

DECLARATION OF UNIT OWNERSHIP
THE BLUFF'S CONDOMINIUMS
DARE COUNTY, NORTH CAROLINA

ESS Associates, a North Carolina General Partnership, pursuant to Chapter 47A, of the North Carolina General Statutes entitled, "Unit Ownership Act" does hereby state and declare:

SECTION 1. Statement of Submission.

A. ESS Associates, a North Carolina General Partnership, are the record owners of the land hereinafter described and hereby declare and submit the same to the condominium form of ownership and use in accordance with Chapter 47A of the General Statutes of North Carolina, entitled, "Unit Ownership Act".

1. The name by which the Condominium is to be identified is "The Bluff's Condominiums" located in Nags Head Township, Dare County, North Carolina.

2. The legal description of the land which is included in and submitted to the condominium ownership is located in Nags Head Township, Dare County, North Carolina, and more particularly described as shown in Exhibit "A", which is attached hereto and incorporated herein by reference as if set out word for word.

SECTION 2. Definitions. All terms shall have the meaning as set out in Chapter 47A of the General Statutes of North Carolina and in addition thereto and for clarification, the following terms shall have the following meanings:

A. "Apartment Unit" means "condominium unit" or "unit" and is synonymous therewith as defined in N.C.G.S. 47A-3 (12).

B. "Association" or "Association of Unit Owners" means all of the unit owners acting as a group in accordance with the By-Laws and Declaration. As to The Bluff's Condominiums this term means The Bluff's Condominiums Association, Inc. a non-profit corporation organized and existing under the laws of the State of North Carolina, hereinafter referred to as Corporation.

C. "Articles" means the Articles of Incorporation of The Bluff's Condominiums Association, Inc.

D. "Building" means a building, or a group of buildings, each building containing one or more units and comprising a part of the property; provided that the property shall contain not less than two units.

E. "Common Areas" or "Common Elements" means all that portion of the condominium property which is not included in the individual condominium units and as further defined in N.C.G.S. 47A-3 (2), except those items listed in paragraph 'h' therein, unless specifically set out in this section.

F. "Common Expenses" means expenses for which the condominium unit owners are liable to the Association as defined in the North Carolina Unit Ownership Act and in the condominium documents and includes:

1. All sums lawfully assessed against the unit owners by the Association of Unit Owners;

2. Expenses of administration, maintenance, repair or replacement of the common areas and facilities, and Association owned property;

3. Expenses agreed upon as common expenses by the Association of unit owners;

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4. Expenses declared common expenses by the provisions of Chapter 47A of the General Statutes, or by this Declaration or the By-Laws;

5. Hazard insurance premiums, and other insurance premiums, if required;

G. "By-Laws" means the By-Laws of The Bluff's Condominiums Association, Inc.

H. "Common profits" means the balance of all income, rents, profits, and revenues from the common areas and facilities remaining after the deduction of the common expenses.

2 I. "Condominium" means the ownership of single units in a multi-unit structure with common areas and facilities.

J. "Declaration" means the instrument, duly recorded, by which the property is submitted to the provisions of Chapter 47A of the General Statutes, as hereinafter provided, and as such Declaration from time to time may be lawfully amended.

K. "Limited common areas and facilities" means and includes those common areas and facilities which are agreed upon by all the unit owners to be reserved for the use of a certain number of units to the exclusion of the other units, such as special corridors, stairways and elevators, sanitary services common to the units of a particular floor, and the like.

L. "Majority" or "majority of unit owners" means the owners of more than fifty percent (50%) of the aggregate interest in the common areas and facilities as established by the Declaration assembled at a duly called meeting of the unit owners.

M. "Person" means individual, corporation, partnership, association, trustee, or other legal entity.

N. "Property" means and includes the land, the buildings, all improvements and structures thereon and all easements, rights and appurtenances belonging thereto, and all articles of personal property intended to be submitted to the provisions of this chapter.

O. "Owners" means the Declarant, ESS Associates, a North Carolina General Partnership.

P. "Recordation" means to file of record in the office of the county Register of Deeds in the county where the land is situated, in the manner provided by law for recordation of instruments affecting real estate.

Q. "Unit" or "condominium unit" shall mean and comprise the four separately numerically identified dwelling units which are designated on Exhibit "C" to this Declaration and each condominium unit shall consist of and include the space and improvements within horizontal and vertical planes formed by connecting the lower ends of the foundation pilings in the ground and intersected by vertical planes formed by each exterior perimeter wall surface and outer most perimeter foundation piling surfaces extended from the point of intersection with the aforesaid horizontal plane in the ground upward to the point of intersection with the diagonal planes formed by the exterior surface material of the roof, and then by extending upward the diagonal planes of the exterior surface of the roof to the point of intersection of said diagonal planes; as to Units C and D, one of the vertical planes shall consist of the center of the common wall between the two units. Each condominium unit shall include all exterior surface materials on the roof and exterior walls (including windows and doors) heating and air conditioning systems and compressor, decks, and

the waste water - septic disposal system attached to and used by each condominium unit; and further including all pipes, ducts, wires, conduits and other facilities for the furnishing of utilities and other services to condominium units up to and including the point of entry of such pipes, ducts, wires, and conduits through the exterior surface material of the walls or the point of entry of such through the vertical planes heretofore described. All pipes, ducts, wires, conduits and other such facilities shall become a part of the respective condominium units at such point of entry. All exterior decks, stairways and stairway landings, doors, window frames, panes and screens shall be part of the respective condominium units and the exterior decks and painting of the exterior surface of such decks, stairways and stairway landings, walls, doors and window frames shall be the responsibility of the condominium unit owner subject to the approval of the Board of Directors of The Bluff's Condominiums Association, Inc., and the Rules and Regulations adopted by the association's board for architectural review.

The maintenance and repair of the heating, air conditioning unit, compressor, fan, and any accessory heating and air conditioning equipment, septic tank, septic drainfield or septic wastewater system serving each unit shall be the expense of the unit owner. The repair, maintenance or replacement of or any portion of the water system within the common area, including but limited to lines, taps, meters, pipe and water pumps, if any, shall be the expense of the Condominium Unit Owners Association.

R. "Unit Designation" means the number, letter, or combination thereof designating the unit in the Declaration.

S. "Unit Owner" means a person, corporation, partnership, association, trust or other legal entity, or any combination thereof, who owns a unit within the building.

SECTION 3. Building Description. The condominium buildings are constructed as set forth in Exhibit "B", which is attached hereto and incorporated herein by reference as if set out word for word.

SECTION 4. Apartment Unit Designation and Description. The apartment unit designation and description is as set forth in Exhibit "C", which is attached hereto and incorporated herein by reference as if set out word for word.

SECTION 5. Common Elements, Areas and Expenses Related Thereto.

A. The general common elements or areas located in The Bluff's Condominiums shall be as follows:

1. All of the land and the premises above described in Section 1 hereof, including all appurtenant rights thereto, shall be general common elements. All facilities located underground shall be general common elements, including any septic tank installation and associated pumps, pipes, tanks, drainfields, and lines, and waste treatment facilities and systems associated therewith.

2. At the ground level and extending thereupwards, all of the areas of said premises not included in the condominium units as described in Section 4 hereof and all facilities not located in said condominium areas, shall be general common elements.

3. Any lighting facilities, equipment and wiring installed to illuminate the above general common elements and all electric lines, both primary and secondary, leading to but exclusive of any individual unit electric meter, shall also be general common elements.

4. In addition, those items set out in N.C.G.S. 47A-3 (2), except as herein reserved or excepted, shall be general common

elements.

5. Also included as general common elements are water supply lines to the individual common units, vent lines, plumbing facilities, sanitary sewage lines, waste pipes, and vents, located outside the individual condominium units unless specifically defined as portions of the condominium unit pursuant to Section 4.

* B. Each condominium unit or apartment owner shall own a share of the common elements and in the surplus funds possessed by The Bluff's Condominiums and shall be liable for the common expenses as set forth in Exhibit "D", which is attached hereto and incorporated herein by reference as if set out word for word.

SECTION 6. Limited Common Elements or Areas. There are no limited common elements or areas in The Bluff's Condominiums.

SECTION 7. Easements.

A. Perpetual Non-Exclusive Easement in Common Areas. The common elements or areas shall be, and the same are hereby declared to be subject to a perpetual non-exclusive easement which easement is hereby created, in favor of all of the apartment or unit owners in the condominium for their use and for the use of their immediate families, guests, invitees, and licensees, and for all proper and normal purposes, and for the furnishing of services and facilities for which the same are reasonably intended. In addition, this easement shall run in favor of the Developer, the condominium association, and all unit owners, and may be used for ingress and egress for the providing of electric power, telephone, sewer, water, and other utility services and lighting facilities, including but not limited to television transmission facilities, security services, and facilities connected therewith. The Owners, for themselves, their heirs, and assigns, and the Association herein described reserve the right to impose upon the common elements henceforth and from time to time such easements and cross-easements for any of the foregoing purposes as they deem to be in the best interest of and necessary and proper for, the owners of apartments and units in The Bluff's Condominiums.

B. Encroachment Easement. The entire condominium property, including common areas and individual condominium units or apartments shall be subject to easements for encroachments which now exist or hereafter may exist, caused by the settlement or movement of the building, or caused by minor inaccuracies in construction or reconstruction, which encroachments shall be permitted to remain undisturbed and which said easement shall run in favor of each individual condominium unit owner, the Association, and the Developer.

