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7. Assessments.

7.1 Not less than forty-five (45) days prior to the end of each calendar year, the BOARD shall estimate the net costs required to be paid by the BOARD during the upcoming calendar year in performing its duties with respect to the COMMON AREAS and the UNITS thereon and the ASSOCIATION PROPERTY. The BOARD shall separately estimate the net costs required with respect to the COMMON AREAS in each PHASE, and shall separately estimate the net costs required with respect to the ASSOCIATION PROPERTY. The estimate made for the ASSOCIATION PROPERTY shall include the cost of the insurance referred to in Section 5.4 hereof, all expenses and costs relating to the ASSOCIATION PROPERTY and fees and expenses determined by the BOARD to be for the

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general benefit of all the COMMON AREAS, such as fees paid or to be paid to a Manager for the ASSOCIATION. In each case, the estimated net costs shall include a reasonable fund for contingencies, less any surplus available from prior years. The separate estimates for the COMMON AREAS in each PHASE shall not include estimates for costs of the ASSOCIATION included in estimates made with respect to ASSOCIATION PROPERTY.

All such estimated net costs shall be assessed to the OWNERS prior to December 1 of each year for the following year in accordance with the procedure set forth below and in the BYLAWS.

7.2 All the OWNERS shall share the assessments made with respect to the ASSOCIATION PROPERTY in the manner set forth below, it being the intention of Declarant that the OWNERS located in each PHASE (including Phase One and each PHASE which has been duly annexed pursuant to Section 14 hereof) will bear their proportionate share of such assessments based equally on the number of UNITS in the PHASE and the number of rooms in such UNITS.

(a) The OWNERS owning UNITS within each PHASE shall bear, in the aggregate, a portion of such assessment determined by use of the formula set forth below:

$$\left(\frac{U}{TU} \text{ times } Z \right) + \left(\frac{R}{TR} \text{ times } Z \right) = A$$

where,

U = the number of UNITS located in the PHASE,

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- TU = the total number of UNITS in all PHASES,
- Z = one half (1/2) of the total assessment to be levied on account of the ASSOCIATION PROPERTY,
- R = the aggregate number of rooms in all the UNITS in the PHASE,
- TR = the aggregate number of rooms in all the UNITS in all the PHASES,
- A = the portion of such assessment allocable in the aggregate to the OWNERS owning UNITS located in the PHASE.

(b) In determining the number of rooms in each UNIT, only dining rooms or areas, kitchens, living rooms and bedrooms shall be counted, and bathrooms, closets, hallways and patios shall not be counted. In Phase One the number of UNITS is 102, and the aggregate number of rooms is 472.

(c) The OWNERS shall be responsible for payment of that portion of the assessment made with respect to the ASSOCIATION PROPERTY which is allocated to the PHASE in which their UNITS are located in the ratio they hold undivided interests in the COMMON AREAS in such PHASE.

7.3 The OWNERS shall also be responsible for payment of the assessment levied solely with respect to the COMMON AREAS in the PHASE in which their UNITS are located in the ratio they hold undivided interests in the COMMON AREAS in such PHASE.

7.4 If the BOARD determines during any year that it requires funds in excess of such estimated net costs

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in order to carry out its duties under this Declaration or the ARTICLES or the BYLAWS (including the failure of an OWNER to pay his assessments or the decision of the BOARD to make capital improvements permitted by Sections 5.8 and 5.9 hereof), it shall determine such excess funds and shall assess the OWNERS as provided in the BYLAWS.

7.5 Each OWNER shall be obligated, and by accepting a deed to a CONDOMINIUM agrees, to pay assessments levied pursuant to this Section 7 or the BYLAWS in accordance with the payment schedule set forth by the BOARD pursuant to the BYLAWS.

