

any damage caused thereby shall be repaired by the Board, as a Common Expense.

2.09 SEPARATE MORTGAGES: Each Owner shall have the right, subject to the provisions herein, to make a separate mortgage or encumbrance or other lien on his respective Unit Ownership. No Owner shall have the right or authority to make or create, or to cause to be made or created, any mortgage or encumbrance or other lien on or affecting the Property or any part thereof, except only to the extent of his Unit Ownership.

2.10 REAL ESTATE TAXES: Real estate taxes, special assessments, and any other special taxes or charges of the State of Illinois or any duly authorized subdivision or agency thereof, are to be separately taxed to each Owner for his Unit Ownership, as provided in the Act. In the event that for any year a tax bill is issued with respect to a portion of the Property other than on a Dwelling Unit by Dwelling Unit basis, then:

- (a) The Owners of Dwelling Units in the Building shall be responsible for the payment of that portion, if any, of the bill which is allocable to the Dwelling Units in the Building where the Dwelling Units have not been separately taxed but where other Dwelling Units in the Property have been separately taxed. In such case the amount payable by each Owner shall be based on the relative Undivided Interests of the affected Dwelling Units; and
- (b) Where the bill affects the Property as a whole or portions of the Common Elements and not Dwelling Units, then each Owner shall pay his proportionate share thereof in accordance with his Undivided Interest.

Upon the affirmative vote of Voting Members representing a majority of the votes in the Residential Association, the Board, on behalf of all Owners, shall have the authority to seek relief for the Owners from any such taxes, special assessments or charges, and any expenses incurred in connection therewith shall be Common Expenses.

2.11 LEASE OF DWELLING UNIT: Any Owner shall have the right to lease all (but not less than all) of his Dwelling Unit upon such terms and conditions as the Owner may deem advisable, except that no Dwelling Unit shall be leased for transient or hotel purposes, which are hereby defined as being for a period of less than thirty (30) days or for a period of more than thirty (30) days where hotel services normally furnished by a hotel (such as room service or maid service) are furnished. Any such lease shall be in writing, a copy of which must be delivered to the Association, and shall provide that the lease shall be subject to the terms of this Declaration and that any failure of the lessee to comply with the terms of this Declaration shall be a default under the lease.

ARTICLE THREE

Use, Occupancy and Maintenance of the Property

3.01 MAINTENANCE, REPAIR AND REPLACEMENT OF COMMON ELEMENTS:

- (a) Except as otherwise specifically provided in this Declaration, decorating, maintenance, repair and replacement of the Common Elements shall be furnished by the Board as part of the Common Expenses.

- (b) With respect to a particular category or class of Limited Common Elements (other than the Exclusive Limited Common Elements appurtenant to a Dwelling Unit), instead of furnishing the maintenance, repair or replacement of such category or class of Limited Common Elements as a Common Expense, the Board may, in its discretion, (i) require each owner to furnish such services to the Limited Common Elements which are appurtenant to his Dwelling Unit at his own expense, or (ii) furnish such services to the Limited Common Elements but assess the cost thereof directly to the Owners of Dwelling Units benefited thereby on the basis of Undivided Interests or in equal shares, whichever the Board feels, in its sole discretion, to be appropriate.

