

## **Schedule 1 Insurance**

So long as this Agreement is in effect, or any of the Loan remains outstanding or unpaid, Borrower shall keep or cause to be kept in full force and effect the following types of insurance coverage in a form satisfactory to Lender:

### **I. COVERAGE REQUIREMENTS**

- A. **Construction Phase.** During any period of construction on the Property, Borrower must carry, or cause to be carried, the following insurance:

**1. All-Risk Builder's Risk Insurance:**

a. Coverage Amount: Equal to the face amount of the construction contract(s), including providing for one hundred percent (100%) of the full replacement cost of work in place and materials stored at or upon the property. For rehabilitation projects, the building value is to be included in the Builder's Risk policy or under a separate policy.

b. Deductible(s): None.

c. Lender Interest: Loss Payee and Mortgagee

**2. Commercial General Liability Insurance:**

a. Coverage Amount: Must be "per project" or "per location," and provide on an "occurrence" basis against claims for "personal injury" liability and liability for death, bodily injury and damage to property, products and completed operations, in limits satisfactory to Lender with respect to any one occurrence and the aggregate of all occurrences per project. The amount of coverage shall be in a minimum amount of \$1,000,000.00 for bodily injury and property damage for any single occurrence and \$2,000,000.00 aggregate per location or project.

b. Deductible(s): Deductibles shall be in an amount satisfactory to Lender, but in no event should be greater than the following:

For policies less than or equal to \$5,000,000, no deductible greater than \$15,000 per occurrence.

For policies greater than \$5,000,000, no deductible greater than \$25,000 per occurrence.

c. Lender Interest: Additional Insured

The liability insurance must be in the form of an Acord 25 Certificate of Liability Insurance. Such insurance shall name Lender as an additional insured and have an Additional Insured Endorsement as well as an endorsement for 30 days' Notice of Non-Renewal or Cancellation.

**3. Worker's Compensation Insurance:**

a. Coverage Amount: Such amount as is required by North Carolina Law and to the extent necessary to protect any third party and the mortgaged premises against worker's compensation claims.

b. Deductible(s): No greater than \$10,000 per occurrence.

c. Lender Interest: None

4. **Flood Insurance:** If at any time any portion of any structure on the Property is insurable against Casualty by flood and is located in a Special Flood Hazard Area under the Flood Disaster Protection Act of 1973, as amended, a flood insurance policy, in a form acceptable to Lender, is required.
- a. Coverage Amount: An amount at least equal to the outstanding principal balance of the loan, or the maximum amount of insurance available with respect to the project under the National Flood Insurance Act, whichever is less.
  - b. Deductible(s): Deductibles shall be in an amount satisfactory to Lender, but in no event should be greater than the following:

For policies less than or equal to \$5,000,000, no deductible greater than \$15,000 per occurrence.

For policies greater than \$5,000,000, no deductible greater than \$25,000 per occurrence.

- c. Lender Interest: Additional Insured

Borrower shall provide Lender with a Flood Certification indicating whether or not the Project is in a designated flood zone.

5. **General Contractor Coverage:** In addition to the foregoing, during any period of construction on the Property, Borrower shall cause the General Contractor to provide and maintain comprehensive (commercial) general liability insurance and workers' compensation insurance for all employees of the General Contractor meeting, respectively, the requirements of items 2 and 3, above.

B. **Permanent Insurance (after construction).**

1. **Commercial Property Insurance:** When the project is eligible for such insurance, commercial property insurance for the benefit of the Lender must be provided regarding the mortgaged premises (including all fixtures and personal property and including all risks of direct physical loss, including loss by fire, lightning, collapse and other risks which at the time are included under "extended coverage" endorsements).
- a. Coverage Amount: Equal to one hundred percent (100%) of the full replacement cost of the improvements.
  - b. Deductible(s): Deductibles shall be in an amount satisfactory to Lender, but in no event should be greater than the following:

For policies less than or equal to \$5,000,000, no deductible greater than \$15,000 per occurrence.

