other than the Declarant or a person in the business of selling real estate for his own account, who by means of a voluntary transfer acquires a legal or equitable interest in a Unit other than (i) a leasehold interest (including renewal options) of less than five years, or (ii) as security for an obligation.

1.21 **Residential purposes.** Use for dwelling or recreational purposes, or both.

1.22 **Security for an Obligation.** The vendor's interest in a contract for deed, mortgagee's interest in a mortgage, trustee's interest in a deed of trust, purchaser's interest under a Sheriff's certificate of sale during the period of redemption or the holder's interest in a lien.

1.23 **Security Holder.** Any person owning a Security for an obligation in a Unit.

1.24 **Special Declarant Rights.** Rights reserved herein and in the By-Laws for the benefit of the Declarant to complete improvements indicated on Plats and Plans filed with the Declaration (N.C.G.S. Section 47C-2-109); to exercise any development right (N.C.G.S. Section 47C-2-110); to maintain sales offices, management offices, signs advertising the condominium, and models (N.C.G.S. Section 47C-2-115); to use easements through the common elements for the purpose of making improvements within the condominium or within real estate which may be added to the condominium (N.C.G.S. Section 47C-2-116); to make the condominium part of a larger condominium (N.C.G.S. 47C-2-121); or to appoint or remove any officer of the Association or any executive board member during any period of declarant control (N.C.G.S. Section 47C-3-103 (d)).

1.25 **Unit.** A physical portion of the Condominium designed for separate ownership or occupancy, together with its percentage of undivided interest in the Common Elements as set forth in Exhibit "C". Each Unit is designated and delineated in the Plats and Plans.

1.26 **Unit Boundaries.** The boundaries of each Unit, both as to vertical and horizontal planes, as shown on the plats and plans, are the undecorated surfaces of the perimeter walls, exterior doors and exterior windows facing the interior of the Unit, the undecorated surface of the ceiling facing the interior of the Unit, and the topmost surfaces of the sub-flooring. The Unit shall accordingly include the decoration on all such interior and topmost surfaces, including, without limitation, all paneling, tiles, wallpaper, paint, finished flooring and any other materials constituting any part of the decorated surfaces thereof, and also includes all spaces, interior partitions and other fixtures and improvements within the Unit Boundaries as defined in the first sentence of this Paragraph 1.26. The delineation between items which are part of the Unit and items which are part of the Common Elements shall be as set out in N.C.G.S. Section 47C-2-102.

1.27 **Unit Owner.** The Declarant or other person who owns a Unit in fee simple, but does not include a person having an interest in a Unit solely as security for an obligation.

ARTICLE II

SUBMISSION OF PROPERTY TO THE ACT

- 2.1 **Submission.** Declarant hereby submits the Property to the Act.
- 2.2 **Name.** The Property shall hereafter be known as COMPASS BEND CONDOMINIUM.
- 2.3 **Division of Property into Separately Owned Units.** Declarant, pursuant to the Act, and to establish a plan of condominium ownership for the Condominium, does hereby divide the Property into twelve (12) units as shown on the Plats and Plans and does hereby designate all such Units for separate ownership.
- 2.4 **Limited Common Elements.** The Limited Common Elements serving or designed to serve each Unit are hereby allocated solely and exclusively to each such Unit as described in section 1.17.
- 2.5 **Plats and Plans.** The plat of the Condominium is recorded in Condominium Plat Book 11 at Pages 147, 148, New Hanover County Registry. The plat complies with N.C.G.S. Section 47C-2-109.
- 2.6 **Encumbrances.** The liens, defects and encumbrances on the Property to which the rights of Units Owners and Occupants are hereby made subject are set out on Exhibit "D" attached hereto.
- 2.7 **Condominium Ordinance.** The Condominium is not subject to any zoning, subdivision, building code, or other real estate use law, ordinance or regulation (ii) imposing conditions or requirements upon a condominium which are not imposed upon substantially similar developments under a different form of ownership. This statement is made pursuant to N.C.G.S. Section 47C-1-106 for the purpose of providing marketable title to the Units in the Condominium.

ARTICLE III

THE MANAGEMENT OF THE CONDOMINIUM

- 3.1 **Organization of Unit Owners' Association.** A unit owners' association known as COMPASS BEND OWNERS ASSOCIATION, INC., A North Carolina Nonprofit Corporation, has been organized to manage the Condominium. The

Association is hereby granted the authority to enforce the provisions of this Declaration, to levy and collect assessments as hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the Units and the Common Elements as the Board of Directors of the Association deems in the best interests of the Association.

