

EXHIBIT 6

Liens, Defects and Encumbrances

1. Matters and things not of record in the Pender County Registry, the Office of the Clerk of Superior Court for Pender County, and the Pender County – Surf City Tax Offices.
2. Matters and things which would be disclosed by current survey or examination of the property.
3. Ad valorem taxes for the current tax year, and subsequent years not yet due and payable.
4. Such deeds of trust, assignments of rents, financing statements, and other security instruments as evidence or secure one or more loans obtained for the purpose of developing the site or constructing the improvements thereon.
5. Title to that portion of the land lying within the bounds of public roads adjoining the property.
6. Easement(s) of record for public/private utilities and public/private right(s) of way.

EXHIBIT 7

Home Warranty

The contractor signatory below (“Contractor”) hereby guarantees (“Owner”) that the construction performed on that certain structure located at to be free from defects in material and workmanship for a period of one year from the date of commencement of use, substantial completion or date of notice of completion, whichever is the first to occur:

This Standard Limited Warranty applies and is limited as follows:

1. To the property only as long as it remains in the possession of the original owner named above.
2. To the construction work that has not been subject to accident, misuse or abuse.
3. To the construction work that has not been modified, altered, defaced, or had repairs made or attempted by others.
4. That contractor be immediately notified in writing within ten (10) days of first knowledge of defect by owner or his agent.
5. That contractor shall be given first opportunity to make any repairs, replacements, or corrections to the defective construction at no cost to owner within a reasonable period of time.
6. Under no circumstances shall contractor be liable by virtue of this warranty or otherwise for damage to any person or property whatsoever for any special, indirect, secondary or consequential damages of any nature however arising out of the use or inability to use because of the construction defect.

Contractor Name State License Number

Address Telephone Number

Signature Date

EXHIBIT 8

Insurance Coverage

1. **General.** The Board shall obtain and maintain at all times, insurance of the type and kind provided in this Declaration and the Bylaws, and including insurance for such other risks, of a similar or dissimilar nature, as are or shall hereafter customarily be covered with respect to other condominium properties similar in construction, design and use, all in not less than the amounts provided in this Declaration and the Bylaws.
2. **Responsibility For Obtaining Coverage.** The Board shall have the authority to obtain, and shall obtain, insurance policies upon the Property in the name of the Association for the benefit of the Unit Owners and their Mortgagees as their interests may appear, and provision shall be made for the issuance of the renewals thereof. Certificates of insurance and/or Policies shall be furnished to each Unit Owner and his Mortgagee upon request.
3. **Types of Coverage.** The Board shall make every effort to secure insurance policies that will provide the following minimum coverages:
 - (a) **Fire, Wind, Flood and Extended Coverage.** The Buildings and all other improvements upon the Property and all personal property included in the Common Elements shall be insured in an amount equal to 100% of the replacement cost of the insured property at the time the insurance is purchased and at each renewal date, exclusive of land, excavations, foundations and other items normally excluded from property insurance coverage, which coverage shall include:
 - (i) Loss or damage by fire or other hazards covered by a standard extended coverage endorsement, and
 - (ii) Such other risks as from time to time shall be customarily covered with respect to buildings similar in construction, location and use, including but not limited to vandalism and malicious mischief.

All policies shall provide that adjustment of loss shall be made by the Association as insurance trustee. Such insurance shall not be prejudiced by any act or neglect of individual Unit Owners which is not in the control of the Unit Owners collectively.

(b) **Public Liability.** The Board shall also obtain and maintain to the extent obtainable, public liability insurance in such limits as the Board may from time to time determine, which shall not be less than that required by private institutional mortgage investors for projects similar in construction, location and use, covering the Association, each member of the Board, the managing agent, if any, and each Unit Owner, with respect to his liability arising out of the ownership, maintenance, repair, or use of the Common Elements and legal liability arising out of the lawsuits related to employment contracts of the Association. Such insurance shall include endorsements covering cross liability claims of one insured against another, including the liability of the Unit Owners as a group to a single Unit Owner. The Board shall review such limits annually. Until the first meeting of the Board following the initial meeting of the Unit Owners, such public liability insurance shall be in amounts not less than \$1,000,000.00 for claims for bodily injury and/or for claims for property damage. Each Unit Owner, at his own expense, shall keep in force comprehensive personal liability insurance in such amounts as the Board shall from time to time determine, but in any case, not less than \$1,000,000.00 for each occurrence. The coverage obtained by the Board must provide for at least 30 days written notice to the Association and to any holder of a first mortgage on an individual Unit before the insurer can cancel or substantially modify it.

(c) **Fidelity Bonds.** Fidelity insurance shall be maintained for all officers, directors, employees, and/or the managing agent of the Association and all other persons handling, or responsible for, funds of, or administered by, the Association. Such fidelity bonds shall name the Association as an obligee and shall be in an amount not less than the estimated maximum of funds, including reserve funds, in the custody of the Association and/or the managing agent at any given time during the term of each bond. In no event, however, may the aggregate amount of such bonds be less than a sum equal to one and one-half times estimated annual operating expenses and reserves. The bonds shall contain waivers by the issuers of the bonds of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expressions.

(d) Officers' and Directors' Coverage. The Board shall also be required to obtain and maintain insurance indemnifying each member of the Board and each officer of the Association against any and all loss, damage, liability or expense incurred by such officer or director at any time by reason of or arising out of any act performed by such Officer or Director on behalf of the Association or in furtherance of its interests, except for liability for gross negligence, willful malfeasance or fraud. The policy shall cover all individual officers and directors as well as the Association as named insureds and shall be in an amount of not less than \$50,000.00 for liability arising out of any one claim and \$100,000.00 for liability arising out of all claims asserted during the applicable policy period.

(e) Other. The Board shall obtain such other insurance coverage, as the Board shall determine from time to time to be desirable.

4. **Premiums To Be Common Expense.** Premiums upon insurance policies purchased by the Board shall be paid for by the Board and charged as a Common Expense.
5. **Policy Provisions.** The Board shall use its best efforts to secure insurance policies from a carrier authorized to transact business in North Carolina and which is generally acceptable to private institutional mortgage investors for projects similar in construction, location and use, which will provide for the following:
 - (a) The master policy on the Property cannot be canceled, invalidated or suspended on account of the conduct of any one or more of the individual Owners or Occupants.
 - (b) The master policy on the Property cannot be canceled, invalidated or suspended on account of the conduct of any officer or employee of the Association, or managing agent, without prior demand in writing that the Board or managing agent cure the defect.
 - (c) Any "no other insurance" clause in the master policy on the Property excludes individual Owners' policies from consideration.
 - (d) Such policies may not be canceled or substantially modified without at least 30 days' prior written notice to all insureds (including the Association and all Unit Owners), and to Institutional Lenders and to the FNMA servicing agent (if applicable).
 - (e) A waiver of subrogation by the insurer as to any claims against the Association, any officer, director, agent or employee of the Association, Unit Owners and members of their household and their employees, agents, tenants and invitees.
 - (f) A provision that, notwithstanding any provision thereof that gives the insurer an election to restore damage in lieu of making a cash settlement, such option shall not be exercisable if such restoration is prohibited pursuant to Section 47C-3-113(h) of the Act.
6. **FNMA Requirements.** Notwithstanding any lesser requirement contained above, the Association shall at all times maintain those types and forms of coverage which shall be a requirement for this type of project of the Federal National Mortgage Association pursuant to Part VIII, Chapter 7 of the FNMA Selling Guide, as amended from time to time.