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SC Court of Appeals

THE STATE OF SOUTH CAROLINA
In The Court of Appeals

APPEAL FROM HORRY COUNTY
Court of Common Pleas
John M. Milling, Special Referee

Case Nos. 2009-CP-26-10053 & 2009-CP-26-11862
Appellate Case No. 2013-001281

Harleysville Group Insurance, a Pennsylvania corporation,..... Appellant/Respondent,

v.

Heritage Communities, Inc., a South Carolina corporation; Heritage Magnolia North, Inc., a South Carolina corporation; Buildstar Corporation, a South Carolina corporation; Magnolia North Horizontal Property Regime; Magnolia North Property Owners Association, Inc., a South Carolina corporation, and National Surety Corp.,..... Defendants,

Of whom Heritage Communities, Inc., a South Carolina corporation; Heritage Magnolia North, Inc., a South Carolina corporation; Heritage Riverwalk, a South Carolina corporation; Buildstar Corporation, a South Carolina corporation, and National Surety Corp. and Tony L. Pope and Lynn Pope, individually and representing as a class all unit owners at Riverwalk at Arrowhead Country Club Horizontal Property Regime are ..... Respondents,

And Magnolia North Horizontal Property Regime, Magnolia North Property Owners Assoc., Inc., a South Carolina corporation and Riverwalk at Arrowhead Country Club Horizontal Property Regime; Riverwalk at Arrowhead Country Club Property Owners Association, Inc. are ..... Respondents/Appellants.

CONSOLIDATED RECORD ON APPEAL
VOLUME FOUR

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Country Club Horizontal Property
Regime; and Riverwalk at Arrowhead
Country Club Property Owners
Association, Inc.

HARLEYSVILLE GROUP INS. V HERITAGE COMMUNITIES
Consolidated Case No. 2013-001281

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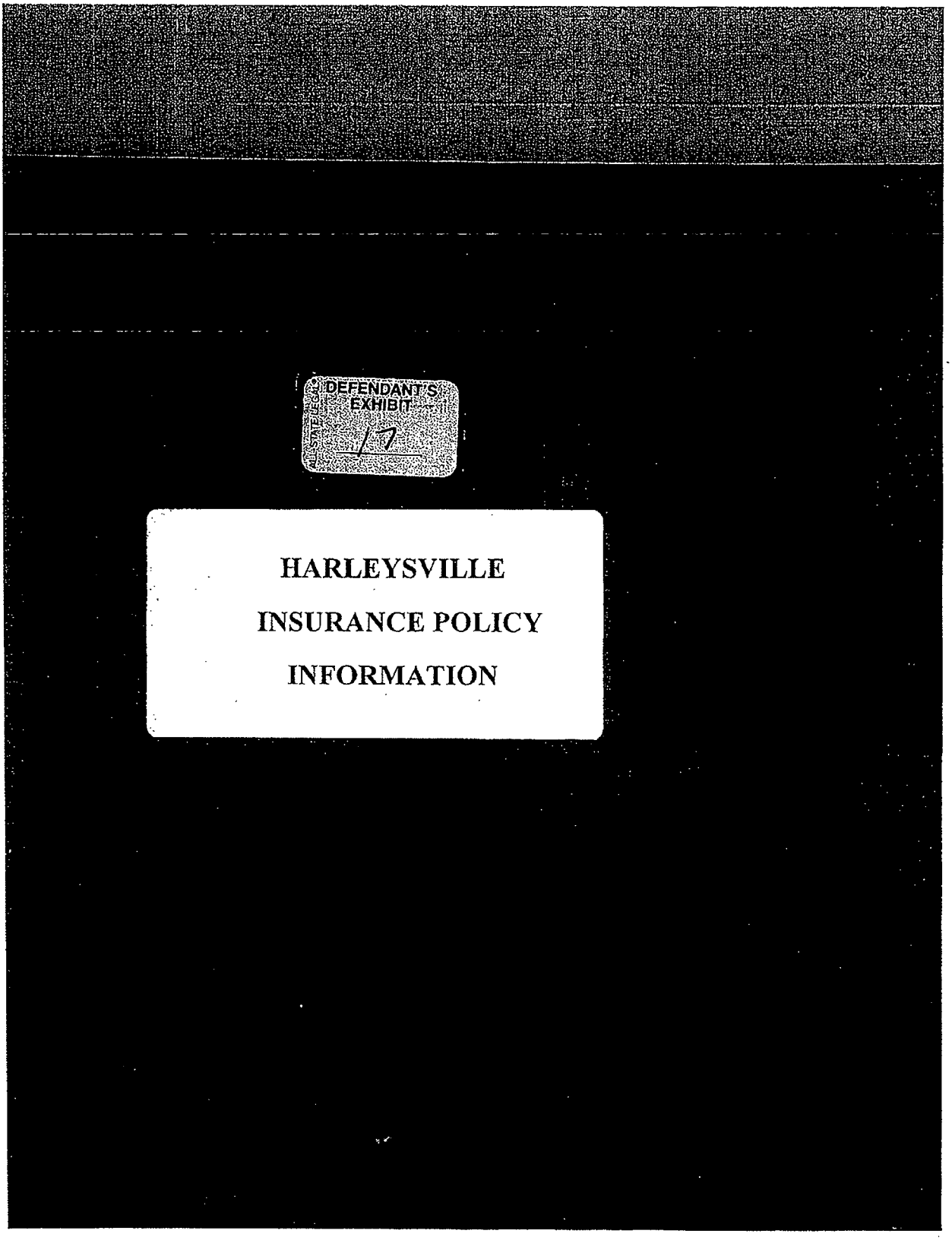
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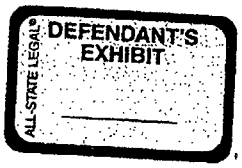
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Certificate of Counsel


