

(a) More than three (3) years before the filing of the action, the Condominium Project was damaged or destroyed so that a material number of the Condominiums were rendered unfit for their prior use, and the Condominium Project has not been rebuilt or repaired substantially to its state prior to the damage or destruction;

(b) Three-fourths (3/4) or more of the Condominiums in the Condominium Project were destroyed or substantially damaged, and Delegates representing at least sixty-seven percent (67%) of the voting power of the Master Association and sixty-seven percent (67%) of the first Mortgagees (based upon one [1] vote for each first Mortgage owned) oppose repair or restoration of the Condominium Project; or

(c) The Condominium Project has been in existence more than fifty (50) years, is obsolete and uneconomical, and Delegates representing the Owners of at least sixty-seven percent (67%) of the Condominiums and sixty-seven percent (67%) of the first Mortgagees (based upon [1] vote for each first Mortgage owned) oppose repair or restoration of the Condominium Project.

#### ARTICLE XIV

##### INSURANCE

Section 1. Required Insurance Coverage. The Master Association, acting by and through the Board, shall obtain and maintain at all times for the Master Association the insurance coverage set forth herein. Except as otherwise provided herein, the premiums for such coverage shall be a Common Expense.

(a) Casualty and Fire Insurance. A policy or policies of casualty and fire insurance with extended coverage endorsement in an amount equal to one hundred percent (100%) of the then current replacement cost (without deduction for depreciation or co-insurance) of the Master Association

Property and Maintenance Areas. Such policy or policies must be written by an insurance carrier that has an acceptable rating from A.M. Best Company, DemoTech, Inc., or Standard and Poor's Inc. in accordance with FNMA's requirements. Said policies shall be primary and shall be maintained for the benefit of the Master Association, the Owners and the Mortgagees, as their interests shall appear and shall waive the right of subrogation against Owners, if obtainable. The deductible shall be the lesser of Ten Thousand Dollars (\$10,000) or one percent (1%) of the policy face amount, if obtainable. The coverage does not need to include land, foundations, excavations, or other items normally excluded from such coverage. Such policy or policies must contain, if required and if obtainable:

(1) An Agreed Amount and Inflation Guard Endorsement;

(2) Construction Code Endorsements (such as Demolition Cost Endorsement);

(3) Contingent Liability From Operation of Building Laws Endorsement; and

(4) Increased Construction Endorsement if there is a construction code provision which would become operative and require changes to undamaged portions of the buildings within the Master Association Property.

(b) Public Liability Insurance. A policy or policies of comprehensive public liability insurance (with cross-liability endorsement, if obtainable) insuring the Master Association, the Board, the Owners, the Declarant and the Merchant Builders and their respective officers, directors, shareholders, employees and agents against any liability to the public or to any Owner, the members of his family, his tenants and lessees and their respective guests and invitees, arising from or incident to the ownership,

occupation, use, maintenance and/or repair of the Master Association Property and/or Maintenance Areas. The limits of liability under this Section shall be set by the Board and shall be revised at least annually by the Board, and increased or decreased at the discretion of the Board; provided, however, that said limits shall not be less than Three Million Dollars (\$3,000,000.00) for bodily injury, including deaths of persons and property damage arising out of a single occurrence; and, provided further, that if the FHLMC and/or the FNMA participate in the financing of Lots and/or Condominiums in the Community, said limits shall not be less than the minimum limits required under the then current FHLMC and/or FNMA regulations.

(c) Fidelity Bonds. Fidelity bonds naming all persons signing checks or otherwise possessing fiscal responsibilities on behalf of the Master Association, including, but not limited to, members of the Board, officers and employees of the Master Association, and officers, employees and agents of any management company employed by the Master Association who handle or are responsible for the administration of Master Association funds, if obtainable. Such coverage shall be in an amount deemed reasonably appropriate by the Master Association, but shall not be less than the estimated maximum funds in the custody of the Master Association, or twenty-five percent (25%) of the estimated annual operating expenses of the Community, plus reserves, whichever is greater. In addition, if the Master Association enters into an agreement for professional management of the Community, the Master Association shall require such firm to submit evidence of such firm's fidelity bond coverage to the same extent as the Master Association's coverage, and the Master Association shall be named as an additional insured under such coverage, if obtainable.

(d) Worker's Compensation. A policy or policies for all employees of the Master Association in such amounts as may be required by law.

With respect to each Special Benefit Area, the Board shall obtain and maintain at all times a policy or policies of casualty and fire insurance with extended coverage, public liability insurance and such other insurance as the Board may deem necessary and appropriate. The coverage under such policies, including without limitation, the limits of liability, shall be set by the Board and shall be reviewed at least annually. The premiums (and any deductibles) for such insurance shall be a Special Benefit Expense assessable only to the Owners of Lots and/or Condominiums within the respective Special Benefit Area.

Section 2. Optional Insurance Coverage. The Master Association, acting at its option and by and through the Board, may purchase such other insurance as it may deem necessary or appropriate, including, but not limited to, officers and directors errors and omissions insurance, earthquake insurance and flood insurance.

