APPENDIX ONE

Insurance (other than title insurance) which shall be
carried upon the common areas, limited common areas and
facilities and the residences, shall be covered by the
following provisions:

A. All insurance policies upon the common areas,
limited common areas and facilities and the residences shall
be purchased by the Association for the benefit of the
residence owners, the mortgagees and the Association, as
their interests may appear. Such policies shall provide
that all proceeds covering losses shall be paid to a trustee,
herein referred to as the Insurance Trustee, except, however,
in the event the amount of damage is less than $500.00, the
proceeds of insurance may be paid to the Association. Such
insurance coverage shall be fire and extended coverage or
covering such additional risks (including vandalism and
malicious mischief) and with such deductible amounts as the
Board of Directors shall determine, and shall be written on
the property in the name of the Association for the benefit
of the residence owners in the percentage interests established
in this Declaration. Provision shall be made for the issuance
of evidence of insurance to mortgagees of residence owners
and for the issuance of certificates of insurance to the
residence owners, such insurance to be for the full insurable
value of the residences. The Association will review the
amount of the policy from year to year to attempt to maintain
the amount thereof at the full replacement value of the
common facilities and of the residences (exclusive of contents
of, additions to, and betterments of residences). The
Association shall further cause the residences and the
common facilities to be reappraised or revalued not less
frequently than once each three years by an insurance agent,
or by such other means as the Association shall deem appropriate,
and shall cause the amount of such coverage to be adjusted
in accordance with such reappraisal or revaluation. Such
insurance shall not insure any of the contents, additions to