C. Easement for Recreation, Parking, Access, Egress, and Ingress. There is hereby conveyed and reserved a non-exclusive easement of access, egress, and ingress to and from the condominium buildings and North Carolina Secondary Road The Bluff's Condominiums, and for parking in designated parking areas, and for access, egress, and ingress to recreational facilities, and for other purposes herein expressed over, upon, and across the lands described in Section 1 of this Declaration, said easement being also for the benefit of the Owners and those to whom Owners may convey a similar easement or easements as an appurtenance to any real property interest conveyed, by the Owners, their successors, heirs, and assigns, in the above described property.

D. Easement for Construction. There is retained, by the Owners, and their successors, heirs, and assigns, a construction easement over, upon, and across the common elements or areas and also over, upon, and across those lands set out and described in Section One of this Declaration, for the purposes of constructing improvements on the properties now owned or hereafter acquired by the Owners, said easement to run in favor of the Owners, their

heirs, successors, and assigns, their contractor and subcontractors, laborers, and materialmen. This easement shall expire and become null and void upon the completion of all of the permanent improvements which are to be constructed upon said properties.

E. Easement for Utilities, Sewerage, Waste Treatment Facilities. There is conveyed hereby an easement of right of way in and to the lands described in Section One of this Declaration, for the benefit of the condominium unit owners and the Association, for the construction, operation, and maintenance of all utility lines, and pipes, sewerage lines, septic tanks, waste treatment facilities, pumps, drain lines and facilities related thereto, which said easement shall also inure to the benefit of the Owners, and all future property owners located or to be located on the property.

F. Easement for Pipes, Wires, Flues, Ducts, Cables, Conduits, Public Utility Lines, and Other Common Elements Located Inside of Units. Each unit ownership will have an easement in common with the owners of all other units to use all pipes, wires, ducts, flues, cables, conduits, public utility lines, and other Common Elements located in any of the other units and serving his unit. Each unit shall be subject to an easement in favor of the owners of all other units to use the pipes, wires, ducts, flues, cables, conduits, public utility lines, and other common elements serving such other units and located in such unit. The Board of Directors and their authorized agents of the Association shall have a right of access to each unit to inspect the same, to remove violations therefrom and to maintain, repair, or replace the common elements contained therein, if any, or elsewhere in the building.

G. Location of Easement. Owner, its successors and assigns, reserves the right to specifically designate on the ground in the above described property the location of the above-described easements, including but not limiting thereto, all roads, walkways, parking areas, utility lines, and recreational facilities.

SECTION 8. Statement of Purpose, and Restrictions as to Use.

A. The Bluff's Condominiums are residence type condominiums and shall be used for single-family residences, vacation or resort living units by the unit owner, his family, servants and guests, or tenants and leasees, their servants and guests, and for no other purposes. No condominium unit may be used for a commercial, professional, or home business enterprise or as a hotel or motel, provided, however, that this Section will not prevent any unit owner from renting or leasing his condominium unit either himself or through his agent. Developer may use the units as models and sales offices.

* B. Each condominium unit is subject to alienation, mortgage or transfer as is any other real property located within the State of North Carolina, however, no condominium unit owner may mortgage or convey by deed of trust his apartment or condominium unit or convey the same as collateral, to any person, firm or corporation except as said conveyance, mortgage, or deed of trust shall be a first lien deed of trust or first mortgage or a purchase money mortgage or deed of trust on the condominium unit, unless prior approval is obtained from the Association.

C. The space within any of the condominium units and common elements shall not be further subdivided and any instrument, whether a conveyance, mortgage, deed of trust or otherwise, which describes only a portion of the space within any apartment shall be deemed to describe the entire apartment unit owned by the person, firm or corporation executing such instrument.

D. No condominium unit owner shall show, nor authorize anyone else to show any sign, advertisement, or notice on any of the common elements, windows, porches, or balconies, or upon his condominium unit and shall erect no exterior radio, television or satellite system antennas upon any portion of any part of his apartment or on any of the common elements. The Developer may show whatever signs Developer desires on any unsold unit or anywhere on the Common Areas.

E. Any individual condominium unit owner may keep a pet or pets in his unit, but only under the regulations as promulgated by the Association from time to time, and no person may keep any other animals, livestock or poultry nor may any of the same be raised, bred or kept upon any portion of the condominium property, including the common elements, balconies and terraces. The Association shall have the authority to declare any pet or pets a nuisance and may cause the owner thereof to remove the same from his condominium property.

F. No apartment or unit owner shall permit or suffer anything to be done or kept in his unit which will increase the insurance rates of his unit or the common elements, or which will obstruct or interfere with the rights of other unit owners or the Association, by unreasonable noises, odors or otherwise; nor shall an individual unit owner commit or permit any nuisance, immoral or illegal act in his unit, or on the common elements.

G. No trailer, tent, storage shed, garage, or other similar outbuildings or structure shall be placed on the Development Area at any time, either temporarily or permanently, excepting that individual boat trailers and travel trailers not being used as living quarters, neither of which exceeding the size of one parking space, may be permitted provided said parking space or area is properly assigned to the individual unit owner who owns said boat trailer or travel trailer or the express written consent of any other unit owner for the use of his assigned parking space therefore. This restriction shall not apply to the Owners, their contractor, subcontractors, laborers, or materialmen until such time as all apartments or condominium units in the Development Area have been constructed and sold.

* H. No condominium unit owner shall make structural modifications or alterations in his unit or the permanent fixtures therein unless he has previously obtained approval therefore, in writing from the Board of Directors of the Association.

I. Unit owners shall abide by and be subject to such rules and regulations as may be adopted by the Association and as may be set out herein or in the By-Laws of the Association as the same from time to time may be amended.

J. No owner shall cause any improvements or changes to be made on or to the exterior of the condominium (including painting or other decoration) or in any manner alter the appearance of the exterior portion of any building without the written consent of the association's board being first obtained or as otherwise provided herein. No unit owner shall cause any object to be fixed to the common property (including the location of construction of fences and the planting or growing of flowers, trees, shrubs or any other vegetation) or in any manner change the appearance of the common property without the written consent of the association's board being first obtained.

SECTION 9. Use and Transfer of Parking Spaces.

A. The Owners shall assign the use of one (1) particular parking space to a particular condominium unit at the time the unit is originally acquired from the Owners. The assignment of use shall be made by describing the particular parking space by reference thereto in a book entitled, "Parking Space Assignments"

which book shall be maintained by the Owners and at such time as the Owners transfer all authority to the Association, which said book shall be for the purpose of listing each assignee of each parking space and the transfer thereof. Each transfer shall be recorded in the book and the owner of the unit to which its use is assigned shall have the exclusive right to the use thereof. Upon a conveyance of or the passing of title to the condominium unit to which said parking space is assigned, the owner of said unit making the conveyance shall deliver notice of transfer thereof to the Association which shall thereupon cause to be executed a new assignment in the assignment book.

B. Parking spaces may be separately transferred upon the following conditions:

1. At any time a parking space may be surrendered or transferred by a unit owner to the Association.

2. The use of a parking space may be transferred by a unit owner to any other unit owner within the condominium provided that written notice thereof, executed by the transferor and the transferee shall be submitted to the Association which shall record such transfer in the assignment book.

3. The Association shall have the absolute right to assign parking spaces assigned or transferred to the Association and requests for the assignment of parking spaces held by the Association shall be considered by the Association on a first come first serve basis or on such other terms and conditions as may be adopted by the Association.

C. Owners will further provide sufficient parking spaces such that each unit will have a minimum of two (2) parking spaces, one of which being the specifically assigned parking space pursuant to this Section.

D. No trucks used for commercial purposes, or trucks over three-quarter ton capacity may be parked overnight. Only vehicles bearing current license and registration tags may be parked overnight. The Association shall have the right to authorize the towing away of any violating vehicles with costs to be borne by the owner or operator thereof.

SECTION 10. Maintenance and Repair by Owners and Condominium Units. Every owner shall perform promptly all maintenance and repair work to the exterior of his condominium unit which, if omitted, would affect the condominium, either in its entirety or in a part belonging to other owners, every owner being expressly responsible for the damages and liability which his failure to do so may engender. The owner of each condominium unit shall be liable and responsible for the maintenance, repair and replacement, as the case may be, of all air conditioning and heating equipment and compressors, septic tank and septic drainfield, stoves, refrigerators, fans, or other appliances or equipment, including any fixtures and/or their connections required to provide water, light, power, telephone, sewage and sanitary service to his condominium unit. Such owner shall further be responsible and liable for the maintenance, repair and replacement of the exterior surfaces of the roof and all walls as provided herein, and the interior surfaces of any and all walls, ceilings, and floors within his unit including painting, decorating and furnishings, and all other accessories which such owner may desire to place or maintain in his condominium unit. Whenever the maintenance, repair and replacement of any item for which the owner of a condominium unit is obligated to maintain, replace or repair at his own expense is occasioned by any loss or damage which may be covered by any insurance maintained in force by the Corporation, the proceeds of the insurance received by the Corporation shall be used for the purpose of making such maintenance, repair or replacement except that the owner of such

condominium unit shall be, in said instance, required to pay such portion of the costs of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. The owner of a condominium unit who has exclusive use of any limited common area shall maintain such at his own expense. All glass doors, window frames, panes and screens are a part of the respective condominium units and shall be maintained by the respective unit owners.