8. Liens.

The BOARD shall have the authority to create a lien, with power of sale, on the CONDOMINIUM of an OWNER or OWNERS to secure payment of the amount of any assessment assessed to the OWNER or OWNERS thereof hereunder by complying with the appropriate provisions set forth in BYLAWS; provided, that no judicial action shall be brought to foreclose such lien or proceed under the power of sale less than thirty (30) days after a copy of the notice of assessment (as provided in the BYLAWS) is mailed to the OWNER of such CONDOMINIUM at his address appearing on the records of the ASSOCIATION. Such notice of assessment may be filed and an action may be brought to foreclose the same or exercise the power of sale by the BOARD only. Reasonable

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attorneys' fees and expenses in connection with collection of debt secured by such lien and the foreclosure thereof shall be paid by the OWNER against whom such notice of assessment is filed. The creation of such lien and the rights to foreclose and sell shall be in addition to and not in substitution for all other rights and remedies which the OWNERS and the BOARD may have hereunder and by law. A certificate, executed and acknowledged by a majority of the BOARD confirming the existence of the indebtedness secured by the lien upon any CONDOMINIUM, shall be conclusive upon the OWNERS as to the amount of such indebtedness on the date of the certificate and as to all persons who rely thereon in good faith, and such a certificate shall be furnished to any OWNER upon request at a reasonable fee, not to exceed Fifteen Dollars (\$15.00).

9. MORTGAGE Protection.

Notwithstanding all other provisions of this Declaration:

9.1 The liens authorized to be created hereunder or by law upon a CONDOMINIUM in the PROJECT shall be subject and subordinate to, and shall not affect the rights of the obligee of any indebtedness secured by a FIRST MORTGAGE upon such CONDOMINIUM made in good faith and for value; provided, that after the foreclosure of any such FIRST MORTGAGE, the BOARD shall have the authority to create, in the manner prescribed in Sections 7 (Assessments) and 8 (liens) hereof,

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a lien on the interest of the purchaser at the foreclosure sale to secure all assessments levied hereunder for, or payable during, any period after the date of the foreclosure sale, which lien shall have the same effect and may be enforced in the same manner as provided herein in the case of other liens for unpaid assessments.

9.2 No amendment to any part of this Declaration shall affect the rights of the MORTGAGEE of any MORTGAGE recorded prior to recordation of such amendment who does not join in the execution thereof.

10. Damage and Destruction.

The provisions of this Section 10 shall govern the repair and rebuilding of the COMMON AREAS and the ASSOCIATION PROPERTY, if any part thereof is damaged by fire or other casualty, and shall also apply to the collection, holding, application and disposition of the proceeds of any insurance policy or coverage obtained pursuant to this Declaration, or under which the insurance proceeds are to be paid to or for the account of the ASSOCIATION or under which the BOARD has control of the disposition of such proceeds. Where provision is made in this Declaration for the payment and distribution of all or any portion of any insurance proceeds to all the then OWNERS, the payment to said OWNERS shall be in accordance with and based upon the ratio in which they are liable for

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any assessments which may be levied pursuant to Section 7.2 hereof; but if an OWNER's interest in the PROJECT is subject to one or more MORTGAGES, the share of said OWNER shall be paid to the various MORTGAGEES thereunder, in order of priority, to the extent necessary to satisfy the obligations secured thereby, rather than to the OWNER. The balance of an OWNER's share, if any, remaining after such payment shall be paid to such OWNER.

10.1 Subject to Section 10.2 hereof, if all or any part of the COMMON AREAS or of the ASSOCIATION PROPERTY is damaged by fire or other casualty (the "Damaged Area"), the following provisions shall govern the repair and rebuilding thereof as well as the collection, holding, application and distribution of the proceeds of any insurance policy payable to or for the account of the ASSOCIATION on account of such damage.

(a) After estimating the costs of repair pursuant to Section 10.3 hereof, the BOARD shall contract to repair or rebuild the Damaged Area. Any insurance proceeds received on account of such Damaged Area shall be deposited by the BOARD with a bank or a savings and loan association to be held, used and disbursed to rebuild and repair the Damaged Area as the work progresses or on completion pursuant to such contract as shall be entered into by the BOARD.

