THE GUIDE TO OWNERS' ASSOCIATIONS

HOW TO ESTABLISH AND REGISTER AN OWNERS' ASSOCIATION IN ROMANIA

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THE GUIDE TO OWNERS' ASSOCIATIONS

How to Establish and Register
An Owners' Association
In Romania

Prepared by:
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in Collaboration with
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Bucharest, Romania

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INTRODUCTION

Beginning in 1990, many citizens of Romania bought apartments and became homeowners for the first time. Up until then, most had been tenants in apartment buildings owned by state. Apartment buildings were privatized by transferring ownership of individual apartments together with a share of the common property. This form of ownership, called "condominium," has been very popular throughout Western Europe and the United States for many years, and it has been adopted by most of the new democratic republics of Central and Eastern Europe.

After privatization, the new owners needed a new way to manage and operate their property. In 1996, a law was passed for that purpose. This law, No. 114/1996, together with the Methodological Norms to implement it, provide that an owners’ association must be organized and registered in all multifamily apartment buildings.

The purpose of an owners’ association is to help the owners take charge of their building and improve their living conditions. All owners are members of the owners’ association and have the right to vote in its decisions. That way, all owners have the right to participate in making decisions about repairing and improving the property, electing representatives, collecting fees to pay operating expenses, hiring employees, entering into contracts for services, and all the other important aspects of managing the property.

An owners’ association can be the solution to many problems with the condition and operation of apartment buildings in Romania. But organizing an owners’ association and registering it as a legal entity is not an easy task. The purpose of this pamphlet is to guide owners through the necessary steps and to help them understand how to operate the association after it is established.

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ESTABLISHING AND REGISTERING AN OWNERS’ ASSOCIATION

Why an Owners’ Association?

- Because all owners have rights and responsibilities regarding the common property in their building!
- Because all owners deserve to live in good conditions, in a clean environment, and in comfort—but only if they get involved in maintaining the quality of the property!
- Because no owner likes paying for services like heat and water and then not receiving them!
- Because all owners in a building are responsible for the appearance of the building and its surroundings!
- Because all owners have the right to be informed about how the association's money is spent!
- Because all owners should have a say in decisions about managing and improving the building!
- Because service providers prefer contracts with legal entities that represent the interests of all the owners!
- Because owners’ associations are established for one building, so owners do not assume responsibilities for people who live in other buildings!
- Because it is easier to manage a single building than a large group of buildings!
- Because this is what the law requires!

Procedures for Establishing an Owners’ Association

The steps described below should help the owners in a building establish an owners’ association and register it as a legal entity. The required legal steps include preparing a statute and association agreement, obtaining the approval of all owners and a notary public, and registering these documents with the court or the property registration office. The owners must organize a general assembly, elect executive committee and auditing committees, adopt a budget, and begin to function as an owners’ association.

The Legal Documents
These legal documents must be assembled and registered for an owners’ association to be established:

— The association agreement;
— The association statute;
— The deed or lease for the land on which the building is built;
— Drawings of the building showing the location and area of each unit; and
— In case of a newly constructed building, the contracts for construction or sale of the units and the records of delivery of apartments must be presented. (These are not necessary for a privatized building.)

These documents must be taken to the office of the local court where property registration records are kept, or to the property registration office, if there is one. There will be no fee charged for registration of these documents.

The Organizational Meeting of the Owners

The owners’ association will not be formally established until the association agreement and statute are registered and the owners’ association has the power to act as a legal entity. In the meantime, the owners must hold a meeting or a series of meetings—to get organized and get the necessary documents prepared.

One owner—perhaps the representative to the tenants’ association—or a group of owners should call a meeting to begin the process. The organizers should select a convenient date, time, and place, and then put up a notice of the meeting in the building and mail or deliver a copy to each apartment. If there are owners who do not live in the building, every effort should be made to determine where they are living and to notify them of the planned meeting. The notice should explain the purpose of the meeting and what will be discussed, as well announce the date, time, and place of the meeting.

At this first meeting, the owners in a building should either elect or appoint someone to act as the organizer of the owners until the formal owners’ association is established. This may be the person(s) who called the first meeting, or someone else. The owners should be free to nominate their choices at the organizational meeting. The owners can select a name for the Association, or just use the address of the building.

Then the owners should discuss the contents of the model association agreement and the statute. All of the owners are free to make recommendations for additions or changes, as long as they are consistent with the law. If there is a strong consensus at the organizational meeting, the owners can vote to adopt these documents, but this is not necessary the first time the owners meet. These documents will play an important role in the operation of the owners’ association for years to come and are difficult to amend, so the process should not be rushed.
If there is not enough time to make a decision or if the owners are not ready to decide, those present at the organizational meeting can vote to adjourn the meeting and continue it the next day or a few days later. This will also give the owners a chance to look over the association agreement and statute before they vote to adopt them. If the meeting is continued, a new notice should be posted in the building and distributed to all the owners to inform those who are not present at the organizational meeting about the continuation of the meeting and as a reminder for those who did come.

Once the owners reach an agreement on and vote to adopt an association agreement and statute, the owners can go ahead with the procedures to register the owners' association. They should select two representatives to sign the documents before the notary public. This is done so that all of the owners do not need to be present at the registration office at the time the documents are submitted.

Minutes should be prepared of the organizational meeting to show what the owners decided. By the end of the organizational meeting (which may take more than one session), the owners should have accomplished the following:

— Selection of a name for the association;
— Adoption of an association agreement and statute; and
— Selection and authorization of representatives to register the owners' association as a legal entity.

Notary Procedures

It is not practical for all of the owners to appear before the notary at the same time in order to certify the authenticity of the association agreement and the statute. It might be possible for a notary to come to the building and witness the execution of the document there, but even if the notary is willing to come, all of the owners must be present at the same time.

A different procedure is permissible under the new law, and has been used in a number of buildings where owners' associations already have been established. A copy of the association agreement and statute can be circulated and signed by all of the owners in the building. At the same time, a separate document is also circulated and signed by all the owners. This document authorizes two representatives of the building to appear before the notary to authenticate the signatures of the others. The notary and the court have accepted this procedure for registration of owners' associations.

Registration Procedures

Once all of the owners have approved the association agreement and the statute, and signed the authorization form, the designated representatives can go to the registration office (either the court or the property registration office) to submit the documents. The representatives must take the following documents:

— The association agreement;
— The statute;
— The authorization form so that the representatives can authenticate the documents before the notary; and
— The minutes of the organizational meeting.

The authorized representatives then sign 6 copies each of the association statute and the association agreement in the presence of the notary. After these documents are signed, they are submitted to the court for approval.

**Separation from the Tenants' Association**

Before the owners' association is formally established, the tenants' association for that building should be closed and the accounts for the building turned over to the owners. If a building has been part of a tenants' association that includes more than one building, the accounts will need to be separated so the funds attributable to the building can be turned over.

**The First General Assembly**

To hold the first general assembly, the owner selected as the organizer for the organizational meeting should select a convenient date, time, and place, and provide notice of the meeting to each owner. The notice must give the date, time, and place of the meeting, and an agenda of items to be discussed and decided. It must be sent by first class mail or hand delivered to each owner not less than 10 days before the meeting, and should also be posted in the building. The law requires this form of notice to each owner.

When the general assembly is convened, the owners should vote to elect an executive committee. The number of members and their term of office are decided by vote of the owners at the general assembly. Members of the executive committee must be owners in the building. The person who gets the most votes will become chairman. A treasurer must also be elected. There must also be a secretary, who can be the same person as the treasurer or someone else.

The chairman is the presiding officer at meetings of the executive committee and at general assemblies, and also acts as the legal representative of the owners.

The owners must also elect an auditing committee, comprised of one to three persons who are not members of the executive committee. Members of the auditing committee should have financial or legal expertise. The members of the auditing committee elect their own chairman. The owners can begin to discuss the budget for the current fiscal year, and also any problems that the owners need to address. But it is not likely that these matters will be resolved at the first meeting. It will probably be necessary for the executive committee and the auditing committee, perhaps with the help of outside experts, to work on a budget and technical assessment of the property, and then convene another general assembly of the owners. When an owners' association is just getting started, it will probably be necessary to hold a general assembly more than once a year.
Minutes with the decisions of each general assembly must be put into writing and kept among the records of the association.