SECTION 11. Maintenance and Repair of Common Property by the Corporation. The Corporation, at its expense, shall be responsible for the maintenance, repair and replacement of all of the common property and all conduits, ducts, pipes and plumbing, identification signs, wiring and other facilities located in the common property for the furnishing of utility and other services to the condominium units and said common property, (except a unit's septic-wastewater system), and should any incidental damage be caused to any condominium unit by virtue of any work which may be done by the Corporation in this maintenance, repair or replacement of any common property, the Corporation shall, at its expense, repair such incidental damage. Whenever the maintenance, repair and replacement of any item for which the Corporation is obligated to maintain, replace or repair at its expense is occasioned by any act of a condominium unit owner, his immediate family, guests, or invitees, and such loss or damage may be covered by any insurance maintained in force by the Corporation, the proceeds of the insurance received by the Corporation shall be used for the purpose of making such maintenance, repair or replacement, except that the unit owner who is responsible for the act causing the damage (whether done by himself or by his family, guests or invitees) shall be required to pay such portion of the costs of such maintenance, repair and replacement as shall, by reason of the applicability of any deductibility provision of such insurance, exceed the amount of the insurance proceeds applicable to such maintenance, repair or replacement. If any such loss or damage is not covered by insurance in force and before the Corporation repairs or replaces an item for which the Corporation is obligated to repair or replace at its expense due to damage caused by an act of a condominium unit owner, his immediate family, guest, or invitees, the Corporation shall give the unit owner written notice of the damage of loss and 20 days thereafter in which to effect necessary repair and/or replacement in accordance with the procedures, methods, and standards approved by the Corporation for the same. If such repair and/or replacement has not been effected by the unit owner within said 20 day period or an arrangement therefore made with which the board of directors is satisfied, then the corporation shall proceed with obtaining the necessary repair to or replacement of said item in accordance with this section and assess such costs against the unit of the responsible owner.

SECTION 12. Assessments.

A. Assessments against apartment unit owners for common expenses shall be made pursuant to North Carolina General Statutes §47A-12 and the By-Laws of the Association and shall be allocated as set forth in Section 5, Paragraph B of this Declaration. Assessments shall be collected on a monthly basis and the assessments of the The Bluff's Condominiums shall commence upon the conveyance of the first unit with all units, either sold or unsold, liable for the assessments at that time.

B. Any sums assessed by the Association for the share of the common expenses chargeable to any unit, and remaining unpaid for a period of thirty (30) days or longer, shall constitute a lien on such apartment unit when filed for record in the Office of the Clerk of Superior Court of Dare County by the Association under the provisions of Article 8 of Chapter 44 of the North Carolina

General Statutes, and any amendments or supplements thereto. A lien created herein shall be prior to all other liens except (a) liens for real estate taxes due and unpaid, (b) all sums unpaid on deed of trust and other encumbrances recorded against the unit prior to the docketing of this lien, and (c) materialmen's and mechanic's liens.

C. A lien created pursuant to Paragraph B may be foreclosed by suit by the Board of Directors of the Association, acting on behalf of the apartment unit owners, in like manner as a foreclosure of a deed of trust or mortgage of real property. The Board of Directors of the Association, acting on behalf of the apartment unit owners, may maintain a suit to recover a money judgment for unpaid common expenses without foreclosing or waiving the lien securing said common expenses. The unit owner shall be responsible for all court costs, interest and reasonable attorney's fees incurred in the collection, by foreclosure or otherwise, of said liens for common expenses. Except for purchasing at foreclosure as herein stated, the Association shall not purchase or own a condominium unit.

D. Any sum assessed by the Association for the share of the common expenses due prior to the acquisition of title to an apartment unit pursuant to a foreclosure proceeding of a mortgage or deed of trust shall not be assessed against the mortgagee of the mortgage or deed of trust of record who forecloses said mortgage or other purchaser of the apartment unit as a result of the foreclosure of a mortgage. Any sums assessed against the apartment unit which is the subject of a foreclosure of a mortgage shall be collectible out of the proceeds thereof or from the former owner, or if not collectible, from all apartment unit owners, including the purchaser at the foreclosure sale, in the proportions which their shares in the common elements bear to each other.

E. No apartment unit owner may exempt himself from contributing toward the common expenses by waiver of the use or enjoyment of the common elements and facilities or by abandonment of the apartment unit belonging to him.

SECTION 13. Association. The operation of the condominium shall be by The Bluff's Condominiums Association, Inc. hereinafter called the Association, a corporation organized under the laws of North Carolina which shall be organized and shall fulfill its functions pursuant to the following provisions:

A. The members of the Association shall be the condominium unit owners.

B. The Association shall be incorporated under the Articles of Incorporation in the form attached as Exhibit "F", but the Articles of Incorporation may be amended as permitted by law without amending this Declaration.

C. The initial By-Laws of the Association shall be in the form attached as Exhibit "G", but may be amended as therein provided or as permitted by law without amending this Declaration, except as required by law.

D. The share of a member in the funds and assets of the Association cannot be assigned, hypothecated, or transferred in any manner except as an appurtenance to such member's apartment unit.

E. Whenever the decision of an apartment unit owner is required upon any matter, whether or not the subject of an Association meeting, such decision shall be expressed by the same person, in person or by proxy, who would cast the vote of such owner if in an Association meeting. Where any unit is owned as a tenancy in common or as a tenancy by the entirety, said tenants

may determine between or among themselves how the vote to which they are entitled shall be cast, but the chairman of the meeting of the Association shall not accept any division of a vote that said owners would otherwise be entitled to cast if said tenants do not unanimously agree between or among themselves as how their vote would be cast.

SECTION 14. Insurance, Authority to Purchase. Insurance policies upon the Common and limited Common Property (other than title insurance) may be purchased by the Corporation in the name of the managing agent or board of directors of the Corporation, as Trustees for the condominium Unit Owners and their respective mortgagees as their interest may appear, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of subrogation as to any claims against condominium unit owners, the Corporation and their respective servants, agents and guests. Each condominium unit owner may obtain insurance, at his own expense, affording coverage upon his condominium unit, his personal property and for his personal liability and as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available.

SECTION 15. Insurance Coverage to Be Maintained: Use and Distribution of Insurance Proceeds.

A. The following insurance coverage shall be maintained in full force and effect by the Corporation covering the operation and management of the Condominium, to wit:

(1) Casualty insurance covering the buildings (and any other improvements upon the common area and designated to be insured by the board of directors and all personal property included within the property described in Exhibit "A" (except such personal property as may be owned by the condominium unit owners and the Owner's Condominium Unit) shall be procured in an amount equal to the maximum insurable replacement value thereof (exclusive of excavation, foundations, walkways, streets, driveways, and parking facilities) as determined annually by the insurance company affording such coverage or other method approved by the board; and provided that such policies may be written on a co-insurance basis of not less than ninety (90%) percent. Such coverage shall afford protections against: (a) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; (b) such other risks as from time to time customarily shall be covered with respect to buildings similar in construction, location and use, including, but not limited to, vandalism and malicious mischief, (c) and coverage against risk as the board of directors deems necessary.

(2) Public liability and property damage insurance in such amounts and in such forms as shall be required by the Corporation, including but not limiting the same to legal liability, hired automobile, non-owned automobile and off-premises employee coverages.

(3) Flood insurance on insurable improvements and property described in sub-paragraph (1) above in an amount determined annually by the board of directors of the Corporation.

B. Premiums upon insurance policies purchased by the Corporation shall be paid by the Corporation as common expenses to be assessed and collected from all of the owners of condominium units.

C. All insurance policies purchased by the Corporation shall be for the benefit of the Corporation and the condominium unit owners and their mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses shall be paid to the Corporation. The Corporation

shall hold such proceeds in trust for the benefit of the Corporation, the condominium unit owners and their respective mortgagees in undivided shares for each condominium unit owner and his mortgagee, if any, which shares as to each condominium unit are shown on Exhibit "C" attached hereto.

D. In the event a mortgagee endorsement has been issued as to a condominium unit, the share of the condominium unit owner shall be held for the mortgagee and the condominium unit owner as their interest may appear, but nothing herein contained shall be construed so as to give any mortgagee the right to determine or participate in the determination of reconstruction or repair.

E. Proceeds of insurance policies received by the Corporation shall be distributed to or for the benefit of the beneficial condominium unit owners in the following manner:

(1) if damage for which the proceeds were paid is to be repaired or reconstructed, the proceeds shall be paid to defray the costs thereof as elsewhere provided. Any proceeds remaining after defraying such costs shall be distributed to the beneficial condominium unit owners or paid as provided under the terms of the policy. This is a covenant for the benefit of any mortgagee of a condominium unit and may be enforced by him.

(2) if it is determined in the manner elsewhere provided that the damage for which the proceeds are paid shall not be reconstructed or repaired, the proceeds shall be distributed to the beneficial condominium unit owners, remittances to condominium unit owners and their mortgagees being payable jointly to them. This is a covenant for the benefit of any mortgagee of a condominium unit and may be enforced by him.

SECTION 16. Obligation of Owner of Condominium Unit to Maintain Insurance Coverage and Owner's Duty to Rebuild or Repair or Restore Damaged Condominium Units. Upon taking title to a condominium unit in the condominium, the owner shall have in effect fully paid fire and extended coverage and flood insurance and the owner shall furnish evidence of insurance as well as payment of the premium to the Corporation within ten (10) days of the title transfer date. Thereafter, each owner of a condominium unit shall obtain and maintain in force such insurance coverage on his condominium unit as the board of directors of the Corporation may determine or require in sufficient amounts to replace his condominium unit. Each owner of a condominium unit shall furnish to the board of directors of the Corporation such evidence of insurance coverage as the board may from time to time require. In the event an owner fails to maintain such coverage or furnish evidence thereof, the corporation may obtain policies providing such coverage and pay the premium therefore, which premium shall be chargeable against the owner of the condominium unit failing to maintain such coverage or failing to furnish evidence thereof as aforesaid, which premium shall constitute and continue as a lien on the condominium unit of any such owner and shall also be personal obligation of any such owner and shall be enforced as provided in Section 12 hereof.