3.02 MAINTENANCE, REPAIR AND REPLACEMENT OF DWELLING UNITS AND EXCLUSIVE LIMITED COMMON ELEMENTS:

- (a) Each Owner shall furnish and be responsible, at his expense, for all of the maintenance, repairs and replacements within his Dwelling Unit and the Exclusive Limited Common Elements appurtenant thereto and shall keep them in good condition and repair. The Board may, in its discretion, cause maintenance services to be performed within a Dwelling Unit or to the Exclusive Limited Common Elements appurtenant thereto upon the request of an Owner and may charge a reasonable fee for such services.
- (b) Whenever the Board shall determine, in its discretion, that any maintenance, repair, or replacement of any Dwelling Unit or the Exclusive Limited Common Elements appurtenant thereto is necessary to protect the Common Elements or any other portion of the Property (i) if such work is made necessary through the fault of the Owner, then the Board may direct the Owner thereof to perform such maintenance, repair, or replacement and pay the cost thereof, or (ii) if such work is made necessary through no fault of the Owner, then the Board may cause the work to be done and the cost thereof shall be a Common Expense. If an Owner fails or refuses to perform any such maintenance, repair, or replacement within a reasonable time after so directed by the Board pursuant to the preceding sentence, then the Board may cause such maintenance, repair, or replacement to be performed at the expense of such Owner. The determination of whether or not the work is made necessary through the fault of the Owner shall be made by the Board and such determination shall be final and binding.

3.03 ADDITIONS, ALTERATIONS OR IMPROVEMENTS:

- (a) The Board may authorize and charge as a Common Expense (or in the case of Limited Common Elements may charge the Owners benefited thereby) additions, alterations, or improvements to the Common Elements. Subject to the provisions of Section 6.06, the cost of any such work to the Common Elements may be paid out of a special assessment.
- (b) No additions, alterations or improvements shall be made by an Owner to any part of the Common Elements and no additions, alterations or improvements shall be made by an Owner to his Dwelling Unit or to the Limited Common Elements appurtenant thereto (where such work alters the structure of the Dwelling Unit or increases the cost of insurance required to be carried by the Board hereunder) without the prior written

consent of the Board. The Board may (but shall not be required to) condition its consent to the making of an addition, alteration or improvement by an Owner upon the Owner's agreement either (i) to be solely responsible for the maintenance of such addition, alteration or improvement, subject to such standards as the Board may from time to time set, or (ii) to pay to the Association from time to time the additional cost of maintenance and/or insurance as a result of the addition, alteration or improvement. If an addition, alteration or improvement is made by an Owner without the prior written consent of the Board, then the Board may, in its discretion, take any of the following actions:

- (1) Require the Owner to remove the addition, alteration or improvement and restore the Property to its original condition, all at the Owner's expense; or
- (2) If the Owner refuses or fails to properly perform the work required under (1), the Board may cause such work to be done and may charge the Owner for the cost thereof as determined by the Board; or
- (3) Ratify the action taken by the Owner, and the Board may (but shall not be required to) condition such ratification upon the same conditions which it may impose upon the giving of its prior consent under this Section.

3.04 DAMAGE CAUSED BY OWNER: If, due to the act of or the neglect of an Owner, a household pet, a guest, tenant or other authorized occupant or invitee of such Owner, damage shall be caused to a part of the Property and maintenance, repairs or replacements shall be required which would otherwise be a Common Expense, then such Owner shall pay for such damage and such maintenance, repairs, and replacements, as may be determined by the Board, to the extent not covered by insurance, if any, carried by the Residential Association.

3.05 USE RESTRICTIONS: Except as otherwise provided herein, each Dwelling Unit shall be used only as a residence; provided that no Unit Owner shall be precluded with respect to his Dwelling Unit from (i) maintaining a personal professional library, (ii) keeping his personal business records or accounts therein or (iii) handling his personal business or professional calls or correspondence therefrom.

3.06 FLOOR COVERING: The Board may require the Owner to use a floor covering in his

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the Board.

3.07 MECHANIC'S LIENS: The Board may cause to be discharged any mechanic's lien or other encumbrance which, in the opinion of the Board, may constitute a lien against the Property or Common Elements, rather than against a particular Unit Ownership. When less than all the Owners are responsible for the existence of any such lien, the Owners responsible shall be jointly and severally liable for the amount necessary to discharge the same and for all costs and expenses (including attorney's fees and expenses) incurred by reason of such lien.