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(b) If the insurance proceeds received on account of the Damaged Area are insufficient to pay all the costs of repairing and rebuilding the Damaged Area, the BOARD shall levy a special assessment on all OWNERS to make up any deficiency in accordance with the ratio in which they are liable for any assessment which may be levied pursuant to Section 7.2 hereof. In the event the total insurance proceeds actually received exceed the cost of rebuilding and repairing such damage, the excess shall be paid and distributed to all the then OWNERS in accordance with the same ratio. The repair or rebuilding contemplated by this Section 10.1 shall restore the Damaged Area to its condition existing immediately prior to such damage, and shall be commenced within one hundred twenty (120) days following receipt of the proceeds of any such insurance by the BOARD. In the event that the repair or rebuilding of the Damaged Area is not commenced within said one hundred twenty (120) day period, then such proceeds shall be paid and distributed to all the then OWNERS as provided above.

10.2 Notwithstanding Section 10.1 hereof,

(a) if a special assessment under Section 10.1(b) hereof would be necessary in order to pay for repair of the Damaged Area, and if the imposition of such an assessment would require any OWNER to pay more than One Thousand Dollars (\$1,000) with respect to any one UNIT which he owns; or

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(b) if three-fourths (3/4) or more of the entire PROJECT (including all PHASES) has been destroyed or substantially damaged,

then the proceeds from such insurance policies shall be deposited forthwith by the BOARD with a bank or savings and loan association selected by the BOARD as trustee for the OWNERS. Within thirty (30) days following the delivery of such proceeds to such trustee, the BOARD shall properly call and hold a special meeting of the MEMBERS, and a vote of the MEMBERS shall be held to determine whether to rebuild and repair the Damaged Area or to decline to repair and rebuild. In the event MEMBERS representing a majority of the voting power of the ASSOCIATION on matters relating to the PROJECT as a whole (Section 16.1) vote to repair and rebuild the Damaged Area, the BOARD shall proceed in accordance with the procedure set forth in Sections 10.1(a) and (b) hereof and such rebuilding and repair shall commence within ninety (90) days of such vote. In the event MEMBERS representing such a majority of the voting power do not vote to rebuild and repair the damage, the proceeds of the insurance policies shall be distributed to the OWNERS and their MORTGAGEES as their interests may appear in accordance with the first paragraph of Section 10 hereof. The absence of a vote to rebuild and repair shall constitute, without a further vote, a valid election by the OWNERS to waive the prohibition against partition contained in Section 4.1 hereof. Upon executing, acknowledging and

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recording the certificate described in Section 4.2 hereof, the Board shall have and exercise the irrevocable power of attorney described in Section 4.3 hereof to sell or otherwise dispose of the PROJECT and distribute the proceeds thereof in accordance with said Section 4.2.

10.3 As soon as is practicable following damage to the Damaged Area, the BOARD shall obtain firm bids from two (2) or more reputable contractors to rebuild and repair the Damaged Area so as to restore it to its condition existing immediately prior to such damage. Such bids shall be used by the BOARD in estimating the cost of repairing and rebuilding the Damaged Area and shall be presented to any meeting of the MEMBERS where one of the purposes of such meeting is to determine whether or not to rebuild and repair such damage.

10.4 This Section 10 shall not be deleted or amended without the written consent or vote of the holders of at least ninety percent (90%) of the voting power of the ASSOCIATION on matters relating to the PROJECT as a whole (Section 16.1), and of at least ninety percent (90%) of the MORTGAGEES.