In the event any condominium unit is or condominium units are partially destroyed, the owner covenants and agrees to rebuild, repair or restore the units to essentially the same condition and appearance (including using the same or similar materials) as existed prior to the partial destruction thereof subject only to current building code requirements and specifications. The Association shall retain and safely keep a set of plans and specifications for each building within the condominium for the use of an owner who is rebuilding, repairing or restoring a partially or wholly destroyed unit.

In the event the condominium unit is wholly destroyed, the owner shall remove all debris and material from the condominium

site within 30 days after receiving notification and demand therefore from the Corporation. If the owner rebuilds the condominium unit the owner covenants and agrees to rebuild the unit to essentially the same condition and appearance (including using the same or similar materials) as existed prior to the total destruction thereof.

SECTION 17. Reconstruction or Repair of Casualty Damage; Damage to Common Property; Damage to Condominium Units.

A. If any part of the Common Property shall be damaged by casualty, the Common Property shall be reconstructed or repaired unless otherwise determined by the unanimous vote of all the condominium unit owners at a meeting of the members of the Corporation called and held prior to commencement of such reconstruction or repair.

Any such reconstruction or repair or any reconstruction permitted or allowed by this Declaration shall be substantially in accordance with the plans and specifications contained herein and on file with the Dare County Register of Deeds or, if constructed subsequent to the effective date of this Declaration, on file with the Corporation; however, in the event any plan or specification conflicts with the applicable building code then in effect, such current building code standard or specification shall control.

B. If the damage is only to those parts of one or more condominium units for which the responsibility for maintenance and repair is that of the condominium unit owner, then the condominium unit owner shall be responsible for reconstruction and repair after casualty. In all other instances and unless otherwise provided herein, the responsibility of reconstruction and repair after casualty shall be that of the Corporation. Immediately after the casualty causing damage to property for which the Corporation has the responsibility for maintenance and repair, the Corporation shall obtain reliable and detailed estimates of the cost to replace the damaged property in condition as good as that before the casualty. Such costs may include professional fees and premiums for such bonds as the board of directors deems necessary or appropriate.

C. Each condominium unit owner shall be deemed to have delegated to the board of directors of the Corporation his right to adjust with insurance companies all losses under policies purchased by the Corporation.

SECTION 18. Compliance and Default.

A. Each apartment unit owner shall be governed by and shall comply with the terms of this Declaration, the By-Laws of the Association, and the regulations adopted pursuant thereto and by such documents and regulations as the same may be amended from time to time. A violation of default shall entitle the Association, or other apartment unit owners, to the relief described in Paragraph D of this Section in addition to the remedies provided in the Unit Ownership Act.

B. The apartment unit owner shall be liable for the expense of any maintenance, repair or replacement rendered necessary by his act, neglect, or carelessness or by that of any member of his family or his or their guests, tenants, employees, agents, or leasees. This provision shall apply even though the maintenance, repair, or replacement would otherwise be a common expense to be paid by the Association. Such liability shall include an increase in fire insurance rates occasioned by use, misuse, occupancy or abandonment of an apartment unit or its appurtenances.

C. The failure of the Association or any apartment unit owner to enforce any covenant, restriction, or other provision of this Declaration, the By-Laws of the Association, or the regulations

adopted thereto shall not constitute a waiver of the right to do so thereafter.

D. Any unit owner, the manager, the Board of Directors of the Association or any combination of unit owners may invoke an appropriate civil remedy to enforce the terms of this Declaration, or the By-Laws of the Association or any Regulations adopted pursuant thereto.

SECTION 19. Amendments. This Declaration may be amended by the Association in the following manner:

A. Notice of the subject matter of a proposed amendment shall be included in the notice of any meeting of the members of the Association at which a proposed amendment is to be considered.

B. A resolution adopting a proposed amendment may be proposed by either the Board of Directors of the Association or by any member of the Association. Directors and members not present or by proxy present at any meeting considering the amendment, may express their approval in writing, providing such approval is delivered to the secretary at or prior to the meeting. Except as elsewhere provided, such approvals must be not less than 75% of the entire membership of the Association. However, it is expressly understood that Declarant may add additional Phases or Units to become a portion of the The Bluff's Condominiums, which shall change Unit Owners share in the common elements, by filing a Supplementary or Amended Declaration without the necessity of obtaining the approval of any Unit Owner.

C. No amendment shall discriminate against any apartment unit owner or against any apartment unit or class or group of apartment units unless the apartment unit owners so affected shall consent. No amendment shall change any apartment unit owner's share in the common elements appurtenant to his unit, nor increase the apartment unit owner's share of the common expenses, unless the record Owner of the apartment unit and all record owners of liens thereon shall join in the execution of the amendment. None the less, a Supplementary Declaration or Amended Declaration may change a Unit Owners share in the common elements appurtenant to his unit if the same is filed by the Declarant to add an additional Phase or Phases to The Bluff's Condominiums.

D. A copy of each amendment shall be certified by the President and Secretary of the Association as having been duly adopted and shall be effective when recorded in the Office of the Dare County Register of Deeds.

SECTION 20. Agent for the Service of Process.

A. E. Crouse Gray, Jr. whose address is P. O. Box 1997, Kill Devil Hills, Dare County, North Carolina 27948 is hereby designated as the agent upon whom service of process may be made in any action or proceeding brought against the condominium.

SECTION 21. Termination.

A. This condominium may be terminated by all of the apartment unit owners executing an instrument for that purpose to be recorded in the Dare County Registry. Said instrument shall also include the consent of all holders of liens on apartment units that his or its lien may be transferred to the percentage of the undivided interest of the apartment unit owner subsequent to termination.

B. When a termination has been effected as herein provided, all the property previously subject to the Unit Ownership Act shall be deemed to be owned by all of the apartment unit owners as tenants in common, with an undivided interest in all the real property owned by the Association which shall be conveyed by a

duly executed Deed of Conveyance. Each tenant's undivided interest shall be that percentage of the undivided interest previously owned by such apartment unit owner in the common elements and facilities.

SECTION 22. Status of Owners.

A. Upon the initial creation of The Bluff's Condominiums Association, Inc. the Owners shall have control of and shall appoint the Board of Directors therefore. Within three years the following conveyance of the first unit or within ninety days after three-fourths (3/4) of the units are conveyed in the condominium buildings, whichever shall occur first, the Owners shall turn over and deliver control of the Condominium Board of Directors to the duly elected officers of The Bluff's Condominiums Association, Inc. as provided in the Articles of Incorporation and the By-Laws. As used herein three-fourths (3/4) of the Units shall mean three-fourths (3/4) of the Units of all Phases of The Bluff's Condominiums which have been made subject to this Declaration by this Declaration and any Supplementary or Amended Declaration.

B. For as long as the Owners are the record owners of one or more condominium apartment units which remain unsold, the Owners shall be responsible for and pay their prorata portion of the common expenses as determined by the Association.

C. Until the Owners have sold all of the apartment units neither the condominium unit owners, nor the Association, nor the use of the condominium property shall interfere with the completion of the contemplated improvements and sale of the condominium units. The Owners may make use of the unsold condominium apartment units and common areas as may facilitate completion of the construction thereof and sale, including but not limited to the maintenance of a sales office, model apartment, the showing of the property and displaying of advertising signs.

SECTION 23. Mortgage Holders.

A. The Bluff's Condominiums Association, Inc. is required to make available to unit estate owners and lenders, and to holders, insurers or guarantors of any first mortgage, current copies of the Declaration, By-Laws, other rules concerning the project and books, records and financial statements of the Association or the Associations. Said availability shall be upon request during normal business hours or under reasonable circumstances.

B. Upon written request to the The Bluff's Condominiums Association, Inc. identifying the name and address of the holder, insurer or guarantor and the unit estate number or address, such mortgage holder, insurer or guarantor shall be entitled to timely written notice of:

1. Any condemnation loss or any casualty loss which affects the material portion of the project or any unit estate on which there is a first mortgage held, insured, or guaranteed by such eligible mortgage holder, or eligible insurer or guarantor, as applicable;

2. Any delinquency in the payment of assessments or charges owed by any owner of a unit estate subject to a first mortgage held, insured or guaranteed by such eligible holder or eligible insurer or guarantor, which remains uncured for a period of sixty days;

3. Any lapse, cancelation or material modification of any insurance policy or fidelity bond maintained by the Association or Associations;

4. Any proposed action which would require the consent of a specified percentage of eligible mortgage holders, as specified below.

C. To the extent permitted by applicable law, and notwithstanding anything else herein contained, eligible mortgage holders shall also be afforded the following rights:

1. Any restoration or repair of the project, after a partial condemnation or damage due to an insurable hazard, shall be performed substantially and in accordance with the Declaration and the original plans and specifications, unless other action is approved by eligible holders holding mortgages on unit estates which have at least 51% of the votes of unit estates subject to eligible holder mortgages.

2. Any election to terminate the legal status of the project after substantial destruction or a substantial taking in condemnation of the project property must require the approval of eligible holders holding mortgages on unit estates which have at least 51% of the votes of unit estates subject to eligible holder mortgages.