For policies greater than \$5,000,000, no deductible greater than \$25,000 per occurrence.

- c. Lender Interest: Mortgagee and Loss Payee

The property insurance must be in the form of an Acord 28 Evidence of Commercial Property Insurance. Such insurance shall name Lender as Mortgagee and Loss Payee, and have an endorsement for 30 days' Notice of Non-Renewal or Cancellation. The notice of cancellation requirement must be specifically stated on the evidence of property insurance.

## **2. Commercial General Liability Insurance:**

a. Coverage Amount: Must be "per project" or "per location," and provide on an "occurrence" basis against claims for "personal injury" liability and liability for death, bodily injury and damage to property, products and completed operations, in limits satisfactory to Lender with respect to any one occurrence and the aggregate of all occurrences per project. The amount of coverage shall be in a minimum amount of \$1,000,000.00 for bodily injury and property damage for any single occurrence and \$2,000,000.00 aggregate per location or project.

b. Deductible(s): Deductibles shall be in an amount satisfactory to Lender, but in no event should be greater than the following:

For policies less than or equal to \$5,000,000, no deductible greater than \$15,000 per occurrence.

For policies greater than \$5,000,000, no deductible greater than \$25,000 per occurrence.

c. Lender Interest: Additional Insured

The liability insurance must be in the form of an Acord 25 Certificate of Liability Insurance. Such insurance shall name Lender as an additional insured and have an Additional Insured Endorsement as well as an endorsement for 30 days' Notice of Non-Renewal or Cancellation.

## **3. Worker's Compensation Insurance:**

a. Coverage Amount: Such amount as is required by North Carolina Law and to the extent necessary to protect any third party and the mortgaged premises against worker's compensation claims.

b. Deductible(s): No greater than \$10,000 per occurrence.

c. Lender Interest: None

4. **Flood Insurance:** If at any time any portion of any structure on the Property is insurable against Casualty by flood and is located in a Special Flood Hazard Area under the Flood Disaster Protection Act of 1973, as amended, a flood insurance policy, in a form acceptable to Lender, is required.

a. Coverage Amount: An amount at least equal to the outstanding principal balance of the loan, or the maximum amount of insurance available with respect to the project under the National Flood Insurance Act, whichever is less.

b. Deductible(s): Deductibles shall be in an amount satisfactory to Lender, but in no event should be greater than the following:

For policies less than or equal to \$5,000,000, no deductible greater than \$15,000 per occurrence.

For policies greater than \$5,000,000, no deductible greater than \$25,000 per occurrence.

c. Lender Interest: Additional Insured

Borrower shall provide Lender with a Flood Certification indicating whether or not the Project is in a designated flood zone.

5. **Fidelity Insurance:** For any project collecting rents, fidelity or crime policies must provide that the insurance company will provide protection to the insured against loss of project money, securities and property through any criminal or dishonest acts committed by any employee. A Blanket Crime Policy or a Fidelity Bond (position bond) is acceptable in a form satisfactory to the Lender.

- a. Coverage Amount: An amount at least equal to three (3) months' gross cash flow.
- b. Deductible(s): No greater than \$10,000 per occurrence.
- c. Lender Interest: None

## II. **POLICY REQUIREMENTS.**

1. **Insurance Company:** Each policy of insurance shall be issued by one or more insurance companies each of which meet the following criteria:

- a. A.M. Best Company financial and performance rating: "A-" or better.
- b. Licensed: By the State of North Carolina to conduct the business of insurance in North Carolina.