3.2 **Powers of Unit Owners Association.** The Association shall have the powers set forth in N.C.G.S. Section 47C-3-102, subject to the restrictions set forth in N.C.G.S. Section 47C-3-102(b).

3.3 **Board of Directors and Officers.** Except as provided in the By-Laws, the members of the Board of Directors and the Officers shall be governed by the terms and conditions set forth in N.C.G.S. Section 47C-3-103.

3.4 **Management Agreements.** Any management agreement between the Declarant or the Association and a professional manager or any other agreement providing for services of the developer, sponsor, builder or Declarant shall not exceed a term of three (3) years and shall be subject to renewal by the consent of both parties and shall be consistent with Section 17.12 of this Declaration.

ARTICLE IV

EASEMENTS

4.1 **Encroachments.** If, by reason of the construction, reconstruction, rehabilitation or alteration of the improvements comprising a part of the Property, any part of the Common Elements now or hereafter encroaches upon any part of any Unit, or any part of any Unit now or hereafter encroaches upon any part of the Common Elements, or upon any part of another Unit, an easement for the continued existence and maintenance of each such encroachment is hereby declared and granted and shall continue for so long as each encroachment exists, subject to the terms of N.C.G.S. Section 47C-2-114. However, in no event shall an easement for such encroachment be created if the encroachment is detrimental to or interferes with the reasonable use and enjoyment of the Common Elements or Units so encroached upon.

4.2 **Easements Through Walls.** Easements are hereby declared and granted to the Association and to such persons as are authorized by the Association to install, lay, maintain, repair and replace any chutes, flues, ducts, vents, pipes, wires, conduits and other utility installations and structural components running through the walls of the Units, whether or not such walls lie in whole or in part within the boundaries of any Unit.

4.3 **Easements in Common Elements.** The Common Elements shall be, and the same are hereby declared to be subject to a perpetual non-exclusive easement in favor of all Unit Owners for use by them and their immediate families, guests and invitees for

all proper and normal purposes and for the furnishing of services and facilities for which the same are reasonably intended for the enjoyment of said Unit Owners.

Notwithstanding the above, the Association shall have the exclusive right to establish the rules and regulations pursuant to which the Unit Owners may be entitled to use the Common Elements, including the right to make permanent and temporary assignments of unassigned parking spaces and to establish regulations concerning the use thereof. The Declarant and the Association shall have the right to grant permits, licenses and easements over the Common Elements, for utilities, roads and other purposes necessary for the proper operation of the Property.

4.4 Easements to Repair, Maintain, Restore and Reconstruct. Wherever in, and whenever by, this Declaration, the By-Laws of the Association, or of the Act, a Unit Owner, the Association, the Board, or any other person is authorized to enter upon a Unit or the Common Elements to repair, maintain, restore or reconstruct all or any part of a Unit or the Common Elements, such easements as are necessary for such entry and such repair, maintenance, restoration or reconstruction are hereby declared and granted.

4.5 Declarant's Easement. Pursuant to N.C.G.S. Section 47C-2-116, Declarant hereby reserves such easements through the Common Elements as may be reasonably necessary to discharge its obligations, exercise Special Declarant Rights and complete the development and construction of the Condominium. The easements shall exist as long as reasonably necessary for such purposes.

4.6 Easement to Run With Land. All easements and rights described in this Article are appurtenant easements running with the land and, except as otherwise expressly provided in this Article, shall be perpetually in full force and effect and shall inure to the benefit of and be binding upon Declarant, the Association, Unit Owners, Occupants, Security Holders and any other persons having any interest in the Condominium or any part thereof. The Condominium and every part thereof shall be conveyed and encumbered subject to and together with all easements and rights described in this Article, whether or not specifically mentioned in any such conveyance or encumbrance.

ARTICLE V

EMERGENCY RIGHT OF ENTRY

5.1 In case of any emergency originating in or threatening any Condominium Unit, regardless of whether the Owner is then present, the Board of Directors of the Association, or any other person authorized by it, or the Managing Agent, shall have the right to immediately enter the Unit to remedy or abate the cause of the emergency. To facilitate such entry, each Unit Owner, if required by the Association, shall deposit a key to his Unit with the Association.

