

E. Application of Common Funds. The Trustees shall expend common funds only for the purposes permitted by this Trust and by Chapter 183A.

F. Notice of Default to Mortgagees. Upon written request addressed to the Trustees by a first mortgagee of any Unit, or upon their own motion or according to their own operating procedures or guidelines, the Trustees shall notify such mortgagee of any default by the mortgagor of such Unit in the performance of the mortgagor's obligations under the Master Deed, the mortgage instrument of this Declaration of Trust.

Section 5.5. Insurance. The Trustees and the Unit Owners shall obtain and maintain the following insurance policies:

A. Casualty Insurance. The Trustees shall obtain and maintain, to the extent obtainable and permitted by applicable law, so-called master policies of insurance providing fire-with-extended coverage and all risk coverage insurance, insuring the Condominium, including, without limitation, the Common Areas and Facilities, all of the Units with all fixtures, additions, alterations and improvements thereof, all heating and cooling equipment and other service machinery, apparatus, equipment and installations comprised in the Common Areas and Facilities, and also all such portions normally deemed to constitute part of the buildings and customarily covered by such insurance, but not including any furniture, furnishings, household and personal property belonging to and owned by individual Unit Owners, in an amount

equal to not less than one hundred percent (100%) of the full replacement value thereof, exclusive of foundations, land and other items normally excluded therefrom (as determined by the Trustees not less frequently than on an annual basis) without deduction for depreciation and which shall include, if available, so-called Agreed Amount, Inflation Guard, Construction Code and Replacement Cost Endorsements. The Trustees may purchase a so-called "blanket" policy covering the buildings if they deem it advisable. In determining full replacement value, the Trustees may reasonably rely upon the advice of the insurer or their agent. The name of the insured under each required policy must be stated in form, substance and effect similar to the following: "Trustees of the WINDING BROOK CONDOMINIUM for use and benefit of the Unit Owners of WINDING BROOK CONDOMINIUM as their interests may appear." Such insurance shall contain the standard mortgagee clause and shall name the Trustees as Insurance Trustees for the use and benefit of all Unit Owners of WINDING BROOK CONDOMINIUM and their mortgagees as their interest may appear, with loss payable to and adjusted by the Trustees as Insurance Trustees in accordance with the provisions of these By-Laws. The Trustees shall insure against such other hazards or risks of casualty as the Trustees from time to time in their discretion shall determine to be appropriate, including, but not limited to,

vandalism, malicious mischief, windstorm and water damage, earthquake, flood and machinery explosion or damage.

- B. Liability Insurance. The Trustees shall obtain and maintain, to the extent obtainable and/or applicable, master policies of insurance with respect to the Common Areas and Facilities for the benefit and protection of the Trustees and all Unit Owners for:
- (i) comprehensive public liability insurance in such amounts as the Trustees may, from time to time, determine but in no case less than \$1,000,000/\$1,000,000 in coverage, covering the Trust, the Trustees, the Property Manager, if any, and each Unit Owner with respect to liability arising out of ownership, maintenance or repair of those portions of the Condominium not reserved for exclusive use by the Owner or Owners of a Unit (such insurance providing for cross claims by the co-insureds, and containing a "severability of interest" endorsement which shall preclude the insurer from denying the claim of a Condominium Unit Owner because of negligent acts of the Trust, the Trustees or other Unit Owners, and other provisions commonly referred to as "Special Condominium Endorsement" or its equivalent);
 - (ii) workmen's compensation and employee's liability insurance with respect to any Manager, agent or employee of the Trust excluding any independent agent;
 - (iii) fiduciary liability and indemnity

PG 86

insurance in an amount sufficient to indemnify and hold the Trustee harmless as herein provided for, and (iv) such other liability insurance as the Trustees may from time to time deem appropriate and desirable.

- C. Fidelity Coverage. The Trustees shall obtain fidelity coverage against dishonest acts on the part of the Trustees, Property Manager, if any, employees or volunteers responsible for handling funds belonging to Trust or administered by the Trustees. The fidelity bond or insurance shall name the WINDING BROOK CONDOMINIUM TRUST as the named insured and shall be written in an amount sufficient to provide protection which is in no event less than one and one half times the Trust's estimated annual operating expenses and reserves. In connection with such coverage, an appropriate endorsement to the policy to cover any persons who serve without compensation shall be added if the policy would not otherwise cover volunteers.
- D. PHLMC and FNMA Insurance Requirements. If the Federal Home Loan Mortgage Corporation (PHLMC) or the Federal National Mortgage Association (FNMA) holds any interest in one or more mortgages on Units of which the Trustees have received notice, the Trustees shall obtain and maintain, to the extent obtainable, such other insurance as may be required from time to time by whichever of PHLMC or FNMA holds any interest in one

or more mortgages on Units. All such policies shall be in such amounts and contain such terms as may be required from time to time by whichever of FHLMC or FNMA holds interest.

E. Unit Owners' Insurance. Unit Owners may (and it is suggested that they do) carry insurance for their own benefit insuring their carpeting or other floor coverings, furniture, furnishings and other personal property located within their respective Units or its appurtenances, and for such as may not be covered by the Condominium master policies; provided that all such policies shall contain waivers of subrogation and further provided that the liability of the carriers issuing insurance obtained by the Trustees shall not be affected or diminished by reason of any such additional insurance carried by any Unit Owner.