2. **Policy Coverage:** Each policy shall provide that such policy shall:

- a. Cancellation: Policy may not be cancelled or modified without at least thirty (30) days prior written notice to Lender (the clause shall not state that the insurer will "endeavor" to send such notice or that no liability attaches to the insurer for failure to send such notice).
- b. Negligence of Borrower: Policy shall provide that any loss otherwise payable thereunder shall be payable notwithstanding any act or negligence of Borrower which might, absent such agreement, result in a forfeiture of all or a part of such insurance payment.
- c. Agency Loss Payee/Mortgagee/Additional Insured Clause:

The policy shall list the Lender's name and address exactly as:

North Carolina Housing Finance Agency, ISOA, ATIMA,  
P.O. Box 28066, Raleigh NC 27611-8066  
APN: «Loan.AgencyProjectNumber»

## III. **DELIVERY OF POLICIES, RENEWALS, NOTICES, AND PROCEEDS.**

Borrower shall:

- 1. cause all insurance policies (including any policies not otherwise required by Lender) which can be endorsed with standard non-contributing, non-reporting mortgagee clauses making loss payable to Lender (or Lender's assigns) to be so endorsed;
- 2. promptly deliver to Lender a copy of all renewal and other notices received by Borrower with respect to the policies and all receipts for paid premiums;
- 3. deliver evidence, in form and content acceptable to Lender, that each required insurance policy under has been renewed not less than fifteen (15) days prior to the applicable expiration date, and (if such evidence is other than an original or duplicate original of a renewal policy) deliver

the original or duplicate original of each renewal policy (or such other evidence of insurance as may be required by or acceptable to Lender) in form and content acceptable to Lender within ninety (90) days after the applicable expiration date of the original insurance policy;

4. provide immediate written notice to the insurance company and to Lender of any event of loss;
5. execute such further evidence of assignment of any insurance proceeds as Lender may require; and
6. provide immediate written notice to Lender of Borrower's receipt of any insurance proceeds under any insurance policy required above and, if requested by Lender, deliver to Lender all of such proceeds received by Borrower to be applied by Lender in accordance with this Agreement.

#### **IV. LENDER'S ONGOING INSURANCE REQUIREMENTS.**

Borrower acknowledges that Lender's insurance requirements may change from time to time. All insurance policies and renewals of insurance policies required by this Agreement shall be:

1. in the form and with the terms required by Lender;
2. in such amounts, with such maximum deductibles and for such periods required by Lender; and
3. issued by insurance companies satisfactory to Lender.

BORROWER ACKNOWLEDGES THAT ANY FAILURE OF BORROWER TO COMPLY WITH THE REQUIREMENTS SET FORTH ABOVE SHALL PERMIT LENDER TO PURCHASE THE APPLICABLE INSURANCE AT BORROWER'S COST. SUCH INSURANCE MAY, BUT NEED NOT, PROTECT BORROWER'S INTERESTS. THE COVERAGE THAT LENDER PURCHASES MAY NOT PAY ANY CLAIM THAT BORROWER MAKES OR ANY CLAIM THAT IS MADE AGAINST BORROWER IN CONNECTION WITH THE MORTGAGED PROPERTY. IF LENDER PURCHASES INSURANCE FOR THE MORTGAGED PROPERTY AS PERMITTED HEREUNDER, BORROWER WILL BE RESPONSIBLE FOR THE COSTS OF THAT INSURANCE, INCLUDING INTEREST AT THE DEFAULT RATE AND ANY OTHER CHARGES LENDER MAY IMPOSE IN CONNECTION WITH THE PLACEMENT OF THE INSURANCE UNTIL THE EFFECTIVE DATE OF THE CANCELLATION OR THE EXPIRATION OF THE INSURANCE. THE COSTS OF THE INSURANCE SHALL BE ADDED TO BORROWER'S TOTAL OUTSTANDING BALANCE OR OBLIGATION AND SHALL CONSTITUTE ADDITIONAL INDEBTEDNESS. THE COSTS OF THE INSURANCE MAY BE MORE THAN THE COST OF INSURANCE BORROWER MAY BE ABLE TO OBTAIN ON ITS OWN. LENDER WILL CANCEL ANY INSURANCE PURCHASED, BUT ONLY AFTER RECEIVING EVIDENCE THAT BORROWER HAS OBTAINED INSURANCE, MEETING THE REQUIREMENTS STATED HEREIN, AS REQUIRED BY THIS AGREEMENT AND OTHER LOAN DOCUMENTS.