ARTICLE VI
RESTRICTIONS

6.1 Compliance Requirements. Each Unit Owner and Occupant shall comply with all applicable provisions of the Act, this Declaration, the By-Laws, and the rules and regulations promulgated by the Board or the Association, as amended. Failure to comply shall be grounds for an action by the Association, an aggrieved Unit owner or any person adversely affected for recovery of damages, injunction or other relief.

6.2 Use Restrictions.

(a) **Residential Purposes only.** The Units shall be occupied and used by Unit Owners and Occupants for residential purposes only.

(b) **Signs.**

(1) **By Unit Owners.** No "For Sale or "For Rent" signs or other window displays or advertising shall be maintained or permitted by any Unit Owner or Occupant on any part of the Condominium without the prior written consent of the Board.

(2) **By Declarant.** Declarant may maintain signs on the Common Elements advertising the Condominium until all Units have been conveyed to owners other than Declarant. Declarant shall remove all signs not later than thirty (30) days after all of the Units have been conveyed to owners other than Declarant and shall repair all damage done by removal of such signs. All such signs must comply with all applicable federal, state and local laws and ordinances.

(c) **Obstruction of Ways.**

(1) Common sidewalks, driveways, entrances or passageways shall not be obstructed or used by any Unit Owner for any purpose other than ingress to and egress from the Units.

(2) Unit Owners, members of their families, their guests, residents, tenants and/or lessees shall not use sidewalks, driveways, entrances or passageways as play areas.

- (d) **Personal Property in Common Elements.** Except as to the areas termed Limited Common Elements, no article of personal property shall be placed on or in any of the Common Elements except for those articles of personal property which are the common property of all of the Unit Owners.
- (e) **Parking of Vehicles.** No vehicle belonging to or being under the control of a Unit Owner or a member of the family or a guest, tenant, lessee or employee of a Unit Owner shall be parked in such manner as to impede or prevent ready access to any entrance to or exit from a building.
- (f) **Disturbances.** Unit Owners and Occupants shall exercise reasonable care to avoid making or permitting to be made loud, disturbing or objectionable noises and in using, playing, or permitting to be used or played musical instruments, radios, phonographs, television sets, amplifiers and any other instruments or devices in such manner as may disturb or tend to disturb Unit Owners, tenants or Occupants of other Units.
- (g) **No Liability for Storage of Articles.** The Association assumes no liability for, nor shall it be liable for, any loss or damage to articles stored in the Common Elements or other storage areas.
- (h) **Plants.** No Unit Owner shall remove plants of any description from the Property without the prior written consent of the Board of Directors. Any Unit Owner wishing to plant flowers, trees, or shrubs outside of his limited common area must obtain written permission from the Association.
- (i) **No Subdivision of Units.** Except for subdivisions of Units by Declarant pursuant to N.C.G.S. Section 47C-2-110, no Unit may be subdivided into a smaller dwelling unit or added to or incorporated into any other Unit except with the unanimous written approval of all members of the Association. Any such permitted subdivision of Units shall be pursuant to N.C.G.S. Section 47C-2-113.
- (j) **Allocation of Common Elements, Interests, Votes and Common Expense Liabilities.** The allocation of Common Elements, Interests, Votes and Common Expenses liabilities shall be pursuant to N.C.G.S. Section 47C-3-107 and as set forth on Exhibit "C" attached hereto and incorporated herein by reference. Each Unit in the Condominium shall have appurtenant thereto an

Allocated Interest in the Common Elements and Common Expense Liability equal to the share of every other Unit, except for minor deviations due to rounding off of percentages. Each Unit will have one vote in the Association. Nothing herein contained shall be construed as limiting or preventing ownership of any Condominium Unit and its appurtenant undivided interest in the Common Elements by more than one person or entity as tenants in common, joint tenants or as tenants by the entirety. The Allocated Interests are subject to reallocation as provided in Section 14.6 below.

