

unit owner, their heirs, successors and assigns, and reserved unto them a non-exclusive easement of access, egress and ingress to and from the condominium unit and the North Carolina State Road designated 1243 upon the drive-way or 20-foot access easement as designated on the Plat of the Condominium shown on Exhibit "B" and for access, egress and ingress to recreational facilities situate within the development area (subject to such assessments and conditions of use as set forth in Section 22) and for access, egress and ingress over such easements as may be submitted to this Declaration and/or shown on the survey for Viking Court Condominiums shown on Exhibit "B" for purposes of access to and from the Atlantic Ocean, such easements being also for the benefit of the Developer and those to whom the Developer may convey a similar easement or easements as an appurtenance to any real property interest conveyed by the Developer within the Condominium.

There is hereby granted and conveyed an easement of right of way and access in and to the condominium common area for the benefit of condominium unit owners and the Viking Court Condominium Association, Inc., for the construction, operation, and maintenance of all utility lines, pipes, sewage lines, septic tanks, waste treatment facilities, drain fields, drain lines and facilities related thereto, which said easement shall inure to the benefit of the Developer, its successors, heirs and assigns and all future owners of condominium units, their heirs, successors and assigns.

The Developer reserves unto itself and the Viking Court Condominium Association, Inc., the right to specifically designate on the ground within the common property, the location of the above-described easement, including but not limited to, easements for all roads, walkways, parking areas, utility lines, cable television and recreational facilities.

Section 8. Easement for Unintentional and Non-Negligent

Encroachments. In the event that any condominium unit shall encroach upon any common property, or any other condominium unit or units, for any reason not caused by the purposeful or negligent act of the condominium unit owner, or agents of such owner, then an easement appurtenant to such condominium unit shall exist for the continuance of such encroachment upon the common property or upon a condominium unit for so long as such encroachment shall naturally exist; and, in the event that any portion of the common property shall encroach upon any condominium unit, then an easement shall exist for the continuance of such encroachment of the common property upon any condominium unit for so long as such encroachment shall naturally exist. If any condominium unit or common property shall be partially or totally destroyed as a result of fire or other casualty, or as a result of condemnation or eminent domain proceedings, and if upon reconstruction of such unit and/or common property in accordance with Section 20 hereof, there exist encroachments or portions of the common property upon any condominium unit, or of any condominium unit upon any other condominium unit or upon any portion of the common property, then such encroachments shall be permitted and a valid easement for the maintenance thereof shall exist so long as such encroachments shall naturally remain.

Section 9. Utility Easement. The Developer, on behalf of itself and/or such utility companies that may service the condominium from time to time, reserves a perpetual right, privilege and easement four feet in width over, on, upon, under, and along each side line and the front lot line of the real property delineated on the survey attached hereto as Exhibit "B" and incorporated herein, the same being the real property upon which the condominium is located. All utility connections must be installed underground. After the first condominium unit has been sold and the deed therefore recorded in the Dare County

Registry, any common subsequent utilities shall be paid for by the condominium unit owners association. Said easements hereby reserved shall be for the purpose of constructing, maintaining and operating in, upon, under and through said easement, in a proper workmanlike manner the electric, telephone, gas, sewer, water, television, drainage and other conveniences and utilities and appurtenances necessary and convenient thereto, together with the right at all times to enter upon easement with men and equipment for the purpose of inspecting, altering and repairing the same. The Developer reserves the right to maintain or otherwise keep clear any obstructions that may adversely affect the proper maintenance and operating of the various utility systems.