3.08 USE AFFECTING INSURANCE: Nothing shall be done or kept in any Dwelling Unit or in the Common Elements which will increase the rate of insurance on the Property or contents thereof,

applicable for residential use, without prior written consent of the Board. No Owner shall permit anything to be done or kept in his Dwelling Unit or in the Common Elements which will result in the cancellation of insurance on the Property, or contents thereof, or which would be in violation of any law.

3.09 SIGNS: Except as provided in Article Ten or permitted by the Board, no "For Sale," "For Rent" or other solicitation or advertising sign or window display shall be maintained or permitted on the Property.

3.10 ANIMALS: No more than one (1) pet may be kept in any Dwelling Unit. The Board may from time to time adopt rules and regulations governing the keeping of pets in the Dwelling Units. Such rules and regulations may prohibit certain species of pets from being kept in the Dwelling Units and may provide that any pet causing or creating a nuisance or unreasonable disturbance shall be permanently removed from a Dwelling Unit upon three (3) days' written notice from the Board to the Owner of the Dwelling Unit containing such pet, and the decision of the Board shall be final.

3.11 STRUCTURAL IMPAIRMENT: Nothing shall be done in, on or to any part of the Property which would impair the structural integrity of the Building or structure located on the Property.

3.12 PROSCRIBED ACTIVITIES: No noxious or offensive activity shall be carried on in the Property and nothing shall be done in the Property, either willfully or negligently, which may be or become an annoyance or nuisance to the Owners or occupants of the Dwelling Units. An Owner shall not place or cause to be placed in the lobbies, vestibules, stairways, and other Common Elements of a similar nature, any furniture, packages or objects of any kind. Such areas shall be used for no other purpose than for normal transit through them.

3.13 NO UNSIGHTLY USES: No clothes, sheets, blankets, laundry of any kind, or other similar articles shall be hung out on any part of the Common Elements except as permitted by rules and regulations of the Board. The Property shall be kept free and clear of all rubbish, debris and other unsightly materials and no waste shall be committed thereon. All rubbish shall be deposited in such areas and such receptacles as shall be designated by the Board.

3.14 RULES AND REGULATIONS: The use and enjoyment of the Property shall be subject to reasonable rules and regulations duly adopted by the Board from time to time; provided that no rule or regulation shall be effective unless and until at least ten (10) days' notice thereof is given to all owners.

3.15 PARKING: Any parking area, or other portion of the Property allocated to parking purposes, shall be part of the Common Elements and not part of any individual Dwelling Unit. Subject to the foregoing, the Board shall grant exclusive use and possession to one designated parking stall in the carport to each Unit for the exclusive use and possession by the Owner thereof. Such exclusive use and possession given an Owner or Owners shall be subject to such rules and regulations as the Board may deem fit, including the requirement that such exclusive use and possession encompass the obligation to clean and maintain the parking stall. Subject to the foregoing, the Board may determine to grant exclusive use and possession to other designated parking stalls in any other portion of the Property allocated to parking purposes to Owners, and the Board may in any event prescribe such rules and regulations with respect to such parking as the Board may deem fit, subject to such rules and regulations as the Board may deem fit, including the requirement that such exclusive use and possession encompass the obligation to clean and maintain that portion of the Common Elements. No

recreational vehicles, motor homes, campers, snowmobiles, boats, trailers, trucks (except trucks used as passenger vehicles) or inoperable vehicles shall be parked or stored on the Property (permanently or temporarily). No objects of any kind shall be stored in the carport, other than an Owner's passenger vehicle.

ARTICLE FOUR The Residential Association

4.01 THE RESIDENTIAL ASSOCIATION: Developer has caused the Residential Association to be incorporated as a not-for-profit corporation. The Residential Association shall be the governing body for all of the Owners and for the administration and operation of the Building and the Common Elements as provided in the Act, this Declaration, and the By-Laws. All agreements and determinations lawfully made by the Residential Association shall be deemed to be binding on all owners and their respective successors and assigns.