By the time it is finished, the first general assembly should end with the following results:

— Election of the executive committee
— Election of a chairman and treasurer and secretary (or treasurer/secretary)
— Election of the auditing committee
— Preparation of minutes of the meeting

**The Second General Assembly**

A second meeting of the owners should be organized by the chairman. Again, all owners must be invited to attend and given notice as for the first meeting. During the meeting the following organizational matters should be discussed:

— Review of draft budget developed by executive committee, auditing committee, or financial expert.
— Selection of a bank where the association will open an account.
— Contracts with suppliers (water, heat, hot water, electricity, trash, gas, etc.) can be discussed.
— Service requirements (cleaning common spaces, plumbing, electricians) can be discussed.
— Procedures for collection of owners’ assessments.
— The amount of contributions to the reserve and repair fund should be discussed.
Setting Up the Administration of the Owners' Association

Once the court decision approving the establishment of the owners' association is received, the following procedures should be followed:

• **Association Files.** The executive committee should set up files for the following:
  
  — The court order approving registration of the association;
  — The technical book for the building, the valuation, and the maintenance and repair program; and
  — The financial records (the budget for the current year, the records of income and expenditures, payment records for each owner, and the documentation of the separation from the tenants' association).

• **Association Stamps.** Two stamps bearing the name of the association must be ordered, one for the chairman and the executive committee, and one for the treasurer.

• **Fiscal Code Number.** The association must obtain a fiscal code number by registering with the city Finance Department. This will qualify the association to be exempt from VAT because of its nonprofit status. To obtain a fiscal code number, the following must be presented:
  
  — A copy of the registration form
  — A copy of the association agreement
  — A copy of the association statute
  — The 1MP1 form (to be obtained at the Finance Department)

• **Bank Account.** The bank account for the Owners' Association can then be opened. For this to occur, the following must be available:
  
  — A copy of the court order of registration;
  — The fiscal code number for the association obtained from the local government Finance Department;
  — The stamps with the name of the owners' association;
  — Payment of the tax associated with opening a bank account; and
  — The bank form showing the signature specimens for the authorized representatives (the chairman and the treasurer).

The chairman of the association and the treasurer or administrator (those with signature rights) must be present when the account is opened.

• **Financial and Accounting Records.** The following financial and accounting record keeping materials must be obtained:
— A cash ledger
— Payment orders or invoices and receipt forms
— Financial record books
— Balance forms

• **Supplier Contracts.** Supplier contracts must be prepared and executed. For this, the following are necessary:

— A copy of the court order;
— A standard application for the contracting of services completed by the chairman;
— The supplier’s standard contract completed and executed by the chairman (the contract will contain any additional clauses approved by the general assembly); and
— A written document designating the individual (name, address and phone number) who will read the meter with the supplier’s representative.

Contracts with service suppliers (companies or individuals) must be completed consistent with the decisions of the general assembly. A standard contract form should be used, with special clauses added as directed by the general assembly.

• **Payment of Assessments.** A time and method for the payment of assessments should be posted in common space in the building, such as the entrance hall or a laundry room.

Any rules and regulations adopted by the owners’ association, in conformance with the association agreement, should be distributed to each family and also posted in the common area.

• **Meeting Schedule.** A schedule of the meetings of the executive committee should be established and posted.

**The Association Statute**

**Chapter I - Name, Legal Basis, Purpose, Address, Duration**

Art. 1. The name of the association is ______________________ with its address in _______________, str. ______________, judet _______________. The association is non-profit.

Art. 2. The members of the association are listed below.

Art. 3. The purposes the association are:

— Administration of the common property of the building
— Maintenance, repairs, renovation of the common property
— Improvement of the common property
— Establishment of the annual budget
— Allocation and collection of monthly fees from the unit owners
— Contracting and assuming obligations on its own behalf and on behalf of the owners in matters related to the property

Art. 4. The duration of the association is ________________.

Chapter II - Social Capital, Social Shares of the Association

Art. 5. The social capital of the association is: ______________________ .

Art. 6. The social capital can be increased following a decision of the general assembly, in accordance with applicable legal provisions, with cash.

Art. 7. The social capital can be reduced only in accordance with applicable legal provisions.

Art. 8. The patrimony of the association cannot be subject to debts or other personal obligations of the members of the Association.

Chapter III - Leadership and Management of the Association

Art. 9. The association shall be managed and directed by the general assembly of the members. The general assembly will meet at least once every calendar year. The general assembly will be announced in writing at least 10 days before it takes place. For decisions of the general assembly to be valid, a quorum of two thirds of the number of owners must be present in person or by proxy. In case this quorum is not achieved, the general assembly may be called at an later date when the attending owners can decide on the issues inscribed on the agenda regardless of whether a quorum of two thirds is present.

Art. 10. The general assembly will elect an executive committee. The executive committee will act on behalf of the owners in matters related to the management and functioning of the association and the common property. The executive committee will meet at least four times a year. The size of the executive committee will be determined by the general assembly, but must be an odd number not be less than three.

The association and the executive committee will be directed by a chairman who shall be the person receiving the highest number of votes when the executive committee is elected. The executive committee will elect the deputy chairman, the secretary and the treasurer, all members of the executive committee.

The decisions of the general assembly will be adopted with the majority of the votes, that means more than 50 percent of the votes of the owners attending the general assembly. For modification of the Statute, dissolution of the owners’ association, or decision to mortgage the entire property, a vote of 100 percent of the owners is required.

Each unit within the owners’ association has one vote.
Art. 11. The general assembly will elect an auditing committee for verifying the accounts of the association. The auditing committee will report at least once a year to the general assembly on the financial situation of the association.

Art. 12. The deputy chairman will replace the chairman and will carry out his tasks when the chairman is absent or unable to fulfill his responsibilities.

Art. 13. The secretary will prepare and keep the minutes of the meetings of the executive committee and the general assembly, and will keep other files and documents of the association according to the direction of the executive committee.

Art. 14. The treasurer will be responsible for the funds and property of the association, and will assure complete and correct accounting records of bills, receipts and invoices. The office of treasurer may be filled by the secretary.

Chapter IV - Obligations of the Owners

Art. 15. All owners shall pay maintenance fees or special assessments to the association for covering common expenses. Maintenance fees will be divided according to the share of common property belonging to each unit, or as otherwise provided in the Association Agreement and applicable laws. Special assessment will be paid in accordance with terms and conditions approved by the general assembly.

Art. 16. Each owner is obliged to maintain his unit in good condition and is liable for failure to do so. An owner will pay for any expenses incurred by the association for repairing or replacing parts of the common property damaged through his fault. An owner may make alterations to his unit only with the approval of the association and, if so approved, only at his own expense and risk.

Failure of an owner to pay maintenance fees or special assessments for more than 30 days from the date when the payment was due will constitute a default. The general assembly may establish interest or penalties for sums, which may not be greater than the highest rate established by law.

Art. 17. All owners of units in the property will be members of the association. Each owner has the right to use the common property. A unit can only be sold together with its share of common property, even if this is not stipulated explicitly in the sales contract. Each owner will have the right to use the common property as long as he does not harm the rights and the interests of the other owners.

Art. 18. Owners may not install electrical wires, telephone equipment, TV antennas, machinery, or air conditioning equipment on the exterior of the building, or perforate the walls or the roof of the building without the prior authorization of the general assembly.

Art. 19. The minutes of the meetings of the general assembly and the executive committee shall be signed by the chairman of the association and the members of the executive committee, and kept in files by the secretary of the executive committee.
Art. 20. Control of the association will be made by legal institutions to which the association will present its files, documents, financial records, and all the information necessary for this purpose.

Art. 21. The accounting books and records will be kept in lei in accordance with applicable law.

Art. 22. Calculation and use of profit shall be established through the balance approved by the members of the association.

Art. 23. In the event of death of one of the members of the association, the activity of the association will continue with his inheritors or legal heirs, according to the situation.

Art. 24. The association can be dismantled when the purpose for which it was legally constituted is not accomplished, or by unanimous decision of the general assembly.

Art. 25. Resolution of disputes between the association and third physical or legal parties is within the competence of Romanian courts of law. The disputes of the association with foreign legal or physical parties are within the competence of the legal bodies stipulated by Romanian law.

Art. 26. The association can sue in court to recover money due and related interest from owners who do not pay maintenance fees for more than 90 days. Execution of the decision of these courts shall be done according to the provisions of the Civil Code for collection of debts.

Art. 27. The present Statute has been elaborated and edited in 6 copies by the members of the association and has been authenticated by the State Notary office of ___________ county.

Members of the Association (signatures):

___________________________________
___________________________________
___________________________________

Authorization Form

We authorize the following persons: _________________________, with Identity Cards No. _____________, given by authorities at _____________, and ________________________, with Identity Card No. _____________, given by authorities at _____________, to execute for us and on our behalf the documents necessary for authentication of the Statute of the Owners’ Association _____________ at the office of the Notary Public _____________.