DEFENDANT'S EXHIBIT
17
HARLEYSVILLE
INSURANCE POLICY
INFORMATION



BUILDSTAR CORP.
CB-ID6198
4/1/97-4/1/98

POLICY NO: CB-1D6198 DATE: 10/17/08

CERTIFIED POLICY REQUEST

ALL CERTIFIED COPIES OF POLICIES WILL INCLUDE ONE COPY OF THE DECLARATIONS AND ALL FORMS AND ENDORSEMENTS. THE CERTIFICATION WILL BE COMPLETED BY THE PROFIT CENTER THAT ISSUED THE POLICY. PREPARATION TIME IS APPROXIMATELY 15 BUSINESS DAYS.

PLEASE NOTE: AUTOMATED POLICIES WITH EXPIRATION TERMS MORE THAN SEVEN YEARS AGO MAY HAVE BEEN DESTROYED. MANUAL POLICIES WITH EXPIRATION TERMS MORE THAN 20 YEARS AGO HAVE BEEN DESTROYED.

PLEASE COMPLETE ALL FIELDS

LOSS DATE: 10/31/96 CLAIM NO: H0-511838

INSURED: Buildstar Corp. POLICY TERM/S: All

POLICY IS (check one): ☒AUTOMATED ☐MANUAL
POLICY IS (check one): ☐PERSONAL ☒COMMERCIAL

CLAIM IS (Check one) : ☐OPEN ☒IN LITIGATION ☐CLOSED

REQUESTED BY: John D. Young PHONE NO/EXT: 888-549-9876 ex. 1247

MAIL TO (address or office): SECSC, 2885 Elm Hill Pk, Nashville, TN. 37241

REASON FOR REQUEST: In Discovery process, Coverage attorney has requested copies of all policies issued to the insured for response to request for production of documents.

FOR AUTOMATED POLICIES, EMAILTHIS FORM TO :
ARCP@harleysvillegroup.com

FOR MANUAL POLICIES, EMAIL THIS FORM TO:
MRCP@harleysvillegroup.com

Home Office Use Only

Date Request Received 10/22/08

Date Request Completed and Mailed TO Profit Center 10/23/08

Profit Center Use

Date Request Received 10/24/08

Date Certification Sent to Requestor: 11/2/08

Claims Use Cindy Bolt 11/3/08

C-2950 (11/05 Edition)

cc: Linda Bergey

- [x] Harleysville Mutual Insurance Company
- [ ] Harleysville Insurance Company of Ohio*
- [ ] Harleysville-Atlantic Insurance Company
- [ ] Harleysville Insurance Company of New Jersey
- [ ] Harleysville Preferred Insurance Company*
- [ ] Harleysville Lake States Insurance Company*
- [ ] Harleysville Insurance Company*
- [ ] Harleysville Insurance Company of New York*
- [ ] Harleysville Pennland Insurance Company*
- [ ] Harleysville Worcester Insurance Company*

LETTER OF CERTIFICATION

October 23, 2008

John D Young
Southeast Claims Service Center

This is to certify that the attached is a true and correct copy of:

CB 1D6198, all policy terms from 4/1/97 to 4/1/01,

insofar as it relates to the insurance afforded hereunder at the following location:

4728 Jenn Drive, Myrtle Beach, SC, 29577, to the Named Insured: Buildstar Corporation,

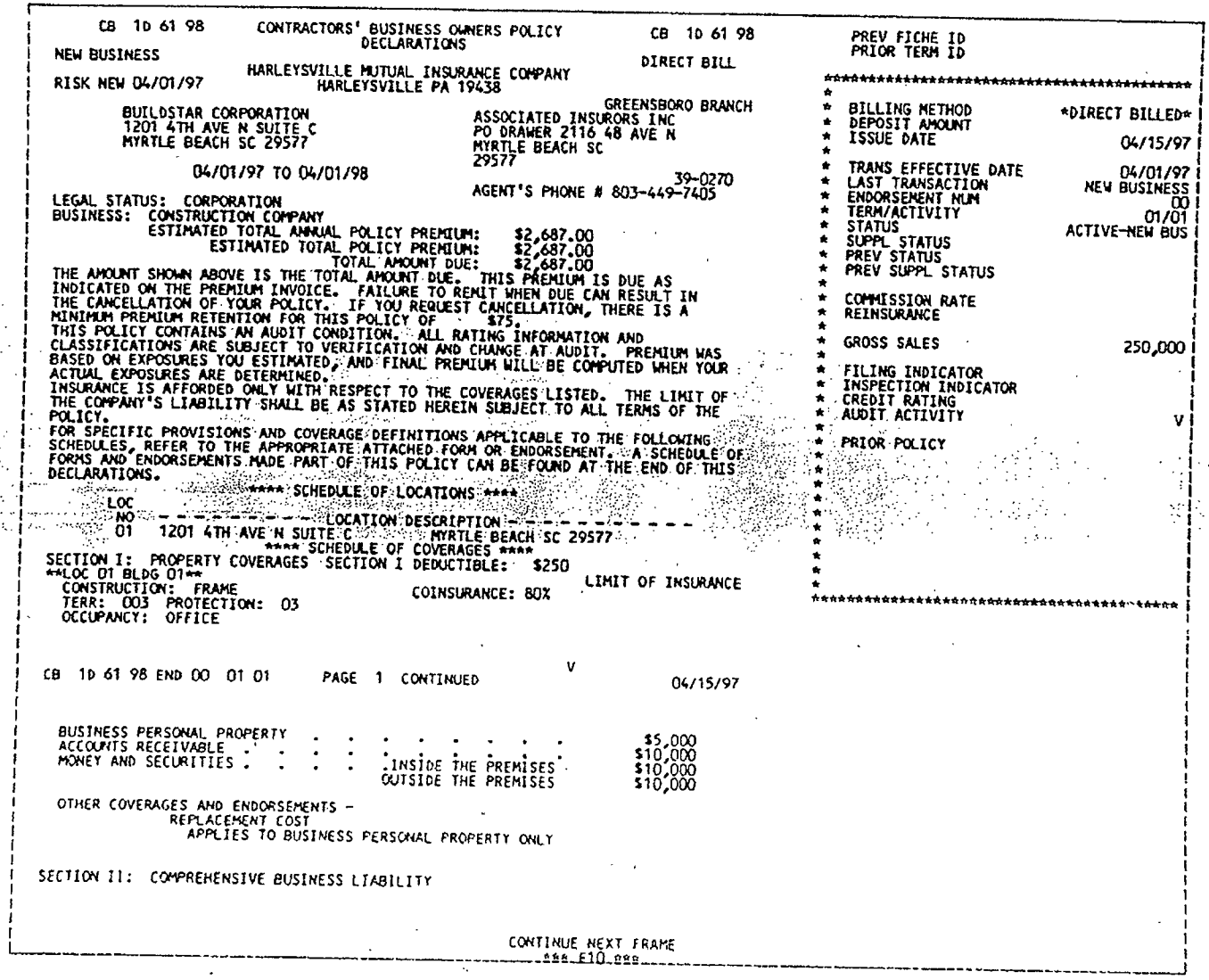
the date of loss 10/31/96, and purchased in South Carolina.

Dane Pickard
CL Underwriting Manager

*e companies changed their name effective July 1, 2001: Harleysville Insurance Company of Ohio f/k/a Great Oaks Insurance Company; Harleysville Preferred Insurance ...any f/k/a Huron Insurance Company; Harleysville Lake States Insurance Company f/k/a Lake States Insurance Company; Harleysville Insurance Company f/k/a ...nesota Fire and Casualty Company; Harleysville Insurance Company of New York f/k/a New York Casualty Insurance Company; Harleysville Pennland Insurance Company f/k/a Pennland Insurance Company; and Harleysville Worcester Insurance Company f/k/a Worcester Insurance Company.

**Penn Mutual obligations have been assumed by Harleysville Mutual Insurance Company.

U-523 (Ed. 10-05)



CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS CB 1D 61 98

NEW BUSINESS DIRECT BILL

RISK NEW 04/01/97 HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438

BUILDSTAR CORPORATION
1201 4TH AVE N SUITE C
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
GREENSBORO BRANCH
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577
39-0270
AGENT'S PHONE # 803-449-7405

04/01/97 TO 04/01/98

LEGAL STATUS: CORPORATION
BUSINESS: CONSTRUCTION COMPANY

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $2,687.00
ESTIMATED TOTAL POLICY PREMIUM: $2,687.00
TOTAL AMOUNT DUE: $2,687.00

THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS DUE AS INDICATED ON THE PREMIUM INVOICE. FAILURE TO REMIT WHEN DUE CAN RESULT IN THE CANCELLATION OF YOUR POLICY. IF YOU REQUEST CANCELLATION, THERE IS A MINIMUM PREMIUM RETENTION FOR THIS POLICY OF $75.
THIS POLICY CONTAINS AN AUDIT CONDITION. ALL RATING INFORMATION AND CLASSIFICATIONS ARE SUBJECT TO VERIFICATION AND CHANGE AT AUDIT. PREMIUM WAS BASED ON EXPOSURES YOU ESTIMATED, AND FINAL PREMIUM WILL BE COMPUTED WHEN YOUR ACTUAL EXPOSURES ARE DETERMINED.
INSURANCE IS AFFORDED ONLY WITH RESPECT TO THE COVERAGES LISTED. THE LIMIT OF THE COMPANY'S LIABILITY SHALL BE AS STATED HEREIN SUBJECT TO ALL TERMS OF THE POLICY.
FOR SPECIFIC PROVISIONS AND COVERAGE DEFINITIONS APPLICABLE TO THE FOLLOWING SCHEDULES, REFER TO THE APPROPRIATE ATTACHED FORM OR ENDORSEMENT. A SCHEDULE OF FORMS AND ENDORSEMENTS MADE PART OF THIS POLICY CAN BE FOUND AT THE END OF THIS DECLARATIONS.