#### **V. APPLICATION OF PROCEEDS ON EVENT OF LOSS.**

1. Upon an event of loss, Lender may, at Lender's option:
  - a. hold such proceeds to be applied to reimburse Borrower for the cost of Restoration (in accordance with Lender's then-current policies relating to the Restoration of similar multifamily residential properties); or
  - b. apply such proceeds to the payment of the Indebtedness, whether or not then due; provided, however, Lender shall not apply insurance proceeds to the payment of the Indebtedness and shall permit Restoration if all of the following conditions are met:
    - (i) Borrower immediately notified Lender of the casualty giving rise to the claim;

- (ii) No Event of Default has occurred and is continuing (or any event which, with the giving of written notice or the passage of time, or both, would constitute an Event of Default has occurred and is continuing);
  - (iii) Lender determines that the combination of insurance proceeds and amounts provided by Borrower will be sufficient funds to complete the Restoration;
  - (iv) Lender determines that the Net Cash Flow generated by the Mortgaged Property after completion of the Restoration will be sufficient to support a debt service coverage ratio not less than the debt service coverage ratio immediately prior to the event of loss, but in no event less than 1.15x (the debt service coverage ratio shall be calculated on a thirty (30) year amortizing basis (if applicable, on a proforma basis approved by Lender) in all events and shall include all operating costs and other expenses, Imposition Deposits, deposits to Collateral Accounts, and Mortgage Loan repayment obligations);
  - (v) Lender determines that the Restoration will be completed before the earlier of (1) one year before the stated Maturity Date, or (2) one year after the date of the loss or casualty; and
  - (vi) Borrower provides Lender, upon written request, evidence of the availability during and after the Restoration of the insurance required to be maintained by Borrower pursuant to this Agreement.
  - (vii) All proceeds of property damage insurance shall be issued in the form of joint checks to Borrower and Lender;
  - (viii) Borrower shall deliver to Lender evidence satisfactory to Lender of completion of the Restoration and obtainment of all lien releases;
  - (ix) Borrower shall have complied to Lender's satisfaction with the foregoing requirements on any prior claims subject to this provision, if any; and
  - (x) Lender shall have the right to inspect the Mortgaged Property (subject to the rights of tenants under the Leases).
2. If Lender elects to apply insurance proceeds to the Indebtedness in accordance with the terms of this Agreement, Borrower shall not be obligated to restore or repair the Mortgaged Property. Rather, Borrower shall restrict access to the damaged portion of the Mortgaged Property and, at its expense and regardless of whether such costs are covered by insurance, clean up any debris resulting from the casualty event, and, if required or otherwise permitted by Lender, demolish or raze any remaining part of the damaged Mortgaged Property to the extent necessary to keep and maintain the Mortgaged Property in a safe, habitable, and marketable condition. Nothing in this Section shall affect any of Lender's remedial rights against Borrower in connection with a breach by Borrower of any of its obligations under this Agreement or under any Loan Document, including any failure to timely pay Monthly Debt Service Payments or maintain the insurance coverage(s) required by this Agreement.

THIS IS EVIDENCE THAT INSURANCE AS IDENTIFIED BELOW HAS BEEN ISSUED, IS IN FORCE, AND CONVEYS ALL THE RIGHTS AND PRIVILEGES AFFORDED UNDER THE POLICY.

PRODUCER NAME, CONTACT PERSON AND ADDRESS		PHONE (A/C, No, Ext): FAX (A/C, No): E-MAIL ADDRESS:	COMPANY NAME AND ADDRESS	NAIC NO:
			<b>INSURANCE COMPANY MUST BE ADMITTED IN NORTH CAROLINA</b>	
CODE:		SUB CODE:		
AGENCY CUSTOMER ID #:				
NAMED INSURED AND ADDRESS <b>BORROWER</b>		LOAN NUMBER		POLICY NUMBER
ADDITIONAL NAMED INSURED(S)		EFFECTIVE DATE		EXPIRATION DATE <input type="checkbox"/> CONTINUED UNTIL TERMINATED IF CHECKED
		THIS REPLACES PRIOR EVIDENCE DATED:		