_________________________
The Guide to Owners’ Associations  
How to Establish and Register an Owners’ Association in Romania

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(add more lines for each owner)

Locality _________________________  Date __________________

The Association Agreement

Chapter I - Description of Property

Art. 1. The owners in the apartment building located at ______________________ [street and number] in the Municipality of ____________________ (the "Property") hereby adopt this Association Agreement to establish an Owners’ Association. Included in the Property is a building consisting of individual residential apartments [and commercial premises] (the "Units"), together with common areas and facilities that are not part of any Unit (the "Common Property").

Art. 2. Each of the individual Units may be or has been conveyed in freehold ownership. The Common Property shall be jointly owned by the owners of the Units in accordance with each Unit’s proportionate ownership share in the Property. Listed below are each of the Units in the Property and, for each Unit, the number of square meters of floor space and that Unit’s percentage share of the total number of square meters of floor space of all of the Units combined.

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Chapter II - Registration of the Owners’ Association and Ownership of Units
Art. 3. To establish the Owners' Association, this Association Agreement and the Statute of the Owners' Association shall be registered in the court [or real property registration office] of the jurisdiction where the Property is located.

Art. 4. For each Unit listed in Article 2 that has been transferred to private ownership, and upon each transfer thereafter, the name of the owner of each Unit shall be reported to the real property registration office for registration in the ownership records.

**Chapter III - Plan of Ownership**

Art. 5. Each Unit consists of the area contained within the perimeter walls of the Unit together with any property associated with that Unit, and the undivided proportionate share of the common property appurtenant to that Unit. The walls and partitions contained within a Unit, and the inner finished surfaces of the perimeter walls, floors and ceilings, shall be deemed to be part of the Unit in which they are contained.

Art. 6. Ownership of each Unit shall include ownership of an appurtenant undivided interest in the Common Property, in the proportionate share given for that Unit in Article 2. The Common Property shall include all parts of the Property that are not part of a Unit, including but not limited to the land, roof, main walls, slabs, elevator, elevator shaft, corridors, staircases, lobbies, halls, attics, cellars, parking spaces, storage spaces, community facilities, heat and hot water equipment, trees, pavement, balconies, pipes, wires, conduits, air conditioners and ducts and public utility lines.

Art. 7. The outer surfaces of the perimeter walls, floors, and ceilings surrounding the respective Units, and any pipes, wires, conduits, or other utility lines running through the respective Units that are utilized for or serve more than one Unit, shall be deemed to be Common Property and not part of any Unit.

Art. 8. Each Unit, together with its appurtenant undivided interest in the Common Property, shall constitute an individual parcel of real estate, and shall form a unity which may only be sold or otherwise transferred together. Subject only to that limitation and the laws and regulations applicable to all individually owned real property, each Unit may be sold or otherwise freely disposed of by its owner. Each owner may possess and use its individual property in any manner not inconsistent with law or this Association Agreement. Changes in use from residential to nonresidential made by made only with the approval of the Owners' Association and by the individual owners whose rights are directly affected by the change.

**Chapter IV - Administration of the Owners' Association**

Art. 9. Upon becoming an owner of a Unit, each owner automatically shall become a member of the Owners' Association, a legal entity registered in the Registry of Associations for the jurisdiction where the Property is located. Each owner shall remain a member of the Owners' Association until such time as ownership ceases.
Art. 10. All agreements and decisions made by the Owners' Association in accordance with voting procedures established by law and in this Association Agreement, shall be deemed to be binding on all owners of Units.

Art. 11. At the first General Assembly of the Owners' Association, the owners shall elect an Executive Committee which shall be authorized to act on behalf of the owners in the operation and management of the Property, except for matters for which a vote of the owners is deemed to be necessary by law or by this Association Agreement. Decisions that require a vote of the owners shall be made at a General Assembly of the Owners' Association.

Art. 12. The Executive Committee shall meet periodically but not less than four times during a calendar year. The number of members and length of the term of office of the members of the Executive Committee shall be determined by the owners at the first General Assembly after the establishment of the Owners' Association. The person who receives the highest number of votes in an election of the Executive Committee shall serve as the chairman and presiding officer of the Executive Committee and as the legal representative of the Owners' Association.

Art. 13. At the first General Assembly of the Owners' Association, the owners shall elect an Auditing Committee of 1 to 3 members to review the accounts of the Owners' Association and advise the owners and the Executive Committee on financial matters. The Auditing Committee shall elect a chairman from among its members. The Auditing Committee shall report to the General Assembly at least once a year on the financial status of the Owners' Association. Accounting shall be carried out in accordance with Accounting Law No. 82/1991 and #18 of the regulations to implement the law, Government Decision No. 704/1993.

Art. 14. A General Assembly shall be convened at least once each year. The chairman of the Executive Committee may convene a special General Assembly whenever it is deemed to be necessary. The chairman of the Executive Committee must convene a General Assembly within 21 days of receiving a request from the owners of 20 percent or more of the Units.

Art. 15. Notice of the convening of a General Assembly shall be given in writing, delivered in person or by first class mail, at least 10 days before the date of the meeting. Such notice must include the date, time, and place of the General Assembly, and an agenda of matters to be considered there.

Art. 16. To convene a General Assembly, a quorum of at least 2/3 of the owners must be present in person or by proxy. If there is no quorum, the General Assembly may be adjourned and reconvened at any time thereafter. At the reconvened General Assembly, the owners may decide the matters included on the agenda of the first scheduled meeting, regardless of whether or not a quorum of 2/3 is present.

Art. 17. Decisions of the General Assembly shall be made by majority vote, that is, the vote of more than 50 percent of the owners that are present and voting at the General Assembly, except where a higher number is required by law or this Association Agreement. In case of a tie vote, the vote of the presiding officer shall be decisive.
Art. 18. A vote of 100 percent of the owners must be had for the following decisions: (a) dissolution of the Owners' Association and sale of the entire Property; and (b) pledging the entire Property as security for a loan or mortgage.

Art. 19. Each Unit shall be allocated one vote. The vote cannot be divided if there is more than one owner of a Unit. If only one co-owner is present at a General Assembly, that person shall be entitled to cast the vote for the Unit. If more than one co-owner is present, the votes shall be cast only in accordance with the unanimous agreement of the co-owners, which consent shall be presumed to have been given if any one of the co-owners casts the vote without protest being made to the presiding officer by any other co-owner.

Art. 20. Votes may be cast by proxy presented to the presiding officer of the General Assembly prior to the commencement of the meeting. A proxy must be in writing and dated, and must be executed by or on behalf of all co-owners of the Unit for which the vote is to be cast. A proxy shall be revocable only upon actual notice to the presiding officer of the General Assembly, and shall terminate automatically upon the adjournment of the first General Assembly held on or after the date of the proxy.

Art. 21. Decisions and minutes of the General Assembly must be put in writing and kept among the records of the Owners' Association. The minutes of the previous General Assembly must be approved at the next General Assembly.

Chapter V - Contribution to Common Expenses

Art. 22. The Owners' Association shall be responsible for managing, maintaining, repairing, renovating, or improving the Common Property, the costs of which are deemed to be Common Expenses. Owners of residential Units shall be liable to pay to the Owners' Association their share of the Common Expenses, in accordance with their proportionate ownership interest as given in Article 2, above, except for the following expenses, which shall be paid on a per capita basis: cleaning personnel and materials; water consumption and sewage (in buildings with common showers and baths, ½ the rate will be charged unless all units share common facilities, in which case the full amount will be charged); garbage and waste collection; electricity not individually metered; gas for cooking and laundry; electricity for water pumps; electricity for elevators (for which residents of basement, semi-basement, ground floor and mezzanine residential apartments shall be exempt). Costs of communal heat will be charged in accordance with legal norms. If charges are calculated for more than one building, costs will be allocated proportionately by surface measurement. Costs of TV antennae will be allocated in accordance with the number of TV outlets. Costs of mailbox and entry keys will be charged on the basis of number of keys.

Art. 23. Owners of nonresidential Units shall be assessed for common expenses on the basis of conventions to be determined each year by the Owners' Associations and the owners of the nonresidential Units.

Art. 24. The amount of the assessment for Common Expenses shall be determined in an annual budget to be adopted by the owners at a General Assembly prior to the beginning of each fiscal year. The
Executive Committee shall prepare a proposed budget and submit it to the owners at the same time that notice of the General Assembly is given.

Art. 25. In the event that the assessment is inadequate because of unanticipated Common Expenses, a special assessment may be made upon an affirmative vote of 2/3 of the owners cast at a General Assembly. A special assessment shall be paid by the owners in accordance with their respective proportionate ownership interests, on such other terms as approved by vote of the owners.

Art. 26. A renovation fund may be established, the amount of which shall be determined as part of the budget to be adopted by the General Assembly. All owners shall contribute to the renovation fund as a portion of their regular assessment, in proportion to their ownership interest.