**** SCHEDULE OF LOCATIONS ****

LOC NO	LOCATION DESCRIPTION
01	1201 4TH AVE N SUITE C MYRTLE BEACH SC 29577

**** SCHEDULE OF COVERAGES ****

SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: $250

LOC 01 BLDG 01
CONSTRUCTION: FRAME COINSURANCE: 80%
TERR: 003 PROTECTION: 03
OCCUPANCY: OFFICE

		LIMIT OF INSURANCE
BUSINESS PERSONAL PROPERTY		$5,000
ACCOUNTS RECEIVABLE		$10,000
MONEY AND SECURITIES	INSIDE THE PREMISES	$10,000
	OUTSIDE THE PREMISES	$10,000

OTHER COVERAGES AND ENDORSEMENTS -
REPLACEMENT COST
APPLIES TO BUSINESS PERSONAL PROPERTY ONLY

SECTION II: COMPREHENSIVE BUSINESS LIABILITY

CONTINUE NEXT FRAME

CB 1D 61 98 END 00 01 01 PAGE 1 CONTINUED 04/15/97

PREV FICHE ID
PRIOR TERM ID

BILLING METHOD	*DIRECT BILLED*
DEPOSIT AMOUNT	
ISSUE DATE	04/15/97
TRANS EFFECTIVE DATE	04/01/97
LAST TRANSACTION	NEW BUSINESS
ENDORSEMENT NUM	00
TERM/ACTIVITY	01/01
STATUS	ACTIVE-NEW BUS
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	V
PRIOR POLICY	

*** F **

BUSINESS LIABILITY AND MEDICAL EXPENSES. EACH OCCURRENCE	$1,000,000
GENERAL AGGREGATE (OTHER THAN PRODUCTS-COMPLETED OPERATIONS)	$2,000,000
PRODUCTS COMPLETED OPERATIONS AGGREGATE	$2,000,000
MEDICAL EXPENSES	$5,000
FIRE LEGAL LIABILITY.	$100,000

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ BLDG	STATE-TERR	DESCRIPTION	CLASS CODE
01/01	39-003	CARPENTRY - NEW CONSTRUCTION	17511
		PAYROLL PREMIUM BASIS	$95,000

**** SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS ****

ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES

PREM NO.	BLDG NO.	
01	01	ADDITIONAL INSURED:

DR PATTI R VANWIE
1201 48TH N SUITE C
MYRTLE BEACH SC 29577

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE BLDG
*PJ0001E	0895	POLICY JACKET	
*B07132	0191	SOUTH CAROLINA CHANGES	
*B07206	0290	EXCLUSION-ASBESTOS	
*PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY	
*B07253	0293	PERSONAL PROPERTY OFF PREMISES	
*ST7181	0496	IF YOUR POLICY PROVIDES PROPERTY INSURANCE ON A BUILDING, YOU SHOULD KNOW...	
*B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
*B07233	0193	EMPLOYMENT-RELATED PRACTICES EXCLUSION	
*B07302	0195	AMENDMENT - LEASED WORKERS	
*B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED	

CB 1D 61 98 END 00 01 01 PAGE 2 CONTINUED 04/15/97

*CG7149	1092	LEAD LIABILITY EXCLUSION
*CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

*GU1145	0394	HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
*ST7115	0196	PREMIUM AUDIT NOTICE

* ALL FORMS ARE ATTACHED. RETAIN UNLESS DELETED OR REPLACED.

* * * * * * * * * * * * * * *

CONTINUE NEXT FRAME
*** F10 ***

** END OF DECLARATIONS **

Harleysville Mutual Insurance Company

355 Maple Avenue
Harleysville, Pennsylvania 19438



This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY

BO-7132
(Ed. 1-91)

SOUTH CAROLINA CHANGES

SCHEDULE*

Prem. No.	Bldg. No.	Agreed Value of Building	Total Amount of Insurance to be Carried

A. Paragraphs 2. and 3. of CANCELLATION, Section III - Business Owners, Common Policy Conditions are replaced by the following:

2. We may cancel this policy by mailing or delivering to the first Named Insured and the agent, if any, written notice of cancellation at least:

   a. 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or

   b. 30 days before the effective date of cancellation if we cancel for any other reason.

3. We will mail or deliver our notice to the first Named Insured's and agent's last known addresses.

B. The following is added to the CANCELLATION Section III - Business Owners Common Policy Conditions:

7. CANCELLATION OF POLICIES IN EFFECT FOR 90 DAYS OR MORE

   If this policy has been in effect for 90 days or more, or is a renewal or continuation of a policy we issued, we may cancel this policy only for one or more of the following reasons:

   a. Nonpayment of premium;

   b. Material misrepresentation of fact which, if known to us, would have caused us not to issue the policy;

   c. Substantial change in the risk assumed, except to the extent that we should reasonably have foreseen the change or contemplated the risk in writing the policy;

   d. Substantial breaches of contractual duties, conditions or warranties; or

   e. Loss of our reinsurance covering all or a significant portion of the particular policy insured, or where continuation of the policy would imperil our solvency or place us in violation of the insurance laws of South Carolina.

      Prior to cancellation for reasons permitted in this item e., we will notify the Commissioner, in writing, at least sixty days prior to such cancellation and the Commissioner will, within thirty days of such notification, approve or disapprove such action.

   Any notice of cancellation will state the precise reason for cancellation.

C. The following is added and supersedes any provisions to the contrary:

   NONRENEWAL

   1. If we decide not to renew this policy, we will mail or deliver written notice of nonrenewal to the first Named Insured and agent, if any, at least 30 days before:

      a. The expiration date of this policy, if the policy is written for a term of one year or less; or

      b. An anniversary date of this policy, if the policy is written for a term of more than one year or for an indefinite term.

      However, we will not refuse to renew a policy issued for a term of more than one year, until expiration of its full term, if anniversary renewal has been guaranteed by additional premium consideration.

*Information required to complete schedule, if now shown on this endorsement, will be shown in the Declarations.

2. Any notice of nonrenewal will be mailed or delivered to the First Named Insured's and agent's last known addresses. If notice is mailed, proof of mailing will be sufficient proof of notice.