- (k) **Conveyance or Encumbrance of Common Elements.** Any conveyance or encumbrance of the Common Elements shall be pursuant to N.C.G.S. Section 47C-3-112.
- (l) **No Immoral Purposes.** No immoral, improper, offensive or unlawful use shall be made of any Unit or of the Common Elements, or any part thereof; and all laws, ordinances and regulations of all governmental authorities having jurisdiction of the Condominium shall be observed.
- (m) **Units Owned by Corporations.** A Corporate member other than the Declarant shall restrict use of its Units to its principal officers or directors or their guests, or to lessees. Such corporate member shall annually sign and deliver to the Association a written statement naming the parties entitled to use its Units, together with a written covenant of the user agreeing to comply with the provisions of this Declaration, the By-Laws and the Rules and Regulations and acknowledging that the right of use shall exist only so long as the corporation remains a member of the Association. Upon demand by the Association for any reason, the corporate member shall promptly remove the user within ten (10) days of receipt of notice, failing which the Association, as agent of the Unit Owner, may take whatever actions it deems appropriate to remove the user. All costs incident to such action, including court costs and attorney's fees, shall be assessed against the Unit and Unit Owner involved, and shall become a lien against such Unit, to the same extent allowed under Article VII of this Declaration.
- (n) **Structural Modifications.** Without the prior written consent of the Association, no Unit Owner shall permit any structural modification or alteration to his Unit. Such consent may be withheld if a majority of the Board of Directors determines that the modifications or alterations would in any manner adversely

affect the Condominium or any Unit Owner. No Unit Owner shall cause any modifications or alterations to be made to the exterior of the Condominium, including painting or other decoration, or the installation of electrical wiring, television or radio antennae, machines or air conditioning units, which may protrude through the walls or roof of the condominium, or in any manner change the appearance of any portion of the building not within the walls of each Condominium Unit.

(o) **Sales Offices.** Other provisions of this Declaration or the By-Laws notwithstanding, Declarant may maintain offices for the sale or units in the Condominium and models, all pursuant to N.C.G.S. Section 47C-2-115. **Unit Number _____ shall be used as a model and or sales office.** Declarant shall have the right to (1) relocate, discontinue and reestablish within the Condominium any such offices or models until all Units have been conveyed to Unit Owners other than a Declarant; and (2) change the use of such offices or models, provided that they shall be used only for sales purposes or models. The total number of such offices or models maintained at any time by a Declarant shall not exceed the number set out above, and the size of any such relocated or reestablished office or model shall not exceed the size of the largest Unit in the Condominium.

(p) **Management Office.** Other provisions of this Declaration or the By-Laws notwithstanding, the Declarant may maintain an office in the Condominium for management of the Condominium pursuant to N.C.G.S. Section 47C-2-115.

6.3 **Hazardous or Unlawful Use or Waste.** Nothing shall be done to or kept in any Unit or on or about the Common Elements or Limited Common Elements that will increase any rate of, or result in the cancellation of, insurance maintained with respect to the Condominium, or that would be in violation of any law, or that will result in the commitment of waste (damage, abuse or destruction) to or in any Unit or the Common Elements or Limited Common Elements.

6.4 **Alterations to Units.** A Unit may be altered pursuant to the provisions of N.C.G.S. Section 47C-2-111. The boundaries between adjoining Units may be relocated pursuant to N.C.G.S. Section 47C-2-112.

6.5 **Alterations To Common Elements.** No Unit Owner or Occupant, except Declarant during the Declarant Control Period, shall alter or construct, anything upon or remove anything from the Common Elements or paint, decorate, landscape or adorn any portion of the Common Elements without the prior written consent of the Board.

6.6 **Rules and Regulations.** In addition to these covenants, Rules and Regulations not in conflict herewith and supplementary hereto may be promulgated and amended from time to time by the Board or the Association, as more fully provided in the By-Laws.

6.7 **Covenants To Run with Land.** Each unit Owner and Occupant shall be subject to all restrictions, conditions and covenants of this declaration, all of which shall be deemed to be covenants running with the land binding every person having any interest in the Property and inuring to the benefit of all such persons.

6.8 No boats, trailers, bicycles scooters, baby carriages, or similar vehicles or toys or other personal articles shall be allowed to stand in any of the Common Elements.

6.9 Each Unit Owner shall keep such Owner's Unit in a good state of preservation and cleanliness and shall not sweep or throw or permit to be swept or thrown therefrom, or from the doors or windows thereof, any dirt or other substance.

6.10 No shades, window treatments, awnings, window guards, ventilators, fans, or air conditioning devices shall be used in or about the units except as shall have been approved by the Board.

6.11 All garbage and refuse from the Units shall be deposited with care in garbage containers intended for such purposes, only at such times and in such manner as the Board may direct.

6.12 No bird or animal shall be kept or harbored in the Unit or on the Property unless the same in each instance be expressly permitted in writing by the Board. In no event shall dogs be permitted in any of the Common Elements unless carried or on leash. The unit owner shall indemnify the Association and hold it harmless against any loss or liability of any kind or character whatsoever arising from or growing out of having any animal in the Unit or on the Property.