Art. 27. No owner of any Unit shall be exempt from liability for contribution toward the Common Expenses by waiver of the right to use and enjoyment of any of the Common Property or facilities or by the abandonment of the Unit or otherwise.

Chapter VI - Default in Payment of Assessments

Art. 28. Nonpayment of any regular or special assessment or portion thereof by any owner for more than 30 days after any such payment is due shall constitute a default. Interest and penalties in an amount to be set from time to time by the General Assembly but not exceeding the highest legal rate shall be charged and payable to the Owners’ Association by the defaulting owner for any assessment in default.

Art. 29. Suit to recover a money judgment for assessments in default and interest due thereon shall be maintainable by the Owners’ Association as represented by the chairman against the owner of a Unit for which any assessment is in default for more than 90 days.

Chapter VII - Restrictions on Use; Construction

Art. 30. Each owner is entitled to use the Common Property, subject to any restrictions in the law or regulations of the authorities, this Association Agreement, or Rules and Regulations of the Owners’ Association, but no owner may exercise the right to use the Common Property in such a manner as to harm the rights or interests of any other owner.

Art. 31. An owner of a commercial Unit is entitled to use such Unit subject to any restrictions in the law or regulations of the authorities, this Association Agreement, or Rules and Regulations of the Owners’ Association, but no owner may use a commercial Unit in such a manner as to harm the rights or interests of any other owner.

Art. 32. An owner of a residential Unit is entitled to use such Unit as a dwelling for the owner, his/her family, tenants or guests. An owner of a residential Unit shall have the right to lease the Unit for residential purposes provided the tenant agrees that its use of the premises will be subject to the restrictions in this Association Agreement or any Rules and Regulations of the Owners’ Association.
Art. 33. The owner of a Unit is responsible for maintaining the Unit in good repair and is liable for any damage caused by failure to do so. The owner of a Unit may perform construction in or renovation of the Unit so long as such work is performed solely at the expense and risk of the owner, and in accordance with any requirements of law and with this Association Agreement and any Rules and Regulations of the Owners' Association.

Art. 34. Ordinary maintenance or repairs of the Common Property shall be performed upon the determination of the Executive Committee or the owners at a General Assembly that such maintenance or repairs are necessary for the upkeep of the Property. Improvements in the comfort and efficiency of the Property or installation of major equipment or other improvements of similar magnitude may be undertaken only upon a majority vote of the owners at a General Assembly.

Art. 35. Representatives of the Owners' Association shall be permitted to enter a Unit, after giving at least 5 days' notice to the owner, to make repairs, perform maintenance, renovate or replace Common Property within the Unit. If the need for access to a Unit is urgent, no such notice shall be required.

Chapter VIII - Enforcement; Rules and Regulations

Art. 36. Administration of the Owners' Association shall be in accordance with the provisions of this Association Agreement, and any Rules and Regulations of the Owners' Association, which shall be adopted by vote of the owners at a General Assembly.

Art. 37. Each owner, tenant, or occupant of a Unit shall comply with the provisions of this Association Agreement and any Rules and Regulations of the Owners' Association, and with the decisions and resolutions of the Owners' Association. Failure to comply with any such provisions, decisions, or resolutions shall be grounds for an action brought by the Owners' Association to recover damages or to seek injunctive relief against the owner in cases where the owner is in violation. In cases where a tenant or other occupant of the Unit is in violation, the Owners' Association may bring an action against the tenant or other occupant, or the owner of applicable Unit, or both, at the option of the Owners' Association.

Art. 38. If a decision of the General Assembly is contrary to law or this Association Agreement, or leads to considerable grievance of the interests of a minority of the owners, any owner may commence a legal action against the Owners' Association for invalidation of the decision within 60 days of when it is made. The legal action does not suspend the execution of the action unless the court determines that such suspension is reasonable. The chairman of the Executive Committee shall represent the Owners' Association in actions commenced against it by an owner.
Chapter IX - Revocation or Amendment

Art. 39. This Association Agreement may be revoked or amended only upon the affirmative vote of more than eighty percent (80%) of the Unit owners.

**Agreement for Separation of Owners’ Association from Tenants’ Association**

Between __________________, president of Tenants’ Association nr. ______ located in ______ street ____________, nr. ______ bl. ______ ap. ______, and __________________, president of Owners’ Association located in ________________, str. ________________, nr. ______ bl. ______ ap. ______.

By this agreement we respectively proceed to turn over and to receive all assets and inventory resulted from the establishment of Owners’ Association following the decision of the owners’ General Assembly at the above building. Turning over and receiving are done on the basis of the balance sheet of the Owners’ Association prepared for that purpose and on the minutes of the Audit Committee, which reviewed the financial activity during the previous year and which is included in the present protocol.

The following annexes are part of this agreement:

- Inventory of endowments (fixed assets and inventory objects) to be turned over
- List of debtors and creditors subject to being turned over
- The status of reserve funds for each apartment
- Remaining debt discharging timetable
- Hired personnel to be transferred
- Pending litigation involving the members of the Owners’ Association

This agreement was drafted today __________________ (date), in 4 copies.

I TURNED OVER: __________________ I RECEIVED: __________________
President of Tenants’ Association President of Owners’ Association

- **Annex 1 - Inventory of Assets to be Turned Over and Received.** (To be completed by the administrator of the Tenants’ Association, based on existing assets and inventory subject to be turned over and based on explanatory documents (invoices, receipts, etc.)

<table>
<thead>
<tr>
<th>Nr. crt</th>
<th>Fixed assets</th>
<th>Quantity</th>
<th>Costs/unit</th>
<th>Value</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

- **Annex 2 - List of debtors and creditors (persons or firms).** (To be completed by the Tenants’ Association administrator. The column Amount Registered should be filled in with the total amount of the...
debt/credit. The column Amount for this Building should be filled in with the specific amount for that building resulting from the total creditor/debtor amount.)

<table>
<thead>
<tr>
<th>Nr</th>
<th>Debtors’ (creditors’) name</th>
<th>Registered Amount</th>
<th>Amount for this Building</th>
<th>File Nr</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
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</tbody>
</table>

- **Annex 3 - List of Reserve Fund per Apartments in Owners Association**

<table>
<thead>
<tr>
<th>Nr</th>
<th>Name</th>
<th>Apartment</th>
<th>Amount</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td></td>
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</table>

- **Annex 4 - Remaining Debt Discharging Table.** (To be completed by the Tenants' Association administrator. Examples of Type of Amount owed: *Maintenance shares unpaid at...........(amount due from Owners’ Association to Tenants’ Association)* or *Reserve Fund collected until.............(amount due from Tenants’ Association to Owners’ Association).*

<table>
<thead>
<tr>
<th>Nr</th>
<th>Type of Amount</th>
<th>Nr and Date of the Document</th>
<th>Amount</th>
<th>Notes</th>
</tr>
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<tbody>
<tr>
<td></td>
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</table>

- **Annex 5 - Employees (full time or part time) to be transferred to the Owners’ Association.** (Personnel to be transferred to the Owners’ Association, may choose individual working contract, civil agreement for services, or work by hour based on a working permit.

<table>
<thead>
<tr>
<th>Nr</th>
<th>Name &amp; Position</th>
<th>Working Contract Type</th>
<th>Monthly Wage</th>
<th>Notes</th>
</tr>
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<td></td>
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</tbody>
</table>

- **Annex 6 - Ongoing Litigation involving Owners’ Association**

<table>
<thead>
<tr>
<th>Nr</th>
<th>Name of Party to Litigation</th>
<th>Deadline</th>
<th>File Nr</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
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<td></td>
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</table>
Law No. 114/1996: Annex 2 - General Regulations on Owners’ Associations

Chapter I - General Terms, Definitions

Art 1. These regulations establish the framework for setting up and operating an owners’ association and for management of privately owned multifamily buildings.

Art 2. These regulations apply to all multi-family buildings in private or mixed ownership, including buildings with nonresidential units.

Art. 3. The terms used in these regulations are defined as follows:

- Condominium is real estate in which some parts are individually owned and the rest of the property is in the common undivided ownership of the individual owners. Real estate is not a condominium unless the individual shares of common property pertain to units and cannot be separated from the ownership of the units.

- Unit means a part of the building that is individually owned which together with a share of common undivided property constitutes a parcel of real estate. Except for situations for which there are other express provisions in these general regulations or in the association agreement, the rights of ownership in a condominium shall be considered the same as rights of ownership of other real property.