4.02 MEMBERSHIP:

- (a) There shall be only one class of membership in the Residential Association. The Owner of each Dwelling Unit shall be a member of the Residential Association. There shall be one membership per Unit ownership. Membership shall be appurtenant to and may not be separated from ownership of a Dwelling Unit. Ownership of a Dwelling Unit shall be the sole qualification for membership. The Residential Association shall be given written notice of the change of ownership of a Dwelling Unit within ten (10) days after such change.
- (b) One individual shall be designated as the "Voting Member" for each Unit Ownership. The Voting Member or his proxy shall be the individual who shall be entitled to vote at meetings of the Owners.

4.03 THE BOARD: From and after the Turnover Date, the Board shall consist of the number of individuals provided for in the By-Laws, each of whom shall be an Owner or a Voting Member. The Board shall be elected at each annual meeting of the Owners as provided in the By-Laws.

4.04 VOTING RIGHTS: Whenever a vote of the Owners of the Residential Association is required, at any meeting of such Owners or otherwise, such votes shall be cast by the Voting Members or their proxies and each Voting Member shall have a vote equal to the Undivided Interest of the Dwelling Unit represented by him, multiplied by 100; provided that when 30% or fewer of the Dwelling Units, by number, possess over 50% in the aggregate of the votes, any percentage vote of members specified in the Act, this Declaration, or the By-Laws shall require the specified percentage by number of Dwelling Units rather than by Undivided Interest.

4.05 MANAGING AGENT: The term of any management agreement covering the management of the Property shall not exceed one year, and shall be terminable for cause by the Residential Association on thirty (30) days, written notice and without cause or payment of a termination fee by either party on ninety (90) days, or less written notice.

ARTICLE FIVE
Insurance/Condemnation

5.01 FIRE INSURANCE: The Board shall have the authority to and shall obtain insurance for the Property against loss or damage by fire and such other hazards as may be required under the Act, as the Board may deem desirable, as reasonably required by First Mortgagees, or as required by the Federal Home Loan Mortgage Corporation (FHLMC), the Federal National Mortgage Association (FNMA), the U.S. Department of Housing and Urban Development (HUD), the Federal Housing Authority (FHA), or the Veteran's Administration (VA) to the extent that such agency is a First Mortgagee, for the full insurable replacement cost of the Common Elements and the Dwelling Units. Premiums for such insurance shall be Common Expenses. Such insurance coverage shall be written in the name of, losses under such policies shall be adjusted by, and the proceeds of such insurance shall be payable to, the Board as trustee for each of the Owners in accordance with their Undivided Interests. All such policies of insurance (i) shall contain standard mortgage clause endorsements in favor of the First Mortgagees as their respective interests may appear, (ii) shall provide that the insurance, as to the interests of the Board, shall not be invalidated by any act or neglect of any Owner, (iii) shall provide that notwithstanding any provision thereof which gives the insurer an election to restore damage in lieu of making a cash settlement thereof, such option shall not be exercisable if the Owners elect to sell the Property or remove the Property from the provisions of the Act, (iv) to the extent possible, shall provide that such policy shall not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' written notice to the First Mortgagee of each Unit Ownership, and (v) shall contain waivers of subrogation with respect to the Residential Association, its directors, officers, employees, and agents (including the managing agent), Owners, occupants of the Dwelling Unit, First mortgagees, Declarant, and Developer or, alternatively, all such parties shall be named as additional insureds.