3. Any notice of nonrenewal will state the precise reason for nonrenewal.

D. The following is added to the LOSS PAYMENT Property Loss Condition:

For loss or damage to buildings caused by or resulting from fire or lightning, you and we agree that:

1. The value of buildings described in this policy; and

2. The total amount of insurance to be carried on the buildings, including this policy;

are the amounts shown in the Schedule.

This endorsement modifies insurance provided under the following:

BUSINESS OWNERS POLICY

BO-7206
(Ed. 2-90)

EXCLUSION - ASBESTOS

This insurance does not apply to "bodily injury," "property damage" or "personal injury" arising out of the "Asbestos Hazard:"

We shall have no obligation under this insurance:

1) to investigate, settle or defend any claim or "suit" against any insured alleging actual or threatened injury or damage of any nature or kind to persons or property which arises out of or would not have occurred but for the "asbestos hazard;" or

2) to pay, contribute to or indemnify another for any damages, judgments, settlements, loss, costs or expenses that may be awarded or incurred by reason of any such claim or "suit" or any injury or damage, or in complying with any action authorized by law and relating to such injury or damage.

As used in this exclusion:

"Asbestos Hazard" means:

(a) an actual exposure or threat of exposure to the harmful properties of "asbestos," or
(b) the presence of "asbestos" in any place, whether or not within a building or structure.

"Asbestos" means the mineral in any form, including but not limited to fibers or dust.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

Acceptance by Named Insured

_____
Signature - Duly Authorized Officer

_____
Title Date

CONTRACTOR'S BUSINESS OWNERS POLICY

Section I - Property Coverage

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION H - PROPERTY DEFINITIONS.

A. COVERAGE

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this policy, means the following types of property for which a Limit of Insurance is shown in the Declarations:

a. **Buildings,** meaning the buildings and structures at the premises described in the Declarations, including:

(1) Garages and storage buildings;
(2) Completed additions;
(3) Permanently installed: (a) fixtures; (b) machinery; and (c) equipment;
(4) Outdoor fixtures;
(5) Personal Property owned by you that is used to maintain or service the buildings or structures or the premises, including:
(a) Fire extinguishing equipment;
(b) Outdoor furniture;
(c) Floor coverings; and
(d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
(6) If not covered by other insurance:
(a) Additions under construction, alterations and repairs to the buildings or structures;
(b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the buildings or structures.

b. **Business Personal Property** located in or on the buildings at the described premises or in the open (or in a vehicle) within 500 feet of the described premises, including:

(1) Property you own that is used in your business;
(2) Property of others that is in your care, custody or control; but this property is not covered for more than the amount for which you are legally liable, plus the cost of labor, materials or services furnished or arranged by you on personal property of others; and
(3) Tenant's improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions.
(a) Made a part of the building or structure you occupy but do not own; and
(b) You acquired or made at your expense but cannot legally remove.

Includes copyrighted material of Insurance Services Office, with its permission. Copyright Insurance Services Office, 1984.
Form PT-0617 Edition 1-90

2. Property Not Covered

Covered Property does not include:

a. Accounts, bills, currency, deeds, evidences of debt, money, notes or securities, bullion;

b. Animals;

c. Automobiles held for sale;

d. Bridges, roadways, walks, patios or other paved surfaces;

e. Contraband, or property in the course of illegal transportation or trade;

f. The cost of excavations, grading, backfilling or filling;

g. Foundations of buildings, structures, machinery or boilers if their foundations are below:

(1) The lowest basement floor; or

(2) The surface of the ground, if there is no basement;

h. Land (including land on which the property is located), water, growing crops or lawns;

i. Pilings, piers, wharves or docks;

j. Property that is covered under another coverage form of this or any other policy in which it is more specifically described;

k. Retaining walls that are not part of the building described in the Declarations;

l. Underground pipes, flues or drains;

m. The cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Coverage Extensions;

n. Vehicles or self-propelled machines (including aircraft or watercraft) that:

(1) Are licensed for use on public roads;

(2) Are operated principally away from the described premises; but this paragraph does not apply to property covered under paragraph 6B, Coverage Extensions; or

(3) You do not manufacture, process, warehouse or hold for sale. But this paragraph does not apply to rowboats or canoes out of the water at the described premises;

o. The following property while outside of buildings:

(1) Grain, hay, straw or other crops;

(2) Signs (other than signs attached to buildings), trees, shrubs or plants, all except as provided in the Coverage Extensions.

p. Outdoor swimming pools, beach or diving platforms or appurtenances;

q. Property sold by you under conditional sale, trust agreement, installment payment, or other deferred payment plan, after delivery to customers;

r. Property as part of a joint venture, unless specifically designated in this policy as a named insured in the Declarations;

s. Household and personal effects contained in living quarters occupied by you or any officer director, stockholder or partner except as provided in Section I.

3. Covered Causes of Loss

RISKS OF DIRECT PHYSICAL LOSS unless the loss is:

a. Excluded in Section B., Exclusions; or

b. Limited in Paragraph A4., Limitations;

that follow.

4. Limitations

a. We will not pay for loss of or damage to:

(1) Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

(2) Hot water boilers or other water heating equipment caused by or resulting from a condition or event inside such boilers or equipment, other than an explosion.

(3) Property that is missing, but there is no physical evidence to show what happened to it, such as shortage disclosed on taking inventory. This limitation does not apply to the Optional Coverage for Money and Securities.