**PROPERTY INFORMATION (Use additional sheets if more space is required)**

LOCATION/DESCRIPTION <b>PROJECT NAME</b> <b>PROJECT ADDRESS</b>
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<b>COVERAGE INFORMATION</b>	CAUSE OF LOSS FORM	<input type="checkbox"/> BASIC	<input type="checkbox"/> BROAD	<input checked="" type="checkbox"/> SPECIAL	<input type="checkbox"/> OTHER
COMMERCIAL PROPERTY COVERAGE AMOUNT OF INSURANCE: \$		DED:			
	YES NO				
BUSINESS INCOME / RENTAL VALUE	<input checked="" type="checkbox"/>	If YES, LIMIT:		Actual Loss Sustained	# of months:
BLANKET COVERAGE		If YES, indicate amount of insurance on properties identified above: \$			
TERRORISM COVERAGE		Attach signed Disclosure Notice / DEC			
IS COVERAGE PROVIDED FOR "CERTIFIED ACTS" ONLY?		If YES, SUB LIMIT:		DED:	
IS COVERAGE A STAND ALONE POLICY?		If YES, LIMIT:		DED:	
DOES COVERAGE INCLUDE DOMESTIC TERRORISM?		If YES, SUB LIMIT:		DED:	
COVERAGE FOR MOLD		If YES, LIMIT:		DED:	
MOLD EXCLUSION (If "YES", specify organization's form used)					
REPLACEMENT COST	<input checked="" type="checkbox"/>				
AGREED AMOUNT					
COINSURANCE		If YES, %			
EQUIPMENT BREAKDOWN (If Applicable)		If YES, LIMIT:		DED:	
LAW AND ORDINANCE - Coverage for loss to undamaged portion of building		If YES, LIMIT:		DED:	
- Demolition Costs		If YES, LIMIT:		DED:	
- Incr. Cost of Construction		If YES, LIMIT:		DED:	
EARTHQUAKE (If Applicable)		If YES, LIMIT:		DED:	
FLOOD (If Applicable)		If YES, LIMIT:		DED:	
WIND / HAIL (If Separate Policy)		If YES, LIMIT:		DED:	
PERMISSION TO WAIVE SUBROGATION PRIOR TO LOSS					

**REMARKS - Including Special Conditions (Use additional sheets if more space is required)****CANCELLATION**

THE POLICY IS SUBJECT TO THE PREMIUMS, FORMS, AND RULES IN EFFECT FOR EACH POLICY PERIOD. SHOULD THE POLICY BE TERMINATED, THE COMPANY WILL GIVE THE ADDITIONAL INTEREST IDENTIFIED BELOW **30** DAYS WRITTEN NOTICE, AND WILL SEND NOTIFICATION OF ANY CHANGES TO THE POLICY THAT WOULD AFFECT THAT INTEREST, IN ACCORDANCE WITH THE POLICY PROVISIONS OR AS REQUIRED BY LAW.

**ADDITIONAL INTEREST**

NAME AND ADDRESS <b>North Carolina Housing Finance Agency, ISAOA, ATIMA</b> <b>P.O. Box 28066</b> <b>Raleigh, NC 27611-8066</b> <b>APN:</b>		LENDER SERVICING AGENT NAME AND ADDRESS	
<input checked="" type="checkbox"/> MORTGAGEE		AUTHORIZED REPRESENTATIVE	
<input checked="" type="checkbox"/> LOSS PAYEE			



# CERTIFICATE OF LIABILITY INSURANCE

DATE (MM/DD/YYYY)


THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AFFIRMATIVELY OR NEGATIVELY AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW. THIS CERTIFICATE OF INSURANCE DOES NOT CONSTITUTE A CONTRACT BETWEEN THE ISSUING INSURER(S), AUTHORIZED REPRESENTATIVE OR PRODUCER, AND THE CERTIFICATE HOLDER.