5.02 INSURANCE TRUSTEE/USE OF PROCEEDS: The Board may engage the services of any bank or trust company authorized to do trust business in Illinois to act as trustee, agent, or depository on behalf of the Board for the purpose of receiving and disbursing the insurance proceeds resulting from any loss, upon such terms as the Board shall determine consistent with the provisions of the Act and this Declaration. The fees of such corporate trustee shall be Common Expenses. In the event of any loss in excess of \$50,000 in the aggregate, the Board shall engage a corporate trustee as aforesaid. In the event of any loss resulting in the destruction of the major portion of one or more Dwelling Units, the Board shall engage a corporate trustee as aforesaid upon the written demand of the First Mortgagee or any owner of any Dwelling Unit so destroyed. The rights of First Mortgagees under any standard mortgage clause endorsement to such policies shall, notwithstanding anything to the contrary therein contained, at all times be subject to the provisions in the Act and this Declaration with respect to the application of insurance proceeds to the repair or reconstruction of the Dwelling Units or Common Elements. Payment by an insurance company to the Board or to such corporate trustee of the proceeds of any policy, and the receipt of a release from the Board of the company's liability under such policy, shall constitute a full discharge of such insurance company, and such company shall be under no obligation to inquire into the terms of any trust under which proceeds may be held pursuant hereto, or to take notice of any standard mortgage clause endorsement inconsistent with the provisions hereof, or see to the application of any payments of the proceeds of any policy by the Board of the corporate trustee.

5.03 OTHER INSURANCE: The Board shall also have the authority to and shall obtain the following insurance:

- (a) Commercial general liability insurance against claims and liabilities arising in connection with the ownership, existence, use, or management of the Property in such limits as the Residential Association shall deem desirable, provided that such limit shall not be less than \$1,000,000 per occurrence for personal injury and/or property damage, with an additional \$2,000,000 umbrella coverage insuring the Residential Association, the members of the Board, the managing agent, if any, and their respective agents and employees and all persons acting as agents. The Developer and its employees, representatives, and agents must be included as additional insured parties in their capacities as a Unit Owner, member of the Board, manager, or officer of the Board, as appropriate. 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. Such policy shall provide that the insurance coverage shall not be canceled or substantially modified without at least 30 days' written notice to the Residential Association.
- (b) Such workmen's compensation insurance as may be necessary to comply with applicable laws.
- (c) Employer's liability insurance in such amount as the Board shall deem desirable.
- (d) Fidelity bond indemnifying the Residential Association, the Board and the Owners for loss of funds resulting from fraudulent or dishonest acts of any employee of the Residential Association or of any other person handling the funds of the Residential Association, the Board or the Owners in such amount as the Board shall deem desirable.
- (e) Directors, and officers, liability insurance.
- (f) Such other insurance in such reasonable amounts as is required under the Act or as the Board shall deem desirable.

Such insurance coverage shall include cross liability claims of one or more insured parties against other insured parties. To the extent possible, all of such policies shall provide that they may not be canceled or substantially modified (including cancellation for nonpayment of premium) without at least thirty (30) days' prior written notice to the Residential Association and First Mortgagees who specifically request such notice. The premiums for such insurance shall be Common Expenses.

5.04 OWNER'S RESPONSIBILITY: Each Owner shall obtain his own insurance on the contents of his own Dwelling Unit and furnishings and personal property therein, and his personal property stored elsewhere on the Property, and his personal liability to the extent not covered by the liability insurance for all of the owners obtained as part of the Common Expenses as above provided, and the Board shall have no obligation whatsoever to obtain any such insurance coverage on behalf of the Owners. Each Owner shall promptly report, in writing to the Board, all additions, alterations or improvements to his Dwelling Unit without prior request from the Board and shall reimburse the Board for any additional insurance premiums attributable thereto, and shall be responsible for any deficiency in any insurance loss recovery resulting from his failure to so notify the Board. The Board shall not be responsible for obtaining insurance on such additions, alterations or improvements unless and until such Owner shall make such report and request the Board in writing to obtain such insurance,

and shall make arrangements satisfactory to the Board for such additional premiums; and upon the failure of such Owner so to do, the Board shall not be obligated to apply any insurance proceeds to restore the affected Dwelling Unit to a condition better than the condition existing prior to the making of such additions, alterations or improvements.