(4) Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

b. We will not pay more for loss of or damage to glass that is part of a building or structure than $100 for each plate, pane, multiple plate insulating unit, radiant or solar heating panel, jalousie, louver or shutter. We will not pay more than $500 for all loss of or damage to building glass that occurs at any one time.

This Limitation does not apply to loss or damage by the "specified causes of loss," except vandalism.

c. We will not pay for loss of or damage to fragile articles such as glassware, statuary, marbles, chinaware and porcelains, if broken, unless caused by the "specified causes of loss" or building glass breakage. This restriction does not apply to:

(1) Glass that is part of a building or structure;

(2) Containers of property held for sale; or

(3) Photographic or scientific instrument lenses.

d. For loss or damage by theft, the following types of property are covered only up to the limits shown:

(1) $2,500 for furs, fur garments and garments trimmed with fur.

(2) $2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth $100 or less per item.

(3) $2,500 for patterns, dies, molds and forms.

5. Additional Coverages

a. Debris Removal

(1) We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of.

(a) The date of direct physical loss or damage; or

(b) The end of the policy period.

(2) The most we will pay under this Additional Coverage is 25% of:

(a) The amount we pay for the direct loss or damage; plus

(b) The deductible in this policy applicable to that loss or damage.

But this limitation does not apply to any additional debris removal limit provided in paragraph (4) below.

(3) This Additional Coverage does not apply to costs to:

(a) Extract "pollutants" from land or water; or

(b) Remove, restore or replace polluted land or water.

(4) If:

(a) The sum of loss or damage and debris removal expense exceeds the Limit of Insurance; or

(b) The debris removal expense exceeds the amount payable under the 25% Debris Removal coverage limitation in paragraph 5 a. (2) above;

We will pay up to an additional $5,000 for each location in any one occurrence under the Debris Removal Additional Coverage.

b. **Preservation of Property**

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss of or damage to that property:

(1) While it is being moved or while temporarily stored at another location; and

(2) Only if the loss or damage occurs within 10 days after the property is first moved.

c. **Fire Department Service Charge**

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to $1,000 for your liability for fire department service charges:

(1) Assumed by contract or agreement prior to loss; or

(2) Required by local ordinance.

d. **Collapse**

We will pay for loss or damage caused by or resulting from risks of direct physical loss involving collapse of a building or any part of a building caused only by one or more of the following:

(1) The "specified causes of loss "or breakage of building glass, all only as insured against in this policy;

(2) Hidden decay;

(3) Hidden insect or vermin damage;

(4) Weight of people or personal property;

(5) Weight of rain that collects on a roof;

(6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

We will not pay for loss of or damage to the following types of property, if otherwise covered in this policy, under items (2), (3), (4), (5) and (6) unless the loss or damage is a direct result of the collapse of a building:

awnings; gutters and downspouts; yard fixtures; outdoor swimming pools; piers, wharves and docks; beach or diving platforms or appurtenances; retaining walls; walks, roadways and other paved surfaces.

Collapse does not include settling, cracking, shrinkage, bulging or expansion.

e. **Water Damage**

If loss or damage caused by or resulting from a covered water damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or steam escapes.

We will not pay the cost of repairing or replacing the system or appliance itself; but we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

(1) Results in sprinkler leakage; or

(2) Is directly caused by freezing.

f. **Pollutant Clean Up and Removal**

We will pay your expense to extract "pollutants" from land or water at the described premises if the release, discharge or dispersal of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:

(1) The date of direct physical loss or damage; or

(2) The end of the policy period.

The most we will pay for each location under this Additional Coverage is $10,000 for the sum of all such expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this policy. This limit is in addition to the Limits of Insurance.

g. **Money and Securities**

(1) We will pay for loss of money and securities used in your business while at a bank or savings institution, within your living quarters or the living quarters of your partners or any employee having use and custody of the property, at the described premises, or in transit between any of these places, resulting directly from:

(a) Theft, meaning any act of stealing;

(b) Disappearance; or

(c) Destruction.

(2) In addition to the Limitations and Exclusions applicable to property coverage, we will not pay for loss:

(a) Resulting from accounting or arithmetical errors or omissions;

(b) Due to the giving or surrendering of property in any exchange or purchase; or

(c) Of property contained in any money-operated device unless the amount of money deposited in it is recorded by a continuous recording instrument in the device.

(3) The most we will pay for loss in any one occurrence is:

(a) The limit shown in the Declarations for "Inside the Premises" for money and securities while:

(i) In or on the described premises; or

(ii) Within a bank or savings institution; and

(b) The limit shown in the Declarations for "Outside the Premises" for money and securities while anywhere else.

(4) All loss:

(a) Caused by one or more persons; or

(b) Involving a single act or series of related acts:

is considered one occurrence.

(5) You must keep records of all money and securities so we can verify the amount of any loss or damage.

h. **Damage to Rented Buildings**

We will pay your expense to repair damage caused by criminal acts of others to the building rented by you.

The most we will pay under this additional coverage is $250 in any one occurrence.

6. **Coverage Extensions**

In addition to the Limits of Insurance, you may extend the insurance provided by this policy as follows:

a. **Newly Acquired or Constructed Property**

(1) You may extend the insurance that applies to the building to apply to:

(a) Your new buildings while being built on the described premises; and

(b) Buildings you acquire at locations, other than the described premises, intended for:

(i) Similar use as the building described in the Declarations; or

(ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is 25% of the Limit of Insurance for Building shown in the Declarations, but not more than $100,000 at each building.

(2) You may extend the insurance that applies to Your Business Personal Property to apply to that property at any location you acquire other than at fairs or exhibitions.