- Common property means all the parts of the condominium that are not units and that are meant for common use by all the owners of the units. Common property is indivisible and is jointly owned by the owners of the individual units according to calculated shares. Common property includes all parts of the property in common use, such as the land on which the building is built, including the courtyard, foundation, structural components, roof, terraces, chimneys, stairways, hallways, cellars, basement, trash slides, water tanks, and elevators. Common property includes installations used in common that were added to the building during construction or afterwards by the owners, such as rain water sewers, lightening rods, antennas, telephone equipment, electrical equipment, water pipes, heating systems and gas pipes that may run through the common property up to the distribution points in the individual units.

- Share means the part of common property that is appurtenant to each individually owned unit and that is so inscribed in the ownership documents. If the shares are not inscribed in the ownership documents, they shall be calculated for each unit according to the ratio between the area of each unit and the total area of all the units.

- Founder means any legal person, including the State, an institution of the local public administration, a person or a group of persons that act together, on whose own or on behalf of
whom a condominium is set up and that through sale or other form of transfer creates individual ownership in the units in a building.

• Unit owner means that person or persons who owns a unit in a condominium.

• Owners’ association means the organization of owners of all units in a condominium.

• The association agreement is the document that confirms the decision of the owners to establish an association upon the registration of the property in the Ground Book.

• Common expenses are the expenses or the financial obligations of the association that are related to the management and administration of the common property or that cannot be allocated to an individual unit.

Chapter II - Setting Up and Registering The Owners’ Association

Art. 4. The owners’ association shall be organized during a meeting called within 60 days from the date when the building was registered in the Ground Book. Members of the association shall be all the owners of units, including the local government or other founder as long as they continue to own one or more units in the building.

Art. 5. The owners’ association acquires legal personality at the moment of its registration with the court of jurisdiction where the building is located, according to the rules regarding such legal persons. In case of buildings with less than 20 owners, the association may be made up of groups from neighboring buildings, usually with a minimum of 3 owners, based on the criteria of mutual interest in the management of the property.

Art. 6. The court acts on the application for registration on the basis of the association statute and the association agreement. The statute is prepared in accordance with this law and regulations regarding owners’ associations.

Art. 7. Tenants’ associations in residential buildings with multiple apartments, in private or mixed ownership as a consequence of implementation of Law No. 61/1990 and Law No. 85/1992, shall transform into owners’ associations in accordance with these General Regulations.

Chapter III - The Association Agreement

Art. 8. The association agreement must include:

• The address of the property.

• The name and forename of the owners of the units.
The description of the property, including the building, the structure of the building, the number of floors, the number of units, according to the number of rooms, the land pertaining to the building. The description must be legally sufficient for registration in the Ground Book in the office for real estate registration.

Floor-plans sufficient to identify through location and area each unit in the building.

Enumeration and description of the common property.

The share of common property appurtenant to each unit.

Art. 9. At the organizational meeting of the owners’ association, the owners will elect an executive committee and an audit committee, and will decide on the number of their members and on the duration of their terms. Members of the audit committee must have specialized knowledge and experience in the economic, financial or legal fields. The owners’ association may delegate the duties of the audit committee, of financial and accounting control, to physical or legal persons, associations, or specialized economic agents. The candidate that obtains the highest number of votes in the election of the executive committee will become the chairman of the owners’ association.

Art. 10. Allocation of common expenses is made according to the shares of common property appurtenant to each unit.

Art. 11. In case of units with more than one owner, the relations of co-ownership will be regulated in accordance with the provisions of the Civil Code.

Art. 12. In order to amend or modify the association agreement, it is necessary to have the approval of at least 80 percent of the owners. Any amendment or modification must be registered at the court of local jurisdiction.

Art. 13. In order for units to be added or withdrawn from the condominium, the association agreement must establish the formula which will be used to recalculate the shares pertaining to remaining units.

Chapter IV - Rights and Obligations of Owners

Art. 14. The owner of a unit is obliged to maintain it in good condition at his own expense. No owner may infringe upon or prejudice the common or individual property rights of others.

Art. 15. With 15 days’ notice, an owner is obliged to permit access into his unit to a representative of the association when it is necessary to inspect, repair, or replace elements of the common property to which access is possible only from the unit. In emergency cases, no notice is necessary.
Art 16. Administration, maintenance, and repairs to the common property are the task of the association, and expenses related to them shall be common expenses. The owners’ association may hire other persons or enter into contracts for performance of these services.

Art. 17. The owners’ association by majority vote may undertake measures designed to improve the comfort and of the efficiency of the building. Substantial installations, such as water heaters, central heating, water tanks, elevators, and other equipment of similar importance, can be made by the association only with the approval of at least 75 percent of the votes of the owners. Regardless of the nature of the interventions, maintaining the harmonious and unitary aspect of the whole building shall be taken into account.

Art. 18. An owner may improve or modify his unit so long as he does not endanger the structural integrity of the building or the other units. An owner may not change the appearance of the common property without first obtaining the approval of the owners’ association.

Art. 19. Walls between adjacent units which are not part of the supporting structure of the building may be relocated by agreement between the owners of the respective units and notification to the owners’ association. Walls between units and the common property that are not part of the supporting structure of the building can be relocated only upon amendment of the association agreement.

Art. 20. If the owner of a unit or any other person acting on his behalf causes damages to any part of the common property or to another unit, the respective owner must repair the damages or pay the expenses of the repair.
Chapter V - Organization and Operation of the Owners’ Association

Art. 21. After the first organizational meeting for setting up the association, at least once a year a general assembly of the owners must take place. The general assembly is made up of all the members of the owners’ association. Special meetings of the association may be called at any time by the executive committee or by unit owners representing at least 20 percent of the property shares. All owners must be notified regarding any meeting of the association at least 10 days before it takes place.

Art. 22. The owners’ association may adopt decisions if at least 2/3 of its members are present in person or by proxy. If a quorum is not met, the meeting can be suspended and reconvened. At the reconvened meeting, if there is proof that all members of the association have been notified, decisions can be adopted regardless of the number of members present.

Art. 23. For adopting decisions in a general assembly, the following shall be taken into account:

• The vote of each owner has equal value with his share of common property.

• An owner may be represented by a member of his family or by another representative with power of representation signed by the owner on whose behalf he votes.

• A member of the owners’ association can represent maximum another absent member, by written empowerment.

• In case of a tie vote, the vote of the chairman is decisive. Decisions of the owners’ association shall generally be taken by majority of the total amount of votes cast.

Art. 24. The owners’ association has the following powers:

• Adopts and amends an annual budget of income and expenditures as well as the revolving fund; collects the ordinary and special assessments for common expenses from unit owners.

• Hires and terminates personnel necessary for the proper management and administration of the building and equipment; personnel can be hired by individual work contract or by civil convention, according to terms established by decision of the owners’ association or through negotiations.

• Initiates law suits or defends in court, in its own name or on behalf of the owners, in matters related to the building.

• Draws up contracts and undertakes obligations on its own behalf or on behalf of the owners, in matters related to the building.

• Regulates the use, maintenance, repair, replacement and modifications of the common property.
• Imposes penalties for delays in paying ordinary and special assessments for common expenses.
• Adopts or amends rules and regulations.
• Updates the technical book of the building.
• Ensures inspections of the condition of the building.
• Exercises other responsibilities provided for in the association agreement or by vote of the owners.

Art. 25. If a decision of the owners’ association is contrary to law or to the association agreement or is likely to cause considerable damage to the interests of a minority of the owners, any owner can sue in court to challenge the validity of the decision within 60 days of its adoption. Bringing a case in court does not interrupt the implementation of the decision unless the court decides otherwise.

Chapter VI - The Executive Committee

Art. 26. Except for powers reserved exclusively for the owners’ association, the executive committee represents the owners’ association in the administration and management of the building. The executive committee may hire specialized persons or may appoint other persons for the accomplishment of its responsibilities.

Art. 27. The chairman of the owners’ association represents the association in its contracts, and undertakes obligations on behalf of the association. He represents the association against third parties, including in court trials initiated by the association against an owner who fails to fulfil his obligations to the association, or in court trials initiated by an owner who contests a decision of the owners’ association.

Chapter VII - Establishing and Collecting Common Expenses

Art. 28. The fiscal year of the owners’ association shall be the calendar year. Before the beginning of the next fiscal year and for every fiscal year that follows, the executive committee shall prepare and present to the owners in the general assembly an annual budget, sufficient to cover anticipated maintenance and operating expenses of the common property and administration of the association. If the owners agree, a fund for repairing and improving the common property shall be approved. The executive committee shall prepare and present to the general assembly the necessary sum for supplying this fund. The annual budget must be adopted by majority vote of the owners at a general assembly. The owners’ association shall be empowered to open an account at any banking institution, or branch of the Savings Bank (CEC).