5.05 WAIVER OF SUBROGATION: Each Owner hereby waives and releases any and all claims which he may have against any other Owner, the Residential Association, its directors and officers, Declarant, the Developer, the manager, and the managing agent, if any, and their respective employees and agents, for damage to the Common Elements, the Dwelling Units, or to any personal property located in the Dwelling Units or Common Elements, caused by fire or other casualty, to the extent that such damage is covered by fire or other form of casualty insurance, and to the extent this release is allowed by policies for such fire or other casualty insurance.

5.06 REPAIR OR RECONSTRUCTION:

- (a) In the case of damage by fire or other disaster to a portion of the Building (a "Damaged Improvement") where the insurance proceeds are sufficient to repair or reconstruct the Damaged Improvement, then the proceeds shall be used by the Residential Association to repair or reconstruct the Damaged Improvement.
- (b) In the case of damage by fire or other disaster to a portion of the Building where the insurance proceeds are insufficient to repair or reconstruct the Damaged Improvement as provided under the Act or the Damaged Improvement cannot be reconstructed as originally designed and built because of zoning, building or other applicable laws, ordinances or regulations, the following procedure shall be followed:
 - (1) A meeting of the Owners shall be held not later than the first to occur of (i) the expiration of thirty (30) days after the final adjustment of the insurance claims or (ii) the expiration of ninety (90) days after the occurrence which caused the damage.
 - (2) At the meeting, the Board shall present a plan for the repair or reconstruction of the Damaged Improvement and an estimate of the cost of repair or reconstruction, together with an estimate of the amount thereof which must be raised by way of special assessment and a proposed schedule for the collection of a special assessment to pay the excess cost.
 - (3) A vote shall then be taken on the question of whether or not the Damaged Improvement shall be repaired or reconstructed based on the information provided by the Board under (2) above, including the proposed special assessment. The Damaged Improvement shall be repaired or reconstructed and the proposed special assessment shall be levied only upon the affirmative vote of Voting Members representing at least three-fourths (3/4) of the votes cast.
 - (4) If the Voting Members do not vote to repair or reconstruct the Damaged Improvement at the meeting provided for in (1) above, then the Board may, at its discretion, call another meeting or meetings of the Owners to reconsider the question of whether or not the Damaged Improvement shall be repaired or

reconstructed. If the Voting Members do not vote to repair or reconstruct the Damaged Improvement within one hundred eighty (180) days after the occurrence which caused the damage, then the Board may (but shall not be obligated to) in its discretion Record a notice as permitted under the Act.

- (5) If (i) the Voting Members do not vote to repair or reconstruct the Damaged Improvement under subsection (4) above, (ii) the Board does not Record a notice as permitted under the Act, then the Board may, with the consent of Owners representing 75% of the Undivided Interests of Dwelling Units in the Building and 75% of the First Mortgagees of Dwelling Units in the Building, amend this Declaration to withdraw the Building as permitted under the Act. If the Building is withdrawn, then the amendment shall provide that the Property shall be owned by the Owners of the Dwelling Units as tenants-in-common with each Owner's interest being determined based on the relative Undivided Interests of the Dwelling Units in the Building prior to withdrawal. The payment of just compensation, or the allocation of any insurance or other proceeds to any withdrawing or remaining Owner shall be made to such Owner and his First Mortgagee, as their interests may appear, on an equitable basis, determined by the Board, as provided in the Act. From and after the effective date of the amendment referred to above in this paragraph, the Owner of a Dwelling Unit shall have no responsibility for the payment of assessments which would have been payable with respect to the Dwelling Unit if the amendment had not been Recorded.
- (c) If the Building is repaired or reconstructed, it shall be done in a workmanlike manner and the Building, as repaired or reconstructed, shall be substantially similar in design and construction to the Building as originally constructed, with any variations or modifications required to comply with applicable law.
- (d) If the Building is not repaired or reconstructed, then the damaged portion of the Building shall be razed, or secured and otherwise maintained in conformance with the rules or standards adopted from time to time by the Board.