The most we will pay for loss or damage under this Extension is 25% of the Limit of Insurance for Your Business Personal Property shown in the Declarations, but not more than $50,000 at each building.

(3) Insurance under this Extension for each newly acquired or constructed property will end when any of the following first occurs:

(a) This policy expires.

(b) 60 days expire after you acquire or begin to construct the property; or

(c) You report values to us.

We will charge you additional premium for values reported from the date construction begins or you acquire the property.

b. **Personal Property Off Premises**

You may extend the insurance that applies to Business Personal Property to apply to Covered Business Personal Property and similar Personal Property of Others, other than money and securities, while it is in course of transit or temporarily at a premises you do not own, lease, have charge or control or operate. The most we will pay for loss or damage under this Extension is $25,000 per occurrence.

Coverage under this Extension shall cease after your operations have been completed or abandoned. Your operations are deemed completed at the earliest of the following times:

(1) When the covered property is installed and accepted by the owner or purchaser, or

(2) Thirty days after completion of the project; or

(3) At the expiration of this policy,

whichever occurs first.

Work that may need service, maintenance, correction, repair or replacment, but which is otherwise complete, will be treated as completed.

c. **Property of Others**

You may extend the insurance that applies to Your Business Personal Property to apply to direct damage to Personal Property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is $2,500 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

d. **Outdoor Property**

You may extend the insurance provided by this policy to apply to your trees, shrubs and plants, including debris removal expense.

The most we will pay for loss or damage under this Extension is $2,500, but not more than $500 for any one tree, shrub or plant.

e. **Valuable Papers and Records-Cost of Research**

You may extend the insurance that applies to Business Personal Property to apply to your costs to research, replace or restore the lost information on lost or damaged valuable papers and records, including those which exist on electronic or magnetic media, for which duplicates do not exist. The most we will pay under this Extension is $2,500 at each described premises.

f. Personal Effects

You may extend the insurance provided by this policy to apply to personal effects, while located on the premises described in the Declarations, belonging to you, your officers, partners or employees. The most we will pay for loss or damage under this extension is $500, but not more than $100 on personal effects owned by one individual.

g. Accounts Receivable

(1) We will pay:

(a) All amounts due from your customers that you are unable to collect;

(b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;

(c) Collection expenses in excess of your normal collection expenses that are made necessary by loss or damage; and

(d) Other reasonable expenses that you incur to re-establish your records of accounts receivable;

that result from direct physical loss or damage by any covered causes of loss to your records of accounts receivable.

(2) Exclusions

(a) Section B., Exclusions, of Section I - Property Coverage does not apply to this Accounts Receivable Coverage, except for:

(i) Paragraph B.1.c., Governmental Action;

(ii) Paragraph B.1.d., Nuclear Hazard;

(iii) Paragraph B.1.f., War and Military Action;

(b) We will not pay for loss or damage caused by or resulting from any of the following:

(i) Dishonest acts by you, anyone else with an interest in the property, or your or their employees or authorized representatives, or anyone entrusted with the property, whether or not acting alone or in collusion with other persons or occurring during the hours of employment.

But this exclusion does not apply to a carrier for hire.

(ii) Alteration, falsification, concealment or destruction of records of accounts receivable done to conceal the wrongful giving, taking or withholding of money, securities or other property.

This exclusion applies only to the extent of the wrongful giving, taking or withholding.

(iii) Bookkeeping, accounting or billing errors or omissions.

(iv) Electrical or magnetic injury, disturbance or erasure of electronic recordings. But we will pay for direct loss or damage caused by lightning.

(v) Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

(vi) Unauthorized instructions to transfer property to any person or to any place.

(c) We will not pay for loss or damage that requires any audit of records or any inventory computation to prove its factual existence.

(d) We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

(i) Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph a(i), (ii), or (iii) above to produce the loss or damage.

(ii) Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

(iii) Faulty, inadequate or defective:

a. Planning, zoning, development, surveying, siting;

b. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

c. Materials used in repair, construction, renovation or remodeling; or
d. Maintenance;
of part or all of any property on or off the described premises.

(3) Preservation of Records

If you give us written notice within 10 days of removal of your records of accounts receivable because of imminent danger of loss or damage, we will pay for loss or damage while they are:

(a) At a safe place away from the described premises;
(b) Being taken to and returned from that place.

This Coverage Extension is included within the Limit of Insurance applicable to the premises from which the Covered Property is removed.

(4) The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Accounts Receivable shown in the Declarations.

For Accounts Receivable not at any premises described in this policy, the most we will pay is $2,500.

B. EXCLUSIONS

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

a. **Ordinance or Law**

The enforcement of any ordinance or law:

(1) Regulating the construction, use or repair of any property; or

(2) Requiring the tearing down of any property, including the cost of removing its debris.

b. **Earth Movement**

(1) Any earth movement (other than sinkhole collapse), such as an earthquake, landslide or earth sinking, rising or shifting. But if loss or damage by fire or explosion results, we will pay for that resulting loss or damage.

(2) Volcanic eruption, explosion or effusion. But if loss or damage by fire, building glass breakage or volcanic action results, we will pay for that resulting loss or damage.

Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

(a) Airborne volcanic blast or airborne shock waves;
(b) Ash, dust, or particulate matter; or
(c) Lava flow.

All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss of or damage to Covered Property.

c. **Governmental Action**

Seizure or destruction of property by order of governmental authority.