3. No reallocation of interest in the common areas resulting from a partial condemnation or partial destruction of such project may be affected without the prior approval of eligible holders holding mortgages on all remaining unit estates whether existing in whole or in part, and which have at least 51% of the votes of such remaining unit estates subject to eligible holder mortgages.

4. The approval of eligible holders holding mortgages on unit estates which have at least 67% of the votes of unit estates subject to eligible holder mortgages, shall be required to terminate the legal status of the project as a condominium.

5. The approval of eligible holders holding mortgages on unit estates which have at least 51% of the votes of unit estates subject to eligible holder mortgages, shall be required to add or amend any material provisions of the constituent documents of the project which establish, provide for, govern or regulate any of the following:

- a. voting;
- b. assessments, assessment liens or subordination of such liens;
- c. reserves for maintenance, repair and replacement of common areas (or units if applicable);
- d. insurance or fidelity bonds;
- e. rights to use the common areas;
- f. responsibility for maintenance and repair of the several portions of the project;
- g. expansion or contraction of the project or the addition, annexation or withdrawal of the property to or from the project;
- h. boundaries of any unit;
- i. the interest in the general or limited common areas;
- j. the convertibility of units into common areas or of common areas into units;
- k. imposition of any right of first refusal or similar restriction on the right of a unit estate owner to sell, transfer, or otherwise convey his or her unit estate;

1. any provisions which are for the express benefit of mortgage holders, eligible mortgage holders or eligible insurers or guarantors of first mortgage on unit estates.

IN WITNESS WHEREOF, the Declarant has caused this instrument to be signed by its General Partners, the day and year first above written.

ESS ASSOCIATES, A North Carolina General Partnership

By: William D. Emmert
WILLIAM D. EMMERT, General Partner

By: Carol M. Emmert
CAROL M. EMMERT, General Partner

By: Kenneth A. Simpler
KENNETH A. SIMPLER, General Partner

By: Karen P. Simpler
KAREN P. SIMPLER, General Partner

By: Charles R. Smith
CHARLES R. SMITH, General Partner

By: Nancy R. Smith
NANCY R. SMITH, General Partner

STATE OF Delaware
CITY/COUNTY OF Sussex

On this 7th day of June, 1986, before me personally came William D. Emmert, General Partner of ESS Associates to me known to be the person who executed the foregoing instrument, and who, being duly sworn, by me, did depose and say that he is a General Partner of ESS Associates, a North Carolina General Partnership, and that he duly executed the foregoing instrument in the firm name of said partnership, that he is duly authorized to sign the same, and duly acknowledged to me that he executed the same as the act and deed of said partnership, for the uses and purposes mentioned therein.

My Commission Expires: 5/13/89

William D. Hei
Notary Public

STATE OF Delaware
CITY/COUNTY OF Delaware

On this 7th day of June, 1986, before me personally came Carol M. Emmert, General Partner of ESS Associates to me known to be the person who executed the foregoing instrument, and who, being duly sworn, by me, did depose and say that he is a General Partner of ESS Associates, a North Carolina General Partnership, and that he duly executed the foregoing instrument in the firm name of said partnership, that he is duly authorized to sign the same, and duly acknowledged to me that he executed the same as the act and deed of said partnership, for the uses and purposes mentioned therein.

My Commission Expires: 5/13/89 [Signature]
Notary Public

STATE OF Delaware
CITY/COUNTY OF Delaware

On this 7th day of June, 1986, before me personally came Kenneth A. Simpler, General Partner of ESS Associates to me known to be the person who executed the foregoing instrument, and who, being duly sworn, by me, did depose and say that he is a General Partner of ESS Associates, a North Carolina General Partnership, and that he duly executed the foregoing instrument in the firm name of said partnership, that he is duly authorized to sign the same, and duly acknowledged to me that he executed the same as the act and deed of said partnership, for the uses and purposes mentioned therein.

My Commission Expires: 5/13/89 [Signature]
Notary Public

STATE OF Delaware
CITY/COUNTY OF Delaware

On this 7th day of June, 1986, before me personally came Karen P. Simpler, General Partner of ESS Associates to me known to be the person who executed the foregoing instrument, and who, being duly sworn, by me, did depose and say that he is a General Partner of ESS Associates, a North Carolina General Partnership, and that he duly executed the foregoing instrument in the firm name of said partnership, that he is duly authorized to sign the same, and duly acknowledged to me that he executed the same as the act and deed of said partnership, for the uses and purposes mentioned therein.

My Commission Expires: 5/13/89 [Signature]
Notary Public

STATE OF Delaware
CITY/COUNTY OF Delaware

On this 13 day of June, 1986, before me personally came Charles R. Smith, General Partner of ESS Associates to me known to be the person who executed the foregoing instrument, and who, being duly sworn, by me, did depose and say that he is a General Partner of ESS Associates, a North Carolina General Partnership, and that he duly executed the foregoing instrument in the firm name of said partnership, that he is duly authorized to sign the same, and duly acknowledged to me that he executed the same as the act and deed of said partnership, for the uses and purposes mentioned therein.

My Commission Expires: 5/13/89 James W. Holt
Notary Public

STATE OF Delaware
CITY/COUNTY OF Delaware

On this 13 day of June, 1986, before me personally came Nancy R. Smith, General Partner of ESS Associates to me known to be the person who executed the foregoing instrument, and who, being duly sworn, by me, did depose and say that he is a General Partner of ESS Associates, a North Carolina General Partnership, and that he duly executed the foregoing instrument in the firm name of said partnership, that he is duly authorized to sign the same, and duly acknowledged to me that he executed the same as the act and deed of said partnership, for the uses and purposes mentioned therein.

My Commission Expires: 5/13/89 James W. Holt
Notary Public

NORTH CAROLINA
DARE COUNTY

The foregoing Certificate(s) of _____ is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page shown on the first page hereof.

_____ Register of Deeds for _____
County

By _____ Deputy/Assistant-Register of Deeds

EXHIBIT "A" FOR THE BLUFF'S CONDOMINIUMS

PROPERTY DESCRIPTION

All those certain lots or parcels of land lying and being on Bodie Island in the Town of Nags Head, Nags Head Township, Dare County, North Carolina, and known and designated as and being Lots Numbered 5 and 6, Block 1, Section 1, of the subdivision designated "Plat of Section 1, Hollywood Beach" made by D. H. Lawrence, Registered Surveyor, June 7, 1951, and recorded in Map Book 1, Page 93, in the Office of the Register of Deeds of Dare County, North Carolina, reference to which is hereby made for a more particular description thereof.

EXHIBIT "B" FOR THE BLUFF'S CONDOMINIUMS

BUILDING DESCRIPTION

The condominium building constructed upon the real property consists of two detached single family homes and one duplex. Each unit is constructed upon 8 X 8 salt treated pilings with all decks being constructed upon 6 X 6 salt treated pilings. The floors consist of 2 X 8 joists located 16" on center with a "1-Floor" system, using three-quarter inch tongue and groove plywood. All living rooms, dining rooms and bedrooms are carpeted, all kitchens, bathrooms and utility rooms are vinylled except the living room and kitchen in Unit B are hardwood floors. The ceilings are sheetrocked and drywall sprayed. All exterior walls are constructed of 2" X 4" studs located 16" on center with R-11 fiberglass insulation 3 1/2" thick. The exterior of the wall is covered by cedar shake shingles. All walls are covered by 1/2" sheetrock except the living and dining rooms which are wainscotted with tongue and groove juniper. The roof consists of 235 pound asphalt singles and 15 pound building felt over 1/2" plywood supported by 2" X 10" rafters which are 2' off center and containing R-19 insulation. The windows are Anderson Double Hung Windows of various sizes.

EXHIBIT "C" FOR THE BLUFF'S CONDOMINIUMS
APARTMENT UNIT DESIGNATION AND DESCRIPTION

There are four (4) condominium units within The Bluff's Condominium. Each apartment unit is designated by a letter. The units are briefly described as follows:

Unit No.	Brief Description
A	This unit contains approximately 1,751 square feet of living area spread over three levels. It consists of 4 bedrooms, 2 1/2 baths, a living room, dining area, kitchen and utility room.
B	This unit contains approximately 1,708 square feet of living area spread over two floors. It consists of 4 bedrooms, 3 baths, a living room, dining area, kitchen and utility room.
C & D	These units contain approximately 1,992 square feet of living area each spread over two floors. They consists of 4 bedrooms, 3 baths, a living room, dining area, kitchen and utility room.

EXHIBIT "D" FOR THE BLUFF'S CONDOMINIUMS

<u>UNIT</u>	<u>FAIR MARKET VALUE</u>	<u>PROPORTIONATE SHARE</u>
A	\$159,500.00	19.74%
B	169,500.00	20.98%
C	239,500.00	29.64%
D	<u>239,500.00</u>	<u>29.64%</u>
	\$808,500.00	100%

EXHIBIT "F" FOR THE BLUFF'S CONDOMINIUMS

ARTICLES OF INCORPORATION

OF

THE BLUFF'S CONDOMINIUM ASSOCIATION, INC.

I, the undersigned, natural person of the age of eighteen years or more, do hereby make and acknowledge these Articles of Incorporation for the purpose of forming a Non-Profit Corporation under and by virtue of the laws of the State of North Carolina, as contained in Chapter 55A of the General Statutes of North Carolina, entitled, "Non-Profit Corporation Act", and the several amendments thereto, and to that end hereby set forth:

I

NAME

The name of the corporation is The Bluff's Condominium Association, Inc.