Art. 29. All owners must pay in advance their allocated share of the common expenses. Time and place of payment will be made according to decision adopted by the general assembly.
Art. 30. With the approval of 2/3 of the members of the association, a special assessment may be levied in addition to the ordinary expenses provided for in the budget, for purposes of covering unexpected but necessary common expenses. Such special assessment shall be paid in accordance with terms established by the vote of the owners.

Art. 31. The owners' association may impose a penalty for the non payment of common expenses, including special assessments, for more than 30 days after such payment is due. The association has the right to bring an action in court against any owner who does not pay common expenses, including special assessments, for more than 90 days after such payment is due. A court decision in favor of the association for amounts due from an owner may be collected through any means allowed by the Code for Civil Proceedings for collecting debts.

**Methodological Norms**

**IV. Administration of Residential Buildings**

44. Residential buildings can be administered by specialized physical or juridical persons that present ethical and professional guarantees acceptable to the owners of the building or their legal representative. The obligations of the administrator are those established by Art. 34 of the law as well as those established by contract concluded with the owners or the representative of the owners' association of the building.

45. The object of administration of residential buildings is the use of buildings for their intended purpose, and for maintaining the technical and quality conditions which they were accomplished.

For this purpose, building administration activity must ensure:

- The safety of the building according to legal norms.
- Proper functioning of the installations and structural parts of the building.
- Awareness of all persons living in the building regarding the general conditions for operation of installations and equipment of the building and the rules of use of the installations and equipment used in common.
- Carrying out maintenance services and current repairs of the structural elements and installations of the building belonging both to the common parts and those in exclusive use that may affect the normal use of the common parts.
- Awareness of all owners about the methods of establishing current expenses for the operation and maintenance of the building as well as expenses for capital repair of the building.
• Taking over the Technical Book according to legal provisions and registering all modifications to the common parts of the building.

Change in use of units can be made only upon agreement of the owners’ association and compulsory agreement of owners directly affected, regardless of whether the occupant is or is not an owner.

46. In order to represent and support the common interests of the owners regarding the use of the common property in the condominium, the units owners shall set up an association with legal personality. Establishment, organization, and operation of the owners’ associations is subject to the General Regulations provided in Annex 2 of Law No.114/1996.

47. The owners’ association is the organizational and representational form of the owners of a condominium recognized by the law. The owners’ association acquires legal personality at the moment of its registration at the court of law in whose jurisdiction the building is located, on the basis of the association agreement and the association statute.

48. The establishment of an owners’ association for a new building built based on the law must be made within 60 days of the date when the right of ownership of the building was registered in the Ground Book according to the Law of the Cadastre and of Real Estate Recordation No. 7/1996. Until the organization and operation of the Ground Book offices according to that law, the documents based on which the multifamily building was built will be transcribed or registered by offices of property registration existing in courts.

The necessary documents for registration of a property are the following:

• Transcription of the registration in the Ground Book for all owners in the building, specifying the addresses and location of the units.

• The document of lease or ownership of the land.

• Contracts for construction or for sale-purchase of the units which are parts of the building (the ownership documents).

• Minutes for the delivery-receipt of the apartment as built; receipt for purchase (to show technical adequacy).

• Plans or sketches for identification by location and area of each unit in the building.

Each unit owner will also ask individually for the transcription or registration of his ownership right for his unit. The owners can give power by proxy to one of them or to a third party, physical or juridical person, to carry out on their behalf the real estate registration. The proxy must be signed by all owners or their legal representatives.
Tenants’ association will be transformed according to the law into owners’ associations. Registering the property if not done before the date of this law will be done in a manner similar to that for new buildings.

49. The owners’ association adopts decision in a general assembly, to be held at least once a year, in which all owners are entitled to take part. In a general assembly, decisions are adopted by voting on proposals made by the owners.

The general assembly discusses issues and adopts decisions regarding the following:

- The administration and maintenance of the building, accomplishment of contracts concluded with economic entities supplying necessary services, as well as the enforcement of obligations against physical or juridical persons with which the association has relations.

- The budget for income and expenditures; the establishment of the period for which persons visiting the domicile of members of the association are not required to pay assessments for maintenance expenses due from persons having permanent residence in the building; the participation of owners in the administration and maintenance expenses of the building; the procedures for using its funds.

- The use of the common property and in some cases changes in the use of such property. Changes in use may be made only with the agreement of the majority of owners and the compulsory agreement of those directly affected.

- The rules and regulations for the building.

- Conditions for hiring an administrator by presentation and analysis in general assembly of his qualification.

- Election of the auditing committee and its specific tasks.

In its first meeting, the owners’ association elects an executive committee, an auditing committee and a chairman who will represent the association before public authorities, public institutions, and the financial agents with whom the association has relations.

50. The executive committee is elected from among the owners, with the number of members to be established by the general assembly, to ensure the implementation of the decisions of the general assembly and to carry out the following:

- Management and maintenance of the building, including the monthly collection and disbursement of common expenses, contracts for services necessary for the management of the building, the hiring of maintenance and cleaning personnel.
The executive committee prepares and submits for the approval of the general assembly the annual budget of income and expenditures. After approval of the budget, the executive committee is responsible for its implementation.

51. The chairman of the association follows and ensures the observance of the statute and decisions of the owners’ association, achievement of contracts made by the association, carries out the provisions of the budget, the observance on behalf of the association of public order and decisions of public authorities.

The chairman of the association calls and presides over working meetings of the executive committee and the general assembly. The chairman represents the owners’ association in its relations with third parties. The chairman keeps and updates the technical book of the building as well as the other documents regarding the activities of the owners’ association.

52. The auditing committee follows up and ensures the observance of legal provisions in the administration of the association’s property and funds. The auditing committee is made up of 1-3 members who have knowledge and experience in the financial, economic, or legal fields and are not members of the executive committee. The auditing committee elects a chairman from among its members at its first meeting.

The responsibilities of the auditing committee are:

- Checking the budget
- Checking and validating bills and invoices
- Overseeing deposit in the association’s bank account the cash that exceeds the maximum allowed for the money box
- Verifying the association’s accounts every quarter
- Verifying cost sharing among the owners to meet current expenses
- Verifying every month the records of income and expenditures, to be signed by all the committee members

The auditing committee reports on its activities once a year before the general assembly.

Administration of funds of the association is based on the provisions of Accounting Law No. 82/1991 and on Point 18 of the Regulations for implementation of the Accounting Law approved by Government Decision No. 704/1993, with the aim to ensure:
• The chronological and systematic registration in the accounting records of assets according to their nature, in a unilateral way, only in the debit or credit of accounts, without using a corresponding account.

• Establishment of the total debit and credit as well as the balance of each account.

The compulsory register and the forms are:

— The record book for cashing and payments
— The receipt form (code 14-1-1)
— The register of evidence of the revolving fund and of other funds (code 14-6-25)
— The register of evidence of the association's goods
— The register of evidence of the cash operations (code 14-6-27)
— The payments list of assessments for current expenses for use, maintenance and repairs (code 14-6-28)
53. The owners have the following rights and duties (besides the ones in chapter IV of the norms included in Annex 2 of the law).

- **Rights**
  
  — To participate at the general assembly of the owners, to elect and to be elected in the association's bodies.
  
  — To receive explanations regarding the way common expenses have been calculated, and to challenge the calculation to the chairman of the association within 10 days from the posting of the expenses (the challenge does not suspend the requirement to pay the contribution). The chairman must respond to the challenge within 5 days.

  — To use the common spaces and property of the building.

- **Duties**
  
  — To contribute to the financial and material means of the association and to pay when due assessments for common expenses and the renovation fund.

  — To maintain in good condition the common spaces and installations on the interior and exterior of the building (stairwell, elevator, halls, corridors, basement, external stairs, water pump, installations for water supply, sewage, central heating and hot water preparation, electrical and gas, heating stations, crematories, installations for waste collection, collective antenna installations, telephone installations, etc.) and to maintain and repair their own unit in safe operating condition.

54. To ensure the necessary funds for current payments, the owners' association establishes the amount and the participation share of the members of the association to the "revolving fund." Usually the revolving fund is conceived so that it may cover the current maintenance expenses of the condominium for a calendar month. The amount is determined by equalization with the average monthly expenses of the past year, increased with the inflation rate for the current year, and in the case of owners' associations newly set up, by acknowledging and assimilating the experience of similar sized condominiums.

The fund will be set up through the anticipated payment of the share of each owner, as it has been decided by the general assembly of the owners.

In a situation when through a contract with an owner a tenant agrees to pay the share of current expenses of the building, he will also pay the contribution to the revolving fund.

According to the same provisions, the owners' association may set up a separate fund with the limited purpose of repairing the major installations and structural elements of the building. That fund will be deposited in the association's account and may be used only with the approval of the general assembly.
The revolving fund is returned in cases of address change or ownership change if there are no provisions to the contrary in the documents of ownership transfer or in association's regulations. The special fund for major repairs shall be given back to the owner only if the new owner provides the same sum of money to the fund.