Section 10. Administration of the Condominium by Unit Owners Corporation. To efficiently and effectively provide for the administration of the condominium by the owners of the condominium units, a non-profit North Carolina Corporation known and designated as Viking Court Condominium Association, Inc., has been organized, and said Corporation shall administer the operation and management of the condominium and undertake and perform all acts and duties incident thereto in accordance with the terms of its Articles of Incorporation and By-Laws. A true copy of said Articles of Incorporation and By-Laws are annexed hereto and expressly made a part hereof as Exhibits "D" and "E" respectively. The owner or owners of each condominium unit shall automatically become Members of said Corporation upon his, their or its acquisition of an ownership interest in title to any condominium unit and its appurtenant undivided interest in common property, and the membership of such owners or owner shall terminate automatically upon such owner or owners being divested of such ownership interest in the title to such condominium unit, regardless of the means by which such ownership may be divested. No person, firm or corporation holding any lien, mortgage or

other encumbrance upon any condominium unit shall be entitled, by virtue of such lien, mortgage or other encumbrance, to membership in said Corporation or to any of the rights or privileges of such membership. In the administration of the operation and management of the Condominium, Viking Court Condominium Association, Inc., shall have and is hereby granted the authority and power to enforce the provisions of this Declaration of Condominium or Unit Ownership, to levy and to collect assessments in the manner hereinafter provided, and to adopt, promulgate and enforce such rules and regulations governing the use of the condominium units and common property as the Board of Directors of said Corporation may deem to be in the best interests of the Corporation. Viking Court Condominium Association, Inc., is hereinafter referred to as "Corporation" and/or the "Association".

Section 11. Use of Common Property Subject to Rules of Corporation. The use of common property, including the limited common areas and facilities, by the owner or owners of all condominium units, and all other parties authorized to use the same, shall be at all times subject to such reasonable rules and regulations as may be prescribed and established governing such use, or which may be hereafter prescribed and established by the Corporation.

Section 12. Right of Entry into Condominium Units in Emergencies. In case of any emergency originating in or threatening any condominium unit, regardless of whether the owner is present at the time of such emergency, the Board of Directors of the Corporation, or any other person authorized by it, or the Managing Agent, shall have the right to enter such condominium unit for the purpose of remedying or abating the cause of such emergency, and such right of entry shall be immediate.

Section 13. Limitation Upon Right of Owners to Alter and

Modify Condominium Units; No Right to Alter Common Property. 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 or 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.

Notwithstanding the foregoing provisions of this Section 13, a unit owner may divide the ground level storage room, if one exists, with an interior wall to create an owner's storage room. A door may be constructed in the exterior wall of the owner's storage room for access. The Board of Directors shall approve the color of the door if the color is different from the other exterior doors of the unit.

Section 14. Right of Corporation to Alter and Improve Common Property and Assessment Therefor. The Corporation shall have the right to make or cause to be made such alterations or improvements to the common property which do not prejudice the rights of the owner of any condominium unit in the use and enjoyment of his condominium unit, provided the making of such alterations and improvements are approved by the unanimous vote of all the condominium unit owners, and the cost of such alterations or improvements shall be common expenses to be assessed and collected from all of the owners of condominium units. However, where any alterations and improvements are exclusively or substantially for the benefit of the owner or owners of certain condominium unit or units requesting the same, then the cost of such alterations or improvements shall be

assessed against and collected solely from the owner or owners of the condominium unit or units exclusively or substantially benefitted, the assessment to be levied between or among such benefitted condominium units in the proportion of each unit's appurtenant undivided interest as set forth on Exhibit "C".

In the event a condominium unit is damaged or destroyed and can not, due to governmental regulations, be rebuilt in the same location as shown on Exhibit "B", then such condominium unit may be relocated and rebuilt upon the common area of the condominium in accordance with the covenants, obligations and restrictions of this Declaration and any requirements adopted by the Board applicable to said specific condominium units relocation and reconstruction. Any relocation outside the perimeter boundaries of the existing condominium unit as shown on Exhibit "B" shall require unanimous written approval of all unit owners and all costs, fees, and expenses associated therewith or resulting from or caused by such relocation and reconstruction shall be borne by the condominium unit owner whose unit is being relocated.

Section 15. Maintenance and Repair by Owners of 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 16. 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 units septic-wastewater system), and should any incidental damage be caused to any condominium unit by virtue of any work which may be done or caused to be done by the Corporation in the 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 cost 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 or loss and 20 days thereafter in which to effect necessary repair and/or replacement in accordance with the procedures, methods, 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 cost 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 or 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 unit owner.