11. Restrictions on Use of the UNITS, the COMMON AREAS and the ASSOCIATION PROPERTY.

In addition to regulations established by law and regulations which may from time to time be promulgated

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by the BOARD, the following restrictions shall be observed
by the OWNERS:

11.1 UNITS. Restrictions relating to the
use of the UNITS are as follows:

(a) Each UNIT shall be used for
single family residential purposes only and no person under
eighteen (18) years of age may reside in any UNIT; provided,
that the prohibition as to age shall be applicable only to
Phase One and not to any subsequent PHASE unless the
Declaration of Annexation recorded in connection therewith
specifically so provides. "Residential purposes" shall be
construed to include lease or rental of a UNIT for a
minimum period of one (1) year, but in no event shall
include use of the UNIT as a hotel, motel, boarding house
or the like, nor shall any lessee of a UNIT be furnished
by the OWNER or lessor of the UNIT with meals, periodic
fresh bed linen or towels, eating utensils and the like.
As further restrictions on the leasing of any UNIT, each
OWNER who leases his UNIT shall (i) immediately notify the
BOARD of such lease and provide the BOARD with a copy of
any written lease, or if there is no written lease, with a
written description of all the terms of any oral lease of
a UNIT; (ii) provide the BOARD with the full names and previous
residence addresses of all persons residing in a UNIT leased
by such OWNER; and (iii) within ten (10) days after the
commencement of any such lease, submit to the BOARD a
statement signed by the lessee or lessees of such UNIT,
on a form provided by the BOARD, in which such lessees agree

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to abide by all the provisions of this Declaration as well as all rules and regulations promulgated by the BOARD affecting the PROJECT. Any breach by such a lessee of this Declaration, the ARTICLES, the BYLAWS or rules and regulations promulgated hereunder by the BOARD shall be considered to be a breach by the OWNER of the UNIT which such lessee is leasing.

(b) Each OWNER, at his sole cost and expense, shall maintain his UNIT so that the same does not deteriorate so as to be dangerous or to present a hazard to any other UNIT or to the PROJECT.

(c) Subject to the restrictions contained in this Section 11, each OWNER may paint, decorate furnish and model his UNIT as he may see fit, provided, of course, that this right refers only to interior surfaces and to the air space within his UNIT, and specifically does not include the exterior surface of doors or other portions of the COMMON AREAS.

(d) No more persons may reside in any UNIT than the sum of the number of bedrooms and the number of living rooms in such UNIT.

11.2 COMMON AREAS AND ASSOCIATION PROPERTY. Restrictions relating solely to the use and occupancy of COMMON AREAS and the ASSOCIATION PROPERTY are as follows:

(a) There shall be no obstruction of the COMMON AREAS or the ASSOCIATION PROPERTY nor shall any-

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thing be stored thereon without the prior written consent of the BOARD except as hereinafter expressly provided.

(b) Nothing shall be altered or constructed in or removed from the COMMON AREAS or the ASSOCIATION PROPERTY, except upon the written consent of the BOARD.

11.3 General. Restrictions governing the use of the PROJECT generally, and certain obligations of OWNERS, are as follows:

(a) Nothing shall be done or kept in any part of the PROJECT which will increase the rate of insurance on the PROJECT without the prior written consent of the BOARD. No OWNER shall permit anything to be done or kept in the PROJECT which will result in the cancellation of any insurance referred to above or any portion thereof or which would be in violation of any law; and no waste shall be committed in the COMMON AREAS or on the ASSOCIATION PROPERTY.

(b) No sign of any kind shall be displayed to the public view on or from any part of the PROJECT, including any UNIT, without the prior written consent of the BOARD, except that "For Sale" or "For Rent" signs of customary and reasonable dimensions may be displayed.

(c) No animals (including household pets), livestock or poultry of any kind shall be raised, bred, or kept in the PROJECT.

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(d) No noxious or offensive activity shall be carried on in any part of the PROJECT, nor shall anything be done therein which may be or become, in the judgment of the BOARD, an unreasonable annoyance or nuisance to the other OWNERS.

(e) Subject to Section 15 hereof, nothing shall be done in, on, or to the PROJECT which will impair the structural integrity of any building or which would structurally change any building without the prior written consent of the BOARD.

(f) No drilling or mining operations of any kind shall be permitted upon or in any portion of the PROJECT.

(g) Each OWNER of a UNIT shall be obligated to pay any and all assessments for water, sewage, gas, electricity, other utilities, taxes and other charges assessed individually against such UNIT.

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