6.13 No industry, business, trade, occupation, or profession of any kind, commercial, educational, or otherwise, designed for profit, altruism, or otherwise, shall be conducted, maintained, or permitted in any Unit on any part of the Property.

6.14 All radio, television or other electrical equipment of any kind or nature installed or used in each Unit shall fully comply with all rules, regulations, requirements, or recommendations of the Board of Fire Underwriters and the public authorities having jurisdiction, and the Unit owner alone shall be liable for any damage or injury caused by any radio, television, or other electrical equipment in such Unit.

6.15 The agents of the Board and any contractor or workman authorized by the Board may enter any room or unit in the building at any reasonable hour of the day after notification (except in case of emergency) for the purpose of inspecting such Unit for the

presence of any vermin, insects, or other pests and for the purpose of taking such measures as may be necessary to control or exterminate any such vermin, insects or other pests.

6.16 All damage to the Units caused by the moving or carrying of any article therein shall be paid by the Unit Owner responsible for the presence of such article.

6.17 The Unit Owners shall not be allowed to put their names on any entry of the Units except in the proper places provided for such purpose.

6.18 White mini-blinds must be installed by each Unit Owner on all windows of his unit and must be maintained in such windows at all times.

6.19 Any damage to the buildings, recreational facilities, or other Common Elements or equipment caused by children or their guests shall be repaired at the expense of the Unit Owner parent.

6.20 No motor vehicles without a current inspection certificate, or any other type of junked or non-operable motor vehicle shall be permitted on the Common Elements or Limited Common Elements.

6.21 These use restrictions may be amended to or repealed at any time by the Association in accordance with the Act, this Declaration, and the By-Laws.

ARTICLE VII

ASSESSMENTS

7.1 Budget.

- (a) **Adoption by Board.** The Board of Directors of the Association shall establish, in advance, an Annual Budget for each fiscal year, which shall correspond to the calendar year, except that in the initial year of operation the fiscal year shall commence with the closing of the sale of the first Unit or with the decision by the Board to make Common Expense assessments, whichever is later. The budget shall project all expenses for the forthcoming year required for the proper operation, management and maintenance of the Condominium, including a reasonable allowance for contingencies and reserves. It shall take into account projected anticipated income, which is to be applied in reduction of the amount required to be collected as an assessment each year. The Board of Directors shall keep items relating to operations and maintenance separate from items relating to capital improvements,

included as Common Expenses shall be the cost of maintaining leaseholds, memberships and other possessory or use interests in lands or facilities to provide enjoyment, recreation or other use or benefit to Unit Owners, all as may be now or hereafter acquired by lease or agreement in form and content, and containing provisions, satisfactory to the Board of Directors.

(b) **Copy to Unit Owners.** Upon adoption of the budget by the Board of Directors, a copy of it shall be delivered to each Unit Owner, and the assessment for that year shall be established based upon it. However, the failure of the Board, or delay by it, in preparing the Budget, or its failure to deliver a copy of the Budget to each Unit Owner, shall not affect the liability of any Unit Owner to pay assessments whenever the same shall be determined and levied by the Board.

(c) **Funds and Reserves.** The Board of Directors shall designate in the Budget sums to be collected from assessments and maintained as reserve to cover repairs, replacements and other general operating expenses, maintenance items and working capital. WHEN TITLE IS CONVEYED TO A UNIT OWNER, HE SHALL CONTRIBUTE TO THE ASSOCIATION, AS A WORKING CAPITAL RESERVE, AN AMOUNT EQUAL TO THREE MONTHS COMMON EXPENSE ASSESSMENT. Such funds shall be used solely for initial operating and capital expenses of the Association, such as pre-paid insurance, supplies, maintenance of the Common Elements, furnishings and equipment and similar matters. Upon selection of the regular management agent, the interim management agent shall pay all unused funds to the account of the Association and provide an accounting of all revenues and expenditures. Amounts paid into the working capital fund are not to be considered as advance payment of regular assessments. All monies collected by the Association shall be treated as the separate property of the Association and may be applied by the Association to the payment of any expense of operating and managing the Condominium, or to the proper undertaking of all acts and duties imposed upon it by virtue of this Declaration, and the By-Laws. Monies so paid to the Association by any Unit Owner may be commingled with monies paid to it by the other Unit Owners.

7.2 Assessments for Common Expenses.

(a) Until the Association makes a Common Expense assessment, the Declarant shall pay all the Common Expenses. After any