F. Terms and Conditions of Policies. Policies for casualty insurance, and to the extent applicable, such other policies of insurance, shall provide: (i) that the insurance company waive any right of subrogation against the Trustees, their agents and employees, and Unit Owners, their respective employees, agents, tenants and guests to the extent they are not specifically obligated hereunder; (ii) that the insurance shall not be prejudiced by any act or neglect of any Unit Owners or occupants or any other person or firm (including employees

PG 88

and agents of the Trustees) when such act or neglect is not within the control of the Trustees (or Unit Owners collectively) or by failure of the Trustees (or Unit Owners collectively) to comply with any warranty or condition with regard to any portion of the premises over which the Trustees (or Unit Owners collectively) have no control; (iii) that such policies may not be cancelled or substantially modified without at least twenty (20) days' prior written notice to all Unit Owners and mortgagees of Units to whom certificates of insurance have been issued; (iv) that recovery thereunder shall not be affected on account of the availability of proceeds under any policies obtained by individual Unit Owners covering their Units; and (v) if obtainable, that the company shall waive any right it may have under the policy to repair or restore damage should the Unit Owners elect to terminate the Condominium because of such damage.

Such insurance policies may provide for a reasonable deductible amount from the coverage thereof, as determined by the Trustees in their reasonable discretion. In the event of any loss which relates in part to insurable portions of a Unit and in part to the Common Elements, the Trustees shall apportion the deductible amount directly proportional to the amount of such loss related to such Unit and the amount of the loss

related to the Common Areas and Facilities. Where such loss is solely to a Unit, the deductible amount shall be borne solely by the Unit Owner thereof. Where such loss is solely to the Common Elements, such shall be borne from the common funds.

- G. Insurance Appraisal. Unless waived by unanimous vote of all Trustees then in office, the Trustees shall obtain, at least annually, an independent insurance company appraisal of the full replacement value of the property to be insured in accordance with the foregoing provisions of this Section, without deduction for depreciation, for the purpose of determining the amount of insurance to be maintained pursuant to this Section, and the amount of such insurance shall in no event be less than the full replacement value as so determined. If the Trustees in their discretion deem it necessary, they shall upon notification of improvements to be made to a Unit by a Unit Owner increase the insurance coverage afforded by said master policy.
- H. Trustees as Insurance Trustees. The Trustees (i) shall have exclusive authority to negotiate all losses as herein provided for, (ii) shall collect and receive all loss insurance proceeds, and (iii) shall hold, use, apply and disburse the same in accordance with the applicable provisions of these By-Laws for the benefit of the Unit Owners and their respective mortgagees.

PG 90

With respect to losses which affect portions or elements covered by such insurance of more than one Unit and/or the Common Elements to different extents, the proceeds relating thereto shall be used, applied and disbursed by the Trustees in their judgment in a fair and equitable manner.

- I. Authorized Insurance Representative. Notwithstanding any of the foregoing provisions and requirements to the contrary relating to physical damage or liability insurance, there may be named as an insured, on behalf of the Trustees, the Trustees' authorized representative, including any Trustee, with whom such Trustees may enter into any Insurance Trust Agreement or any successor to such Trustee (each of whom shall be referred to herein as the "Insurance Trustee"), who shall have exclusive authority to negotiate losses under any policy providing such physical damage or public liability insurance. Each Unit Owner appoints the Trustees, or any Insurance Trustee or substitute Insurance Trustee designated by the Trustees, as his attorney-in-fact for the purpose of purchasing and maintaining such insurance, including without limitation the collection and appropriate disposition of the proceeds thereof; the negotiation of losses and execution of releases of liability; the execution of all documents; and the performance of all other acts necessary to accomplish such purpose.
- J. Notification of Mortgagees. The Trustees, on behalf of the organization of Unit Owners, shall give written

to all mortgagees of which the Trustees have received notice, of any loss to the Common Areas and Facilities if such loss exceeds Ten Thousand Dollars (\$10,000.00), and in addition, if the loss to any Unit exceeds One Thousand Dollars (\$1,000.00), then the Trustees shall give written notice of such loss to such mortgagees listed as holding mortgages on that Unit.

K. Certificates of Insurance. Certificates of Insurance with proper mortgagee endorsements, when requested, shall be issued to each Unit Owner. The certificates of insurance shall show the amount of insurance covering the Unit and its interest in the Common Areas and Facilities. The Trustees may charge a reasonable fee for issuing such certificates.

L. Notification to Trustees of Improvements. Each Unit Owner shall notify the Trustees in writing of all improvements to his or her Unit (except personal property other than fixtures) which exceed a total value of One Thousand Dollars (\$1,000.00) within twenty (20) days after the commencement of construction or installation of such improvements, and upon receipt of such notice, the Trustees shall notify the insurer under any policy obtained pursuant to this Section of any such improvements and shall purchase additional insurance in such amounts as required by this Section. Any premium increase caused by such improvements may be assessed to the Owner of the improved Unit as a Common Expense attributable to such Unit. No Unit

PG 92

Owner shall be entitled to receive insurance proceeds for the repair, replacement or restoration of any such improvements not so reported to the Trustees, unless otherwise consented to by unanimous vote of the Trustees.

Section 5.6. Rebuilding, Restoration and Condemnation. The following provisions shall apply in the case of casualty loss or condemnation:

A. Casualty Loss. In the event of damage to or destruction of the Condominium as the result of fire or any other casualty, the Trustees shall proceed as follows:

1. Casualty Loss to Units. Where such damage or destruction is solely to a Unit, or Units, the Insurance Trustee designated herein shall promptly adjust and collect the loss and disburse the master policy insurance proceeds in appropriate progress payments with appropriate retainage to the Unit Owner(s) affected so as to facilitate and insure the repairs and restoration of the Unit, or Units, so damaged or destroyed. In such case as the affected Unit Owner should fail to promptly take such action as the Trustees deem appropriate to insure the repair or restoration of his Unit, the Trustees may proceed thereto for his account as herein provided and utilize the said insurance proceeds accordingly. The affected Unit Owner(s) shall bear any cost or expense for such repairs and