II

DURATION

The period of duration of the corporation shall be perpetual.

III

PURPOSES AND POWERS

The purposes for which this corporation is organized are:

- (a) The operation and management of condominium apartment buildings known as The Bluff's Condominiums which may be established in accordance with Chapter 47A of the General Statutes of North Carolina UNIT OWNERSHIP ACT and to that end shall have power and authority;
- (i) To undertake the performance of, and carry out the acts and duties incident to the administration of the operation and management of The Bluff's Condominiums in accordance with the terms, provisions, conditions and authorization contained in these Articles and in the Declaration which shall be recorded in the Public Records of Dare County, North Carolina, at such time as portions of real property and the improvements thereon are submitted to a plan of unit ownership;
- (ii) To make, establish and enforce reasonable rules and regulations governing the use of condominium units, common elements, limited common elements, condominium property and real and personal property which may be owned by the Association itself;
- (iii) To make, levy and collect assessments against condominium unit owners; to provide the funds to pay for common expenses of the condominium as provided in the condominium documents and the Unit Ownership Act and, to use and expend the proceeds of assessments in the exercise of the powers and duties of the Association;
- (iv) To maintain, repair, replace and operate the condominium property, specifically including all portions of the condominium property to which the Association has the right and power to maintain, repair, replace and operate in accordance with the condominium documents and the Unit Ownership Act;
- (v) To reconstruct improvements within the condominium property in the event of casualty or other loss;

(vi) To enforce by any legal means, the provisions of the condominium documents, including the Declaration, these Articles, the By-Laws of the Association, and the rules and regulations for the use of the condominium property;

(vii) To contract for the management of the Condominium and to delegate to such manager or managers all powers and duties of the Association except those powers and duties which are specifically required by the Declaration to have approval of the Board of Directors or the membership of the Association.

(b) The Association shall have all the common law and statutory powers of a non-profit corporation which are not in conflict with the terms of the Condominium Declaration and the Unit Ownership Act, and in addition shall have all of the powers of Condominium Association under and pursuant to the Unit Ownership Act, including all of the powers reasonably necessary to implement the purposes of the Association.

IV

MEMBERSHIP

A. The membership of The Bluff's Condominiums Association, Inc. shall consist of all of the owners of the condominium units in The Bluff's Condominiums. Membership shall be established by acquisition of fee title to a condominium unit in The Bluff's Condominiums, whether by conveyance, devise, or judicial decree. A new owner designated in such deed or other instrument shall thereupon become a member of the Association, and the membership of the prior owner as to the condominium unit designated shall be terminated. Each new owner shall deliver to the Association a true copy of such deed or instrument of acquisition of title.

B. The share of a member in the funds and assets of the Corporation, and membership in the Corporation cannot be assigned, hypothecated or transferred in any manner except as an appurtenance to a condominium unit.

C. There shall be one class of membership in The Bluff's Condominiums Association, Inc. which shall consist of members owning the condominium units in The Bluff's Condominiums.

V

DIRECTORS

A. The number of Directors and the method of election of the Directors shall be fixed by the By-Laws, however, the number of Directors shall not be less than three (3).

B. The number of Directors constituting the initial Board of Directors shall be three (3) and the names and addresses of the persons who are to serve as the first Board of Directors are as follows:

NAME	ADDRESS
William D. Emmert	76 Oak Avenue Rehoboth Beach, Delaware 19971
Kenneth A. Simpler	11 Venetian Drive Rehoboth Beach, Delaware 19971
Charles R. Smith	RD #1, Box 101 Millville, Delaware 19930

C. The first election by the members of the Corporation for Directors shall not be held until after the Developer has relinquished control of the Association as described in Paragraph D of this Article VI. Thereafter, the election of Directors shall take place at the annual meeting of the membership as provided in

the By-Laws. After the Developer has relinquished control, there shall be a special meeting of the membership for the purpose of electing a Board of Directors to serve until the next annual meeting and until new Directors are elected and qualified.

D. Upon the initial creation of The Bluff's Condominiums, the Owner shall have control of and shall appoint the Board of Directors therefore. Within three (3) years following the conveyance of the first unit or within ninety days after three-fourths (3/4) of the units are conveyed in the Condominium Building known as The Bluff's Condominiums, whichever shall occur first, the Owner shall turn over and deliver control of the Condominium Board of Directors to the duly elected officers of the The Bluff's Condominiums Association, Inc., as provided in the by-laws.

VI

REGISTERED OFFICE AND REGISTERED AGENT

A. The address of the initial registered office of the Corporation is P. O. Box 1997, Kill Devil Hills, Dare County, North Carolina 27948 and the name of the initial registered agent at such address is E. Crouse Gray, Jr.

VII

TAX STATUS

The corporation shall have all the powers granted non-profit corporations under the laws of the State of North Carolina. Notwithstanding any other provisions of these Articles, this corporation shall not carry on any activities not permitted to be carried on by a corporation exempt from federal income tax under Section 528 of the Internal Revenue Code. It is further provided that no distributions of income of the corporation are to be made to members, directors or officers of the corporation provided, however, that members of the corporation may receive a rebate of any excess dues and assessments.

VIII

INCORPORATOR

The name and address of the incorporator is: E. Crouse Gray, Jr., P. O. Box 1997, Kill Devil Hills, Dare County, North Carolina 27948.

IN TESTIMONY WHEREOF, I have hereunto set my hand and seal, this the _____ day of _____, 1986.

E. CROUSE GRAY, JR. (SEAL)

NORTH CAROLINA
DARE COUNTY

This is to certify that on the _____ day of _____, 19____, before me, a Notary Public, personally came E. Crouse Gray, Jr. who, I am satisfied is the person named in and who executed the foregoing Articles of Incorporation, and I, having first made known to him the contents thereof, he did acknowledge that he signed and delivered the same as his voluntry act and deed for the uses and purposes therein expressed.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal, this the _____ day of _____, 1986.

Notary Public My commission expires: _____

EXHIBIT "G" FOR THE BLUFF'S CONDOMINIUMS

BY LAWS

OF

THE BLUFF'S CONDOMINIUM ASSOCIATION, INC.

ARTICLE I

PLAN OF UNIT OWNERSHIP

SECTION 1. Unit Ownership. The Bluff's Condominiums hereinafter referred to as Condominium, located in Atlantic Township, Dare County, North Carolina, is submitted to the provisions of Chapter 47A of the General Statutes of North Carolina, "Unit Ownership Act". The Administration thereof shall be by the Board of Directors herein described, subject to the powers of the owners as herein specified.

SECTION 2. By-Laws Applicability. The provisions of these By-Laws are applicable to the Condominium. The term "Condominium" as used herein shall mean The Condominium Buildings and shall include the land directly beneath as well as the improvements thereon. In construing these By-Laws, and the government of the Condominium thereto, the provisions of Chapter 55A of the North Carolina General Statutes pertaining to the government of nonprofit business corporations, shall be considered as governing to the extent not inconsistent with the provisions of Chapter 47A of the North Carolina General Statutes, the Declaration of Unit Ownership and these By-Laws, the condominium being considered the corporation and the owners being considered the members.

SECTION 3. Personal Application. All present and future owners, tenants and future tenants, and their employees, and any other person that may at any time use the facilities of the Condominium in any manner are subject to the regulations set forth in these By-Laws and to the declarations set forth in the Declaration of Unit Ownership (hereinafter referred to as Declaration), to which these By-Laws are attached.

The mere acquisition or rental of any of the Condominium Units (hereinafter referred to as "Units") or the mere act of occupancy of any of said units will signify that these By-Laws as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE II

THE OWNERS

*see Sec 5
p page 4*

SECTION 1. Owners. The Condominiums are owned by the owners of the units, each of whom shall be entitled to a percentage vote for each unit owned by him. The vote to be determined by the percentage of ownership of the General Common elements as specified in Section 5 of the Declaration. No leasee, lienholder, mortgagee, pledge or contract purchaser shall have any voting rights with respect to the affairs of the Condominium except as set forth in the Declaration.

SECTION 2. Annual Meetings. The Condominium shall hold each year, commencing with the year 1987, an annual meeting of the owners for the election of directors and the transaction of any business within the powers of the Condominium, at 12:00 Noon on the first Saturday in May, in each year if not a legal holiday, and if a legal holiday, then on the first day following which is not a Sunday or holiday. Any business of the Condominium may be transacted at an annual meeting without being specifically required by statute, by the Declaration or these By-Laws to be

stated in the notice. Failure to hold an annual meeting at the designated time shall not, however, invalidate the Condominium's existence or affect its otherwise valid acts.

SECTION 3. Special Meetings. At any time in the interval between annual meetings, special meetings of the Condominium may be called by the President or by a majority of the Board of Directors by vote at a meeting or in writing with or without a meeting, or by one third (1/3) of the record owners of Condominium Units.

SECTION 4. Place of Meeting. All meetings of owners shall be held at the principal office of the Condominium in Dare County, North Carolina, except in cases in which the notice thereof designates some other place, but all such meetings shall be held within the State of North Carolina.