5.07 CONDEMNATION: In the case of a taking or condemnation by competent authority of any part of the Property, the Residential Association shall, if necessary, restore the improvements in the remaining portion of the Property to conform as closely as possible to the general design, structure and materials used with respect to the improvements as they existed prior to the taking or condemnation. Any proceeds or awards paid to the Residential Association shall be applied first to the cost of any restoration and any remaining portion of such proceeds or awards shall be, in the discretion of the Board, either (i) applied to pay the Common Expenses or (ii) distributed to the remaining Owners and their respective First Mortgagees, as their interests may appear, based on their current Undivided Interests. In the event that part or all of one or more Dwelling Units is taken or condemned, then the portions so taken or condemned shall be deemed to have been removed from the provisions of the Declaration and the Act and the court which has jurisdiction of the action shall adjust the Undivided Interests of the remaining Dwelling Units in a just and equitable manner and as provided under the Act, and if the court fails to make such adjustment, such adjustment may be made by the Board. The President and Secretary of the Residential Association shall execute and Record an instrument on behalf of the Residential Association as required by the Act which amends this Declaration, effective

as of the effective date of the taking or condemnation, to reflect the removal of property and adjustments, if any, in the Undivided Interests as a result of an occurrence covered by this Section. From and after the effective date of the amendment referred to in the preceding sentence, the Owner of a Dwelling Unit which is removed in part or in whole from the provisions of this Declaration shall only be liable for the payment of assessments based on the Undivided Interest, if any, allocated to the Dwelling Unit in the amendment.

ARTICLE SIX

Assessments

6.01 CREATION OF LIEN AND PERSONAL OBLIGATION: The Declarant, for each Unit Ownership hereby covenants, and each Owner of a Unit Ownership by acceptance of a deed therefor, whether or not it shall be so expressed in any such deed or other conveyance, shall be and is deemed to covenant and hereby agrees to pay to the Residential Association such assessments or other charges or payments as are levied pursuant to the provisions of this Declaration. Such assessments, or other charges or payments, together with interest thereon and costs of collection, if any, as herein provided, shall be a charge on the Unit Ownership and shall be a continuing lien upon the Unit Ownership against which each such assessment is made. Each such assessment, or other charge or payment, together with such interest and costs, shall also be the personal obligation of the Owner of such Unit Ownership at the time when the assessment or other charge or payment is due.

6.02 PURPOSE OF ASSESSMENTS: The assessments levied by the Residential Association shall be exclusively for the purposes of promoting the recreation, health, safety, and welfare of members of the Residential Association, to administer the affairs of the Residential Association, and to pay the Common Expenses.

6.03 ANNUAL ASSESSMENT: Each year at least sixty (60) days before the end of the Residential Association's fiscal year, and at least thirty (30) days before final adoption thereof, the Board shall furnish each Owner with a proposed budget for the ensuing fiscal year which shall show the following, with reasonable explanations and itemizations:

- (a) The estimated Common Expenses;
- (b) The estimated amount, if any, to maintain adequate reserves for Common Expenses, including a reserve fund for replacements;
- (c) The estimated net available cash receipts from sources other than assessments, including, without limitation, receipts from any leases, licenses or concessions;
- (d) The amount of the "Annual Assessment," which is hereby defined as the amount determined in (a) above, plus the amount determined in (b) above, minus the amount determined in (c) above, minus excess funds, if any, from the current year's operation;
- (e) That portion of the Annual Assessment, if any, which shall be payable by the Owner with respect to his Dwelling Unit each month until the next Annual Assessment or revised Annual Assessment becomes effective, which monthly portion shall be equal to one-twelfth (1/12) of the Annual Assessment multiplied by the Dwelling Unit's Undivided Interest.