55. Maintenance expenses calculated for each owner shall be paid by them within 30 days from the date they were posted in a visible place. After 30 days, the owners' association can charge a penalty in addition to the unpaid sum.

The uses of amounts collected from penalties and from interest on the sums deposited in the association's account will be established by the general assembly.

56. Owners who do not follow rules and obligations adopted by the association in compliance with provisions of Art. 31 of the General Regulations of the owners' association can be sued in court by the association.

The chairman of the association answers in front of the general assembly for the settlement of the disputes arising within the association.

V. The Distribution of Common Expenses

57. Expenses related to maintenance and repair of the structural elements of the building and to installations in common use are distributed proportionally with the share of common property that belongs to each unit, in accordance to information registered in the ownership document and adopted by the general assembly (work related to the laundries, drying rooms, stairwell, basement, terrace, or roof, attics, elevator, heating stations, crematories and other such parts of the condominium are included).

Parts of the condominium and common areas are those established by the association agreement, with modifications that may be adopted by decision of the owners' association.

Expenses related to personnel hired by the association including cleaning personnel as well as expenses related to consumable materials shall be distributed by each unit according to the number of people, except for compensation and expenses for the stoker for the winter period which will be divided according to the share of common property owned.

Expenses for maintenance, repairs, and replacement to the collective TV antenna are divided in relation with the number of TV outlets in the units, and those for mail boxes and keys to the common entrance door are divided according to their number.

In buildings where there are nonresidential as well as residential units, these expenses are calculated separately in accordance with conventions to be agreed upon every year by the users of the respective spaces.
Expenses related to the residential units, determined after deducting from the total amount expenses related to the nonresidential spaces, are allocated to each flat according to the provisions of the first paragraph.

58. Expenses for consumption of water and sewerage according to invoices from the supplier and accepted by the association will be allocated in proportion to the number of residents in the building.

In case invoices include expenses for water consumption of nonresidential spaces, the allocation of those expenses shall be established by conventions to be agreed upon every year by the users of the respective spaces.

Expenses for water consumption and sewerage related to the residential units, determined after deducting from the total amount the expenses related to nonresidential spaces are allocated according to the provisions of the first paragraph.

In exceptional cases, in the absence of meters for water consumption, costs are allocated according to legal norms for each type of consumer.

Expenses for water consumption and sewerage to units that use common baths or showers shall be half of the amount due from persons who live in units equipped with bath and shower. If the condominium has only common baths and showers for all units, expenses are allocated in relation to the number of persons living in the building.

Car owners who use water from pipes supplying the common areas for maintenance of their cars, if permitted by the association, will pay related costs of water and sewerage, calculated on the basis of legal norms, to be deducted from the total amount of the building expenses for water and sewerage to be allocated in accordance to the previous paragraphs.

59. Expenses for garbage and waste collection as well as for emptying the cesspool are allocated proportionally with the number of people who live in the building.

In buildings where there are nonresidential units, expenses for waste collection are allocated separately for residential units and nonresidential units in conformity with conventions to be agreed upon every year by the users of the respective spaces.

60. Consumption of electric energy related to the common parts of the building which is usually metered separately from the units is allocated proportionally with the number of residents in the building.

In exceptional cases when the consumption of electric energy for the common parts of the building or in units inhabited in common by more than one family, the total amount of consumption is determined on the basis of legal norms for users of residential spaces, taking into account the equipment of each one (number of bulbs and electrical household equipment such as irons, washing machines, radio and TV sets, refrigerators, etc.); the amount determined in this way is deducted from the total expense for consumption
of electricity, and what remains represents the expenses for the illumination of common areas and is allocated to the users of the units proportionally by the number of people.

In buildings where there are nonresidential units, the allocation of those expenses shall be established by conventions to be agreed upon every year by the users of the respective spaces.

61. Expenses related to heating supply through heating stations or heating centers used by institutions of communal administration or by other suppliers are established according to the fee structure practiced by them.

Expenses for central heating provided by heating stations used directly by owners in the building include: the cost of the fuel (coal, liquid, gas, etc.), the cost of transportation to the place of consumption, expenses for eliminating residuals, costs of electricity consumed to operate the central heating installations and illumination of rooms where these are located, costs of equipment for fire men working at the heating stations, including their wages and contribution for social security (CAS), costs of cleaning materials for the heating stations, costs of water for filling the installation.

If other buildings are connected to the heating stations, the total amount of expenses for heating all the buildings shall be allocated for each building proportionally with the thermic equivalent surface determined according to legal provisions, of all the heating elements (pig iron or steel radiators, convectors, convector radiators, pipes and non insulated columns, etc.) they are equipped with according to technical design norms.

Expenses for heating units as well as for common spaces in a building (the stairwell, corridors, laundries, drying rooms, etc.) are allocated proportionally with the share of common property belonging to each owner such as it is registered in the ownership documents.

If the owner of a unit modifies the radiant surface of his unit, the share of his contribution to heating expenses shall be recalculated taking into account the index of modification of the initial radiant surface.

In buildings where there are nonresidential units, heating expenses are split according to the shares established by conventions to be agreed upon every year by the users of the respective spaces.

62. Expenses of hot water consumption are allocated to owners according to the number of people living in the building.

In buildings where there are nonresidential units, expenses of hot water consumption are established and are allocated according to the shares established by conventions to be agreed upon every year by the users of the respective spaces.

63. Expenses related to gas consumption from heating stoves, if there is no measuring equipment for the gas, for unit, including the common use parts related to them, are allocated proportionally with the share of the common property belonging to each unit, as it has been registered in the ownership document.
Expenses related to the consumption of natural gas for food preparation and for common use
laundries, if there is no measuring equipment for the consumption in each unit, are allocated to each owner
in conformity with the number of people living in the building.

In buildings where gas consumption for kitchens and laundries is registered on the same meter that
measures heating consumption, the amount related to the kitchens and laundries is established based on
standards determined according to legal provisions and is deducted from the total consumption of the
building, the rest being considered as representing the heating consumption.

In buildings where there are nonresidential units, expenses related to the gas consumption are
established by conventions to be agreed upon every year by the users of the respective spaces.

64. Expenses related to electric energy needed for operating water pumps used by the owners'
association are allocated proportionally by the number of people who live in the building.

65. Expenses related to electric energy needed for operating elevators are allocated proportionally
with the number of people living in the building. Usually, persons who occupy units in the basement, semi
basement, ground floor and mezzanine, and on the first floor of buildings without a mezzanine, do not
participate in paying elevator expenses.

In a building having laundries, bathrooms, etc. on the upper floors, usually all owners share expenses
for the elevator. The general assembly will decide the participation of each owner in these expenses.

When the elevator is used in common with owners of nonresidential units (tailors, cosmeticians, hair
dressers) who receive persons who do not reside in the building, their share will be established by annual
convention with the other owners.

66. Expenses for cleaning chimneys are divided among owners proportionally on the basis of the
number of heating units connected to the chimneys.

Useful Addresses and Telephone Numbers

<table>
<thead>
<tr>
<th>Institution</th>
<th>Address</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office of the Court</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property Registration Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notary Office</td>
<td></td>
<td></td>
</tr>
<tr>
<td>City Financial Department</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
FINANCIAL OPERATIONS FOR OWNERS’ ASSOCIATIONS

Preparing the Owners’ Association Budget

The owners’ association budget is a plan prepared before the beginning of the fiscal year, estimating in advance the anticipated costs of maintaining the property and operating the association for the year to come. Among expected expenses, some can be precisely forecasted, some only estimated (for example, expenses for heating and hot water, for which prices may change a number of times during a given year). The total expenses listed in the budget determines the income needed by the association for the coming year. This is the way in which an association establishes the level of maintenance expenses that it needs to collect from owners during the year. With the exception of exceptional situations (natural disasters, fires, floods), the level of maintenance expenses should not be increased during the year if the budget has been correctly prepared. The association’s budget helps the owners calculate their own expenses budget. It increases their confidence in the executive committee and in the way the association is run.

Fiscal year

The budget needs to be prepared before the beginning of each fiscal year. The fiscal year is the time period on which the owners’ association’s financial report is based upon and coincides with the calendar year.

It is advisable that the budget be prepared two months before the end of current fiscal year, at the beginning of November. At this point, a comparison can be made between the expenses for the first ten months of current year (January through October) and the proposed budget for the coming year.