SECTION 5. Notice of Meetings. Not less than ten days nor more than ninety days before the date of every owners' meeting, the secretary shall give to each owner entitled to vote at such meeting, written or printed notice stating the time and place of the meeting and, in the case of a special meeting, the purpose or purposes for which the meeting is called, either by mail or by presenting it to him personally or by leaving it at his residence or usual place of business. If mailed, such notice shall be deemed to be given when deposited in the United States mail addressed to the owner at his post office address as it appears on the records of the Condominium, with postage thereon prepaid. Notwithstanding the foregoing provision, a waiver of notice in writing signed by the person or persons entitled to such notice and filed with the records of the meeting, whether before or after the holding thereof, or actual attendance at the meeting in person or by proxy, shall be deemed equivalent to the giving of such notice to such persons. Any meeting of owners, annual or special, may adjourn from time to time to reconvene at the same or some other permitted place, and no notice need be given of any such adjourned meeting other than by announcement.

SECTION 6. Quorum. At any meeting of owners, the presence in person or by proxy of owners entitled to cast a majority of the votes there at shall constitute a quorum; but this section shall not affect any requirement under statute or under the Declaration of the Condominium for the vote necessary for the adoption of any measure. In the absence of a quorum the owners present in person or by proxy, by majority vote and without notice other than by announcement, may adjourn the meeting from time to time until a quorum shall attend. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 7. Votes Required. A majority of the votes cast at a meeting of owners, duly called and at which a quorum is present, shall be sufficient to take or authorize action upon any matter which may properly come before the meeting, unless more than a majority of votes cast is required by statute or by the Declaration.

SECTION 8. Proxies. An owner may vote either in person or by proxy executed in writing by the owner or by his duly authorized attorney-in-fact. No proxy shall be valid after eleven months from its date, unless otherwise provided in the proxy. Every proxy shall be in writing, subscribed by the owner or his duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged.

SECTION 9. List of Owners. At each meeting of owners, a full, true and complete list in alphabetical order of all owners entitled to vote at such meeting shall be furnished by the Secretary.

SECTION 10. Voting: In all elections for directors every owner shall have the right to vote, in person or by proxy, for as many persons as there are directors to be elected. At all meetings of owners, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes shall be decided by the chairman of the meeting. Unless demanded or ordered by a majority of owners present, no vote need be by ballot, and voting need not be conducted by inspectors.

SECTION 11. Informal Action by Owners. Any action required or permitted to be taken at any meeting of owners may be taken without a meeting, if a consent in writing, setting forth such action, is signed by all the owners entitled to vote on the subject matter thereof, provided said consent is filed with the records of the Condominium.

ARTICLE III

BOARD OF DIRECTORS

SECTION 1. Powers. The business and affairs of the Condominium shall be managed by its Board of Directors. The Board of Directors may exercise all powers of the Condominium Association except such as are by statute or the Declaration or the By-Laws conferred upon or reserved to the owners. In particular, but not by way of limitation, the Board of Directors shall be responsible for, and have all necessary powers in connection with the care, upkeep, and surveillance of the building and other facilities of the Condominium, including its general and limited common elements, services, and Association owned property, designation, hiring and dismissal of the personnel necessary for the good working order of the buildings and to provide services for the buildings. The Board of Directors may delegate any of such responsibilities or all, and the expenses therefore shall be a common expense. The Board of Directors, or any officer or officers to whom such power may be delegated, shall have power to take any action necessary or appropriate to enforce payments of all sums, including assessments against others, due the Condominium, including the power to enforce any lien for the same. Such Board shall not undertake to provide luxury services, such as maid services, common telephone switchboard service and the like, to the condominium units without the unanimous vote of all owners.

SECTION 2. Number of Directors. The number of directors of the Condominium shall be three (3), until such number be changed as herein provided. By vote of majority of the entire Board of Directors, the number of directors may be increased or decreased, from time to time, to not exceed seven nor less than three directors, but the tenure of office of a director shall not be affected by any decrease in the number of directors so made by the Board.

SECTION 3. Election of Directors. Until the successors are duly elected and qualified the Board shall consist of William D. Emmert, Kenneth A. Simpler and Charles R. Smith. At such time as three years following conveyance of the first unit has elapsed or ninety days after three-fourths (3/4) of the units are conveyed in the Association's building, whichever shall occur first the Developer shall turnover and deliver control of the Condominium Association Board of Directors to the duly elected officers and directors at a special meeting called pursuant to these By-Laws. At the first annual meeting of owners after control of the Association is delivered to the Unit Owners, the owners shall elect directors, one-third to serve for one year, one-third to serve for two years, and one-third to serve for three years. Thereafter, directors shall be elected for three year terms or until their successors are elected and qualify (or for a shorter

term to fill a vacancy arising for an uncompleted term), one-third of the directors being elected at each annual meeting to succeed the directors whose terms are expiring. At any meeting of owners, duly called and at which a quorum is present, the owners may, by the affirmative vote of the holders of a majority of the votes entitled to be cast thereon, remove any director or directors from office and elect a successor or successors to fill any resulting vacancies for the unexpired terms of removed directors.

SECTION 4. Vacancies. Any vacancy occurring in the Board of Directors for any cause other than by reason of an increase in the number of directors may be filled by a majority of the remaining members of the Board of Directors, although such majority is less than a quorum. Any vacancy occurring by reason of an increase in the number of directors may be filled by action of a majority of the entire Board of Directors. A director elected by the Board of Directors to fill a vacancy shall be elected to hold office until the next annual meeting of owners or until his successor is elected and qualifies.

SECTION 5. Regular Meeting. After each meeting of owners at which a Board of Directors shall have been elected, the Board of Directors so elected shall meet as soon as practicable for the purpose of organization and the transaction of other business, at such time as may be designated by the owners at such meeting; and in the event that no other time is designated by the owners, the Board of Directors shall meet at 1:00 P.M. on the day of such meeting of the owners, if not a legal holiday, and if a legal holiday, then on the first day following which is not a Sunday or a legal holiday. Such first meeting shall be held at such place within or without the State of North Carolina as may be designated by the owners, or in default of such designation at the place designated by the Board of Directors for such first regular meeting, or in default of such designation at the office of the Condominium in Dare County, North Carolina. No notice of such first meeting shall be necessary if held as hereinabove provided. Other regular meetings of the Board of Directors shall be held on such dates and at such places within or without the State of North Carolina as may be designated from time to time by the Board of Directors.

SECTION 6. Special Meetings. Special meetings of the Board of Directors may be called at any time by the President or by the Board of Directors by vote at a meeting, or by a majority of the directors in writing with or without a meeting. Such special meetings shall be held at such place or places within or without the State of North Carolina as may be designated from time to time by the Board of Directors. In the absence of such designation, such meetings shall be held at such places as may be designated in the call.

SECTION 7. Notice of Meeting. Except as provided in Section 5 of this Article, notice of the place, day and hour of every regular and special meeting shall be given to each director two days (or more) before the meeting, by delivering the same to him personally, or by sending the same to him by telegraph, or by leaving the same at his residence or usual place of business, or, in the alternative, by mailing such notice five days (or more) before the meeting, postage prepaid, and addressed to him at his last known post office address, according to the records of the Condominium. Unless required by these By-Laws or by resolution of the Board of Directors, no notice of any meeting of the Board of Directors, need state the business to be transacted thereat. No notice of any meeting of the Board of Directors need be given to any director who attends, or to any director who, in writing, executed and filed with the records of the meeting either before or after the holding thereof, waives such notice. Any meeting of the Board of Directors, regular or special, may adjourn from time to time to reconvene at the same or some other place, and no notice need be given of any such adjourned meeting other than by

announcement.

SECTION 8. Quorum. At all meetings of the Board of Directors, one-half of the entire Board of Directors, but in no case less than two directors, shall constitute a quorum for the transaction of business. Except in cases in which it is by statute, by the Declaration or by the By-Laws otherwise provided, the vote of a majority of such quorum at a duly constituted meeting shall be sufficient to elect and pass any measure. In the absence of a quorum, the directors present by majority vote and without notice other than by announcement may adjourn the meeting to another time and/or place. At any such adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

SECTION 9. Compensation. By resolution of the Board of Directors expenses of attendance, if any, may be allowed to directors for attendance at each regular or special meeting of the Board of Director or of committees thereof, but directors as such shall not receive any compensation for their services except such as may be authorized or permitted by vote of the unit owners. A director who serves the Condominium in any other capacity, however, may receive compensation therefor without such vote of the owners.

SECTION 10. Informal Action by Directors. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if a written consent to such action is signed by all members of the Board of such committee, as the case may be, and such written consent is filed with the minutes of proceedings of the Board or committee.

SECTION 11. Committees. The Board of Directors may by resolution provide for such standing or special committees as it deems desirable, and discontinue the same at pleasure. Each such committee shall have such powers and perform such duties, not inconsistent with law, as may be assigned to it by the Board of Directors.

SECTION 12. Indemnification. Every Director and every officer of the Association shall be indemnified by the Association against all expenses and liabilities, including counsel fees, reasonably incurred by or imposed upon him in connection with a Court proceeding to which he may become involved, by reason of his being or having been a director or officer of the Association, whether or not he is a Director or officer at the time such expenses are incurred, except in such cases wherein the Director or officer is adjudged guilty of malfeasance or negligence in the performance of his duties; provided, that in the event of a settlement, the indemnification herein shall apply only when the Board of Directors approves such settlement and reimbursement as being in the best interest of the Association. The foregoing right of indemnification shall be in addition to and not exclusive all rights of indemnification to which such Director or officer may be entitled.

SECTION 13. Budget.