Section 17. 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 interests 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 18. 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 percent (90%). Such coverage shall afford protection 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.

(4) All liability insurance shall contain cross-liability endorsements to cover liabilities of the condominium unit owners as a group and to a condominium unit owner.

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 interests 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 the 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 19. 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 a personal obligation of any such owner and be in force as provided in Section 22 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 by 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 20. 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 21. Corporation to Maintain Register of Owners and Mortgagees. The Corporation shall at all times maintain a Register setting forth the names of the owners of all of the condominium units. In the event of the sale or transfer of any condominium unit to a third party, the purchaser or transferee shall notify the Corporation in writing of his interest in such condominium unit, together with such recording information as shall be pertinent to identify the instrument by which such purchases or transferee has acquired his interest in any condominium unit.

Section 22. Assessments: Liability, Lien and Enforcement.

The Corporation is given the authority to administer the operation and management of the condominium, and employ a managing agent for that purpose, it being recognized that the delegation of such duties to one entity is in the best interest of the owners of all condominium units. To properly administer the operation and management of the condominium, the Corporation will incur for the mutual benefit of all of the owners of condominium units, costs and expenses which are sometimes herein referred to as "common expenses." To provide the funds necessary for such proper operation, management and for capital improvements, as well as for the repair maintenance and/or alteration of the amenities or common areas, the Corporation has heretofore been granted the right to make, levy and collect assessments against the unit owners and their condominium units. In furtherance of this grant of authority to the Corporation to make, levy and collect assessments to pay the costs and expenses for the operation, and management of and capital improvements to the condominium, and the repair, maintenance and/or alteration of the amenities and common areas and to pay for the costs of common utilities, including water, the following provisions shall be operative and binding upon the owners of all condominium units. The owner of each condominium unit, by acceptance of a deed or other conveyance for such unit, shall be deemed obligated to pay to the Corporation such annual or special assessments or charges or common expenses to be fixed, established and collected on a condominium unit basis as hereinafter provided.

A. All assessments levied against the unit owners and their condominium units shall be uniform and, unless specifically otherwise provided for in this Declaration of Condominium, all assessments made by the Corporation shall be in such an amount that any assessment levied against a unit owner and his condominium unit shall bear the ratio to the total assessment made against all unit owners and their condominium units as the

undivided interest as set forth on Exhibit "C" in Common Property appurtenant to each condominium unit bears to the total undivided interest in Common Property appurtenant to all condominium units. Should the Corporation be the owner of a condominium unit or units, the assessment which would otherwise be due and payable to the Corporation by the owner of such unit or units, reduced by the amount of income which may be derived from the leasing of such unit or units by the Corporation, shall be apportioned and assessment therefore levied ratably among the owners of all units which are not owned by the corporation, based upon their proportionate interests in Common Property exclusive of the interest therein appurtenant to any unit or units owned by the Corporation.

The funds arising from the annual assessment or charge as well as any additional or special assessments may be used for any or all of the following purposes: operating and managing the Corporation on behalf of the condominium, repairing, maintaining, altering, improving, replacing the swimming pool and swimming pool area, if built, as well as the access ways and driveways within the project, the septic systems and drainfields and all utility systems as well as such other common improvements as the board of directors may authorize and subsequently approve; employing a manager for the condominium; employing or obtaining legal and accounting services or other professional services necessary in the furtherance of the condominium affairs; enforcing these restrictions and the rules and regulations of the condominium; paying taxes, if any, indebtedness of the Corporation, insurance premiums, common utility expenses of the condominium, including but not limited to, charges for water and electric services (the cost of water used by condominium units shall be considered a common expense), governmental charges of all kinds and descriptions and, in addition, doing any other things necessary or desirable in the opinion of the Corporation



to keep the property in neat and good order and to provide for the health, welfare, and safety of the owners and residents of the Viking Court Condominium.