Anticipating Expenses
In planning the budget, information from various sources has to be used. Expenses for the current and previous years will show best how much maintenance for the building cost. Expenses vary from one year to the next. It is safer to include in the budget some unforeseen expenses for repairs and maintenance. When estimating expenses, the experience of other associations could be used for guidance as well. The inflation rate also affects the level of expenses for purchasing materials, maintenance, cleaning and repairing.

City Hall and service providers (for water, electric energy, heating, gas) can estimate the level to which prices for their services will need to increase and provide this information to associations to help them plan their budget.

Expenses which can be estimated accurately are:

- Expenses for paying staff and benefits for staff
- Expenses for managing the building, which can be negotiated in advance
- Service for elevators, thermal stations, interphone
- Contributions for renovation funds (to be evaluated every year)
- Real estate taxes
- Insurance premiums
- Interest on loans to the association

Expenses which can vary according to unexpected events should be also estimated:

- Fines and expenses related to legal actions
- Expenses for maintenance and repairs (under this section, an extra amount should be provided, and any funds left over can be used for improvements or for a supplement to the renovation fund)
- Maintenance services provided by outside firms (these expenses vary according to the number of jobs the owners want or are able to accomplish themselves in or around the building, in order to maintain a low level of expenses)
- Cost of materials used for maintenance (varying according to weather, the size and importance of damage, the owners' neglect etc.)
- Increases in the cost of fuel
- Major repairs (estimated according to building condition and the amount that the owners can afford)
- Bank fees
- Administrative expenses (varying according to the level of involvement of the owners)

**Planning Income**

Some income sources to be included in the budget are:

- Rents or amounts realized after renting commercial spaces owned by the association
- Income from maintenance quotations
— Income from special quotations
— Other income

**Allocating Common Expenses Among the Owners**

From the total anticipated expenses, anticipated income other than assessments from the owners will be deducted. The difference represents the sum that must be paid using the special shares (revolving fund, developing fund, refurbishing fund).

The sum that every flat should pay is established by multiplying the whole sum due to be collected by the percentage share each owner has. The result is the sum every flat will have to pay annually as developing fund. Dividing this sum by 12, the result will be the amount owner should pay as a supplement to the usual maintenance shares.

The executive committee or audit committee can use the information from the budget plan to explain to the owners a possible increase in payments that must be paid.
Modifying the Budget When the Payments Are Too High

After preparing the budget, it may that the payments seems too high to be affordable for most owners. In this case, the income and expenditures stipulated in the budget should be revised following these principles:

• Perhaps there are other sources of income—identify these sources and use them!

• Some improvements, if not vital, can be postponed (perhaps the roof can be repaired, not replaced)

• Improvements that lead to savings should be made (thermal insulation for the entrance and lobby, plumbing insulation in the basement, repairing pipes and electrical wires etc.)

• Some important repairs should be made (for example, water installations) because they will allow the association to avoid a number of small costs which added together prove to be far more expensive

Keeping accurate and up to date financial records can lead to reduced expenses and allows the comparison of real income and expenditures with those stipulated in the budget.

Format for an Owners’ Association Annual Budget

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicators</th>
<th>Annual Estimate</th>
<th>Trimester</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>I</td>
</tr>
<tr>
<td>1</td>
<td>A. TOTAL INCOME (2+3+4+5+6)</td>
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</tr>
<tr>
<td>2</td>
<td>Income from Ordinary Operations</td>
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<td></td>
</tr>
<tr>
<td>3</td>
<td>Income from Rents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Income from Interest</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Income from Nonresidential Units</td>
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<td></td>
</tr>
<tr>
<td>6</td>
<td>Other Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>I</td>
</tr>
<tr>
<td>7</td>
<td>B. TOTAL EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Repairs and Renovation (8+9)</td>
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<tr>
<td>9</td>
<td>Replacing Parts and Equipment</td>
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<tr>
<td>10</td>
<td>Renovation and Refurbishing</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>Current Expenses for Operating and Maintenance</td>
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<td></td>
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East European Regional
Housing Sector Assistance Project

<table>
<thead>
<tr>
<th>No.</th>
<th>Indicators</th>
<th>Annual Estimate</th>
<th>Trimester</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>I</td>
</tr>
<tr>
<td>11</td>
<td>Personnel (incl. taxes, social insur., unemployment fund)</td>
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<td></td>
</tr>
<tr>
<td>12</td>
<td>Operating Expenses (13+14+15+16+17+18+19)</td>
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<td></td>
</tr>
<tr>
<td>13</td>
<td>Office Supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Phone, Correspondence</td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Fuel and Energy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Water, Sewerage, Salubrity</td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Insurance, Legal Costs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>General Supplies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Taxes and Other Fees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Remaining (A-B)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Calendar of the Association’s Financial Activities**

<table>
<thead>
<tr>
<th>Action</th>
<th>Who Is Responsible</th>
<th>Deadline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Preparation of the budget for the next year</td>
<td>Executive/Audit Committee</td>
<td>During month of November of the current year</td>
</tr>
<tr>
<td></td>
<td>Property Manager</td>
<td></td>
</tr>
<tr>
<td>Presenting the proposed budget to the general assembly</td>
<td>Executive Committee</td>
<td>During December of the current year</td>
</tr>
<tr>
<td>Keeping account records</td>
<td>Property Manager/Accountant Treasurer</td>
<td>Continual</td>
</tr>
<tr>
<td>Quarterly financial report delivered to each owner</td>
<td>Property Manager</td>
<td>31 March for Quarter I</td>
</tr>
<tr>
<td></td>
<td>Executive Committee</td>
<td>30 June for Quarter II</td>
</tr>
<tr>
<td></td>
<td></td>
<td>31 September for Quarter III</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20 December for Quarter IV</td>
</tr>
<tr>
<td>Collecting information for new sources of income</td>
<td>Executive Committee</td>
<td>Continual</td>
</tr>
<tr>
<td></td>
<td>Property Manager</td>
<td></td>
</tr>
<tr>
<td>Analyzing service providers' proposals</td>
<td>Property Manager</td>
<td>Continual</td>
</tr>
<tr>
<td>Preparation of accounts at end of fiscal year</td>
<td>Audit Committee</td>
<td>January, for the past year</td>
</tr>
<tr>
<td></td>
<td>Property Manager</td>
<td></td>
</tr>
<tr>
<td>Presenting annual financial statement to general assembly</td>
<td>Executive Committee</td>
<td>January, for the past year</td>
</tr>
<tr>
<td></td>
<td>Property Manager</td>
<td></td>
</tr>
<tr>
<td>Action</td>
<td>Who Is Responsible</td>
<td>Deadline</td>
</tr>
<tr>
<td>--------</td>
<td>-------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Depositing balance at Department of Public Finances</td>
<td>Property Manager</td>
<td>February, for the past year</td>
</tr>
</tbody>
</table>

**Quarterly Financial Report - Financial Report for Quarter I/19**

**Statement of Expenses**  
(This form shows the status of payments to all service providers)

<table>
<thead>
<tr>
<th>Expenses</th>
<th>January</th>
<th>February</th>
<th>March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invoice R.A. Termo</td>
<td>Invoice no:</td>
<td>Invoice no:</td>
<td>Invoice no:</td>
</tr>
<tr>
<td></td>
<td>Amount:</td>
<td>Amount:</td>
<td>Amount:</td>
</tr>
<tr>
<td></td>
<td>Paid:</td>
<td>Paid:</td>
<td>Paid:</td>
</tr>
<tr>
<td></td>
<td>Balance:</td>
<td>Balance:</td>
<td>Balance:</td>
</tr>
<tr>
<td>Invoice water</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoice gas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoice electricity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Invoice salubrity</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll</td>
<td>Pay-list/Date</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Miscellaneous services</td>
<td></td>
<td>Receipt no./date</td>
<td>Receipt no./date</td>
</tr>
<tr>
<td>- plumbing repairs</td>
<td></td>
<td>Receipt no./date</td>
<td></td>
</tr>
<tr>
<td>- joinery repairs</td>
<td></td>
<td>Receipt no./date</td>
<td></td>
</tr>
<tr>
<td>- masonry</td>
<td></td>
<td>Receipt no./date</td>
<td></td>
</tr>
<tr>
<td>Other expenses</td>
<td>Receipt no./date</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Status of Income
(This form shows the amount of income each month.)

<table>
<thead>
<tr>
<th>Income</th>
<th>January</th>
<th>February</th>
<th>March</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owners’ Assessments</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank interest</td>
<td></td>
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</tr>
<tr>
<td>Rental income</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Publicity contracts</td>
<td></td>
<td></td>
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</tbody>
</table>

General Financial Statement - First Quarter

<table>
<thead>
<tr>
<th>Budgeted Income</th>
<th>Actual Income</th>
<th>Budgeted Expenses</th>
<th>Actual Expenses</th>
<th>Cash Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>