A. The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the costs of performing the functions of the Association including but not limited to:

1. COMMON EXPENSES OF THE CONDOMINIUM

(a) maintenance and upkeep of common areas and elements

- (b) maintenance and upkeep of association owned real and personal property
- (c) staff payroll, supplies and office expenses
- (d) managers' salary or fees
- (e) insurance
- (f) common utilities, waste water treatment and disposal system maintenance and upkeep, which shall receive first priority of common expense funds
- (g) service contracts
- (h) fees and permits

2. CAPITAL IMPROVEMENTS RESERVE

3. ANTICIPATED SPECIAL ASSESSMENTS

~~X~~ B. Copies of the proposed budget shall be transmitted to each member or unit owners on or before January 1 of the year for which the budget is made. If the budget is subsequently amended, then a copy of the amended budget shall be furnished immediately to each unit owner.

C. Accounting shall be on a cash basis and conform to generally acceptable accounting standards.

SECTION 14. Management Contract. The Board of Directors shall be authorized to enter into a contractual agreement with a management firm to manage The Bluff's Condominiums. However, any such management agreement may not be for a period greater than five years and shall contain a provision allowing either party to the agreement to terminate the agreement upon ninety days notice to the other party.

ARTICLE IV

OFFICERS

SECTION 1. Executive Officers. The Board of Directors shall choose a President and a Vice President from among the directors, and a Secretary and a Treasurer who need not be directors. The Board of Directors may also choose an Assistant Secretary and an Assistant Treasurer, none of whom need be a director. Any two of the above-mentioned officers, except that of President and Vice President, may be held by the same person, but no officer shall execute, acknowledge or verify any instrument in more than one capacity if such instrument be required by statute, by the By-Laws or by resolution of the Board of Directors to be executed, acknowledged or verified by any two or more officers. Each such officer shall hold office until the first meeting of the Board of Directors after the annual meeting of owners next succeeding his election, and until his successors shall have been duly chosen and qualified, or until he shall have resigned or shall have been removed. Any vacancy in any of the above officers may be filled for the unexpired portion of the term by the Board of Directors at any regular or special meeting.

SECTION 2. President. The President shall preside at all meetings of the owners and of the Board of Directors at which he shall be present; he shall have general charge and supervision of the business of the Condominium; he may sign and execute, in the name of the Condominium, all authorized deeds, mortgages, bonds, contracts or other instruments, except in cases in which the signing and execution thereof shall have been expressly delegated in some other officer or agent of the Condominium; and, in

general, he shall perform all duties incident to the office of President, and such other duties as, from time to time, may be assigned to him by the Board of Directors.

SECTION 3. Vice President. The Vice President, at the request of the President or in his absence or during his inability to act, shall perform the duties and exercise the functions of the President, and when so acting, shall have the powers of the President. The Vice President shall have such other powers and perform such other duties as may be assigned to him by the Board of Directors or the President.

SECTION 4. Secretary. The Secretary shall keep the minutes of the meetings of the owners and of the Board of Directors in books provided for the purpose; he shall see that all notices are duly given in accordance with the provisions of the By-Laws or as required by law; he shall be custodian of the records of the Condominium; and in general he shall perform all duties incident to the office of Secretary, and such other duties as, from time to time, may be assigned to him by the Board of Directors of the President.

SECTION 5. Treasurer. The Treasurer shall have charge of and be responsible for all funds, securities, receipts and disbursements of the Condominium, and shall deposit, or cause to be deposited, in the name of the Condominium, all monies or other valuable effects in such banks, trust companies or other depositories as shall from time to time be selected by the Board of Directors; he shall render to the President and to the Board of Directors, whenever requested, an account of the financial condition of the Condominium, and, in general, he shall perform all duties as may be assigned to him by the Board of Directors or the President.

SECTION 6. Assistant Officers. The Assistant Secretary, if any, shall have such duties as may from time to time be assigned to him by the Board of Directors or the Secretary. The Assistant Treasurer, if any, shall have such duties as may from time to time be assigned to him by the Board of Directors or the Treasurer.

SECTION 7. Compensation. The Board of Directors shall have power to fix the compensation of all officers of the Condominium Association.

SECTION 8. Removal. Any officer or agent of the Association may be removed by the Board of Directors whenever, in its judgment, the best interests of the Association will be served thereby, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed.

SECTION 9. Loans to Directors and Officers. No loans shall be made by the Association to any of its Directors or Officers. The Directors who vote or assent to the making of such loans, shall be jointly and severally liable to the Association for the amount of such loan until the repayment thereof.

ARTICLE V

OBLIGATIONS OF THE OWNERS

SECTION 1. Assessments. Each owner is obligated to pay the assessments imposed upon him by the Association to meet general expenses, including the cost of maintenance, repair, replacement, and improvement of the common areas, and the cost of insurance, including fire, theft, and liability insurance. The assessments shall be made pro rata according to the percentage ownership as stipulated in the Declaration. Such assessments may include assessments against the general operating reserve. Any such assessments levied upon the owner of a unit shall become a lien on said unit and shall be a charge against the proceeds and assets paid in full. Each



regular assessment levied shall be due and payable monthly, ten (10) days after assessed. Any special assessment, designated as such by the Board of Directors shall be due and payable when assessed. There will be no declaration in trust for enforcement of said lien.

SECTION 2. Maintenance and Repair.

(a) Every owner must perform promptly all maintenance and repair work within his own unit which, if omitted, would affect the general or limited common elements, or any other unit, such owner being expressly responsible for the damages and liabilities his failure to do so may engender.

(b) All the repair of internal installations of the unit such as water, light, power, telephones, cable television, doors, windows, lamps and all other accessories belonging to the unit area shall be at the owner's expense.

(c) An owner shall reimburse the Condominium for any expenditures incurred in repairing or replacing any general or limited common element damaged through his fault, or the fault of his family, guests, renters, invitees, or others using these areas at his bequest or on his behalf, other than damage arising from an insured casualty.

SECTION 3. Use of Condominium Units-Internal Changes. An owner shall not make structural modifications or alterations in his unit or installations located therein unless he has previously notified the Condominium in writing through the President or the Board of Directors and received no objection thereto. The Condominium shall have the obligation to answer within thirty (30) days, and failure to do so within the time shall mean that there is no objection to the proposed modification or alteration.

SECTION 4. Use of General Common Elements. The rules pertaining to the use of common elements shall also pertain to those properties conveyed to or owned by the Association which, for the purposes of these By-Laws and for the determination of common expenses are treated as common elements. An owner shall not place or cause to be placed in the general common elements any furniture, packages or objects of any kind, except that he may temporarily place chairs, umbrellas or other beach paraphernalia in open areas. The remaining general common elements shall be used for no other purposes than for normal transit through them, or for such other restricted uses as may be designated by the Board of Directors.

SECTION 5. Right of Entry. An owner shall grant right of entry to any person authorized by the Board of Directors of the Condominium in case of any emergency originating in or threatening his Unit, whether the owner is present at the time or not.

SECTION 6. Rules of Conduct.

(a) No resident of the Condominium shall post any advertisements or posters of any kind on the exterior of the Condominium or on common elements.

(b) Residents shall exercise care about making noises or in the use of musical instruments, radios, televisions and amplifiers that may disturb other residents.

(c) Clothing, towels and other items of personal property shall not be hung on exterior railings or on any other exterior part of the building.

ARTICLE VI

Insurance, Authority to Purchase.

Insurance policies upon the Common and limited Common Property (other than title insurance) may be purchased by the Corporation in the name of the managing agent or board of directors of the Corporation, as Trustees for the condominium Unit Owners and their respective mortgagees as their interest may appear, and if the companies writing such policies will agree, the policies shall provide that the insurer waives its rights of subrogation as to any claims against condominium unit owners, the Corporation and their respective servants, agents and guests. Each condominium unit owner may obtain insurance, at his own expense, affording coverage upon his condominium unit, his personal property and for his personal liability and as may be permitted or required by law, but all such insurance shall contain the same waiver of subrogation as that referred to above if the same is available.

Insurance Coverage to Be Maintained: Use and Distribution of Insurance Proceeds.

A. The following insurance coverage shall be maintained in full force and effect by the Corporation covering the operation and management of the Condominium, to wit:

(1) Casualty insurance covering the buildings (and any other improvements upon the common area and designated to be insured by the board of directors and all personal property included within the property described in Exhibit "A" (except such personal property as may be owned by the condominium unit owners and the Owner's Condominium Unit) shall be procured in an amount equal to the maximum insurable replacement value thereof (exclusive of excavation, foundations, walkways, streets, driveways, and parking facilities) as determined annually by the insurance company affording such coverage or other method approved by the board; and provided that such policies may be written on a co-insurance basis of not less than ninety (90%) percent. Such coverage shall afford protections against: (a) loss or damage by fire and other hazards covered by the standard extended coverage endorsement; (b) such other risks as from time to time customarily shall be covered with respect to buildings similar in construction, location and use, including, but not limited to, vandalism and malicious mischief, (c) and coverage against risk as the board of directors deems necessary.

(2) Public liability and property damage insurance in such amounts and in such forms as shall be required by the Corporation, including but not limiting the same to legal liability, hired automobile, non-owned automobile and off-premises employee coverages.

(3) Flood insurance on insurable improvements and property described in sub-paragraph (1) above in an amount determined annually by the board of directors of the Corporation.

B. Premiums upon insurance policies purchased by the Corporation shall be paid by the Corporation as common expenses to be assessed and collected from all of the owners of condominium units.

C. All insurance policies purchased by the Corporation shall be for the benefit of the Corporation and the condominium unit owners and their mortgagees, as their respective interests may appear, and shall provide that all proceeds payable as a result of casualty losses shall be paid to the Corporation. The Corporation shall hold such proceeds in trust for the benefit of the Corporation, the condominium unit owners and their respective