**IMPORTANT:** If the certificate holder is an ADDITIONAL INSURED, the policy(ies) must be endorsed. If SUBROGATION IS WAIVED, subject to the terms and conditions of the policy, certain policies may require an endorsement. A statement on this certificate does not confer rights to the certificate holder in lieu of such endorsement(s).

PRODUCER	CONTACT NAME:	
	PHONE (A/C, No, Ext):	FAX (A/C, No):
	E-MAIL ADDRESS:	
	INSURER(S) AFFORDING COVERAGE	
	NAIC #	
	INSURER A :	
INSURED <b>BORROWER NAME</b>	INSURER B :	
	INSURER C :	
	INSURER D :	
	INSURER E :	
	INSURER F :	

**COVERAGES****CERTIFICATE NUMBER:****REVISION NUMBER:**

THIS IS TO CERTIFY THAT THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR LTR	TYPE OF INSURANCE	ADDL INSD	SUBR WVD	POLICY NUMBER	POLICY EFF (MM/DD/YYYY)	POLICY EXP (MM/DD/YYYY)	LIMITS
A	<input checked="" type="checkbox"/> <b>COMMERCIAL GENERAL LIABILITY</b>						EACH OCCURRENCE \$ <b>1,000,000</b>
	<input type="checkbox"/> CLAIMS-MADE <input type="checkbox"/> OCCUR						DAMAGE TO RENTED PREMISES (Ea occurrence) \$
							MED EXP (Any one person) \$
							PERSONAL & ADV INJURY \$
							GENERAL AGGREGATE \$ <b>2,000,000</b>
	GEN'L AGGREGATE LIMIT APPLIES PER: <input type="checkbox"/> POLICY <input checked="" type="checkbox"/> PRO-JECT <input checked="" type="checkbox"/> LOC 						PRODUCTS - COMP/OP AGG \$
							\$
	<b>AUTOMOBILE LIABILITY</b>						COMBINED SINGLE LIMIT (Ea accident) \$
	<input type="checkbox"/> ANY AUTO						BODILY INJURY (Per person) \$
	<input type="checkbox"/> ALL OWNED AUTOS	<input type="checkbox"/> SCHEDULED AUTOS					BODILY INJURY (Per accident) \$
	<input type="checkbox"/> HIRED AUTOS	<input type="checkbox"/> NON-OWNED AUTOS					PROPERTY DAMAGE (Per accident) \$
							\$
	<b>UMBRELLA LIAB</b>						EACH OCCURRENCE \$
	<input type="checkbox"/> OCCUR						AGGREGATE \$
	<b>EXCESS LIAB</b>						\$
	<input type="checkbox"/> CLAIMS-MADE						\$
	DED <input type="checkbox"/> RETENTION \$						\$
A	<b>WORKERS COMPENSATION AND EMPLOYERS' LIABILITY</b>						<input checked="" type="checkbox"/> PER STATUTE <input type="checkbox"/> OTH-ER
	ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED? (Mandatory in NH)	<input type="checkbox"/> Y <input checked="" type="checkbox"/> N					E.L. EACH ACCIDENT \$
	If yes, describe under DESCRIPTION OF OPERATIONS below		N/A				E.L. DISEASE - EA EMPLOYEE \$
							E.L. DISEASE - POLICY LIMIT \$

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES (ACORD 101, Additional Remarks Schedule, may be attached if more space is required)

**Project Name and Property Address****Certificate holder is also an additional insured.****Certificate holder will be given 30 days notice of policy cancellation.****CERTIFICATE HOLDER**

North Carolina Housing Finance Agency, ISAOA, ATIMA  
P.O. Box 28066  
Raleigh, NC 27611-8066  
APN: \_\_\_\_\_

**CANCELLATION**

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, NOTICE WILL BE DELIVERED IN ACCORDANCE WITH THE POLICY PROVISIONS.

AUTHORIZED REPRESENTATIVE