Section 3. Notice of Cancellation of Insurance. All policies of insurance maintained by the Master Association pursuant to this Article shall contain a provision that coverage under said policies may not be canceled, terminated, allowed to expire by their own terms, or be substantially modified by any party without at least thirty (30) days' prior written notice to the Board, to each Owner, and to such first Mortgagees who have filed written request with the Master Association for such notice. A list of the Owners and such first Mortgagees shall be made available by the Master Association to the insurance carrier upon request.

Section 4. Annual Review of Coverage. The Board shall annually determine whether the amounts and types of insurance coverage that it has obtained pursuant to this Article shall provide adequate coverage for the Community, based upon the then

current construction costs, insurance practices in the area in which the Community is located, and all other factors which may indicate that either additional insurance coverage or increased coverage under the existing policies is necessary or desirable to protect the interests of the Master Association, the Owners and their respective Mortgagees. If the Board determines that increased coverage or additional insurance is appropriate, it shall obtain same.

Section 5. Waiver by Owners. As to all policies of insurance maintained by the Master Association which will not be voided or impaired thereby, each Owner hereby waives and releases all claims against the Master Association, the Board, the Declarant, the Merchant Builders and the officers, employees and agents of each of the foregoing, and all other Owners with respect to any loss covered by such insurance, whether or not caused by the negligence of, or breach of, any agreement by said persons, but only to the extent of the insurance proceeds received in compensation for such loss.

Section 6. Premiums, Proceeds and Settlement. Insurance premiums for all blanket insurance coverage and any other insurance coverage which the Board has determined is necessary to protect the interests of the Master Association, the Owners and their respective Mortgagees, shall be a Common Expense to be included in the Regular Assessments levied by the Master Association. Funds sufficient to cover the applicable deductibles should be maintained by the Master Association in its reserve accounts. Deductibles may also be funded as a Common Expense included in Regular Assessments (or as a Special Benefit Expense in the case of a Special Benefit Area) or may be funded as a Special Assessment. All insurance proceeds paid to the Master Association shall be disbursed as follows: (a) in the event of any damage or destruction to the Master Association Property and/or Maintenance Areas, such proceeds shall be disbursed in accordance with the

provisions of the Article herein entitled "Damage or Destruction of Improvements Maintained by the Master Association;" and (b) in the event of any other loss, the proceeds shall be disbursed as the Board shall deem appropriate subject to the limitations set forth in the Article herein entitled "Mortgagee Protection." The Master Association is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers. Any two (2) Directors of the Master Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on the Master Association and its Members.

Section 7. Rights and Duties of Owners to Insure.

Each Owner may obtain insurance on his personal property, his Lot or Condominium and all other Improvements thereto. Nothing herein shall preclude any Owner from carrying any public liability insurance as he may deem desirable to cover his individual liability for damage to persons or property occurring on or within his individual Lot or Condominium or elsewhere upon the Community. If obtainable, such liability insurance coverage carried by an Owner shall contain a waiver of subrogation of claims against the Declarant, the Merchant Builders, the Master Association and the Board, and their officers, employees, agents and all other Owners. Such other policies shall not adversely affect or diminish any liability under insurance obtained by the Master Association. If any loss intended to be covered by insurance carried by the Master Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Owner, such Owner shall assign the proceeds of such insurance carried by him to the Master Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied. Each Sub-Association shall maintain insurance coverage in accordance with the provisions of its Supplemental Declaration.

Section 8.        Trustee for Policies. The Board is hereby appointed and shall be deemed trustee for the interests of all insureds under the policies of insurance maintained by the Master Association. All insurance proceeds under such policies shall be paid to the Board, as trustee, and the Board shall have full power to receive such funds on behalf of the Master Association, the Owners and their respective Mortgagees, and to deal therewith as provided for in this Master Declaration.

Section 9.        Mortgage Clause. All insurance policies should have the "standard mortgage clause," or equivalent endorsement, providing that coverage of a Mortgagee under the insurance policy will not be adversely affected or diminished by an act or neglect of the Mortgagor, which is commonly accepted by private institutional mortgage investors in the area in which the Community is located, unless such coverage is prohibited by applicable law.

Section 10.       Compliance With Requirements of FHLMC and FNMA. Notwithstanding the provisions of this Article, the Master Association shall obtain and maintain in effect such policies of insurance meeting all requirements of FHLMC and FNMA established by those entities for planned developments for so long as any of such agencies continue to be a Mortgagee, Owner, insurer or guarantor of a Mortgage in the Community, except to the extent such coverage is not available or has been waived, in writing, by such agencies.

## ARTICLE XV

### MORTGAGEE PROTECTION

Section 1.        Mortgage Protection Provisions.  
Notwithstanding any other provisions in this Master Declaration to the contrary, in order to induce the FHLMC, FNMA and GNMA, and other lenders and investors, to participate in the financing of the sale of Lots and Condominiums in the Community, the following provisions contained within this Article are added hereto, and, to