The expense and the cost of water shall be borne equally by the individual condominium unit owners until individual water meters are installed for all the condominium units. The owners shall pay their equal share of the water costs to the corporation at such times and pursuant to such rules as established by the board, and such water costs shall be in the nature of common assessments, which, if unpaid, shall be a lien upon the condominium unit of the delinquent owner. The existing water meter serving the condominium shall be Common property of the condominium.

By vote of a majority of directors of the corporation, the corporation may obtain individual water meters for each condominium unit which shall be installed between the main common water line and the condominium unit to be served by the new meter. The condominium shall have the individual meters read within ten (10) days of receiving the corporation's water bill and the corporation's water bill shall be apportioned among the condominium unit owners based upon the ratio of their water gallons used as shown by said individual condominium owner's water meter to the total gallons used for said period as read from the corporation's central water meter.

B. Assessments provided for herein shall be payable in annual installments or in such other installments and at such times as may be determined by the board of directors of the corporation. Said annual assessments or charges shall be due on January 1 of the year for which it is assessed except that the annual assessment for the calendar year of 1986 which shall be prorated for that portion of the calendar year 1986 after the Declaration of Unit Ownership has been filed in the Dare County Public Registry and shall be due and payable for said year on the

date therefore established by the Corporation through its board of directors. The board of directors shall establish the due date of any assessments other than the annual assessment at the time such special or emergency assessments are declared by the board of directors. Each annual assessment or charge (or installment thereof) shall, when due, become a lien against the condominium unit against which such assessment or charge is made. The annual assessment or charge shall be in an amount to be fixed from year to year by the Corporation, which may establish different rates from year to year as it may deem necessary.

C. The board of directors of the Corporation shall establish an annual budget in advance for each fiscal year (which shall correspond to the calendar year). Such budget shall project all expenses for the forthcoming year which may be required for the proper operation, management and maintenance of the condominium including a reasonable allowance for contingencies and reserves, such budget to take into account projected anticipated income which is to be applied in reduction of the amounts required to be collected as an assessment each year. The board of directors shall keep separate, in accordance with paragraph "D" hereof, items relating to operation and maintenance from items relating to capital improvements. Upon adoption of such annual budget by the board of directors of the Corporation, copies of said budget shall be delivered to each owner of a condominium unit and the assessment for said year shall be established based upon such budget, although the delivery of a copy of said budget to each owner or the failure to deliver a copy of the budget shall not affect the liability of any owner for such assessment. Should the board of directors at anytime determine, in its sole discretion, that the assessments levied are, or may prove to be, insufficient to pay the costs of operation and management of the condominium, or in the event of emergencies, the board of directors shall have the authority to

levy such additional assessment or assessments it may deem to be necessary.

D. The board of directors of the Corporation, in establishing the annual budget for operation, management and maintenance of the condominium, may designate therein a sum to be collected and maintained as a reserve fund for replacement of and capital improvements to the common property, which Capital Improvement and Replacement Fund (Capital Improvement Fund) shall be for the purpose of enabling the Corporation to replace structural elements and mechanical equipment constituting a part of the Common Property, as well as the replacement of personal property which may constitute a portion of the Common Property held for the joint use and benefit of the owners of condominium units. The amount to be allocated to the Capital Improvement Fund may be established by said board of directors so as to collect and maintain a sum reasonably necessary to anticipate the need for replacement of Common Property. The amount collected for the Capital Improvement Fund shall be maintained in a separate account by the Corporation and such monies shall be used only to make capital improvements to Common Property. Any interest earned on monies in the Capital Improvement Fund may, in the discretion of the board of directors of the corporation, be expended for current operation and maintenance. Each unit owner shall be deemed to own a portion of the Capital Improvement Fund equal to the percentage of undivided interest as set forth on Exhibit "C" appurtenant to his condominium unit. The Corporation shall annually notify each condominium unit owner of the amount of his balance in the Capital Improvement Account. However, such balance shall not be subject to withdrawal by a condominium unit owner.

E. All monies collected by the Corporation shall be treated as the separate property of the unit owners, and such monies may be applied by the Corporation to the payment of any expense of