But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this policy.

d. **Nuclear Hazard**

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

e. **Power Failure**

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

f. **War and Military Action**

(1) War, including undeclared or civil war;

(2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

(3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

g. **Water**

(1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;

(2) Mudslides or mudflow;

(3) Water that backs up from a sewer or drain; or

(4) Water under the ground surface pressing on, or flowing or seeping through:

(a) Foundations, walls, floors or paved surfaces;

(b) Basements, whether paved or not; or

(c) Doors, windows or other openings.

But if loss or damage by fire, explosion or sprinkler leakage results, we will pay for that resulting loss or damage.

2. We will not pay for loss or damage caused by or resulting from any of the following:

a. **Electrical Apparatus:** Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if loss or damage by fire results, we will pay for that resulting loss or damage.

b. **Consequential Losses:** Delay, loss of use or loss of market.

c. **Smoke, Vapor, Gas:** Smoke, vapor or gas from agricultural smudging or industrial operations.

d. **Maintenance Types of Loss:**

(1) Wear and tear;

(2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect of any quality in property that causes it to damage or destroy itself;

(3) Smog;

(4) Settling, cracking, shrinking or expansion;

(5) Insects, birds, rodents or other animals;

(6) Mechanical breakdown, including rupture or bursting caused by centrifugal force; or

(7) The following causes of loss to personal property:

(a) Dampness or dryness of atmosphere;

(b) Changes in or extremes of temperature; or

(c) Marring or scratching.

But if loss or damage by the "specified causes of loss" or building glass breakage results, we will pay for that resulting loss or damage.

e. **Steam Apparatus:** Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control.

But if loss or damage by fire or combustion explosion results, we will pay for that resulting loss or damage. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

f. **Frozen Plumbing:** Water that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

(1) You do your best to maintain heat in the building or structure; or

(2) You drain the equipment and shut off the water supply if the heat is not maintained.

g. **Dishonesty:** Dishonest or criminal act by you, any of your partners, employees, directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:

(1) Acting alone or in collusion with others; or

(2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees; but theft by employees is not covered.

h. **False Pretense:** Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

i. **Exposed Property:** Rain, snow, ice or sleet to personal property in the open.

j. **Collapse:** Collapse, except as provided in the Additional Coverage for Collapse. But if loss or damage by a Covered Cause of Loss results at the described premises, we will pay for that resulting loss or damage.

k. **Pollution:** We will not pay for loss or damage caused by or resulting from the release, discharge or dispersal of "pollutants" unless the release, discharge or dispersal is itself caused by any of the "specified causes of loss." But if loss or damage by the "specified causes of loss" results, we will pay for the resulting damage caused by the "specified cause of loss."

3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

a. **Weather Conditions:** Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss or damage.

b. **Acts or Decisions:** Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

c. **Negligent Work:** Faulty, inadequate or defective:

(1) Planning, zoning, development, surveying, siting;

(2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

(3) Materials used in repair, construction, renovation or remodeling; or

(4) Maintenance;

of part or all of any property on or off the described premises.

C. LIMITS OF INSURANCE

1. The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

2. The limits applicable to the Coverage Extensions and the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverages are in addition to the Limits of Insurance.

3. **Business Personal Property Limit - Seasonal Increase**

   a. The Limit of Insurance for Business Personal Property will automatically increase by 25% to provide for seasonal variations.

   b. This increase will apply only if the Limit of Insurance shown for Business Personal Property in the Declarations is at least 100% of your average monthly values during the lesser of:

      (1) The 12 months immediately preceding the date the loss or damage occurs; or

      (2) The period of time you have been in business as of the date the loss or damage occurs.

D. DEDUCTIBLES

1. We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible up to the applicable Limit of Insurance.

2. No deductible applies to the following Additional Coverages:

   a. Fire Department Service Charge;

   b. Accounts Receivable;

   c. Money and Securities;

   d. Valuable Papers;

3. No deductible applies to the following Optional Coverages;

   a. Outdoor Signs;

   b. Exterior Grade Floor Glass; and

   c. Employee Dishonesty;

   d. Combined Business Income-Extra Expense

E. PROPERTY LOSS CONDITIONS

1. **Abandonment**

   There can be no abandonment of any property to us.

2. **Appraisal**

   If we and you disagree on the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

a. Pay its chosen appraiser; and

b. Bear the other expenses of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim.

3. Duties In The Event Of Loss Or Damage

You must see that the following are done in the event of loss or damage to Covered Property:

a. Notify the police if a law may have been broken.

b. Give us prompt notice of the loss or damage. Include a description of the property involved.

c. As soon as possible, give us a description of how, when and where the loss or damage occurred.

d. Take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss. If feasible, set the damaged property aside and in the best possible order for examination. Also keep a record of your expenses for emergency and temporary repairs, for consideration in the settlement of the claim. This will not increase the Limit of Insurance.

e. At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.

f. Permit us to inspect the property and records proving the loss or damage. Also permit us to take samples of damaged property for inspection, testing and analysis.

g. If requested, permit us to question you under oath at such times as may be reasonably required about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.

h. Send us a signed, sworn statement of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

i. Cooperate with us in the investigation or settlement of the claim.

j. Resume all or part of your "operations" as quickly as possible.

4. Legal Action Against Us

No one may bring a legal action against us under this insurance unless:

a. There has been full compliance with all of the terms of this insurance; and

b. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

5. Loss Payment

In the event of loss or damage covered by this policy:

a. We will not pay you more than your financial interest in the Covered Property.

b. We will either:

(1) Pay the value of lost or damaged property, as described in paragraph d. below;

(2) Pay the cost of repairing or replacing the lost or damaged property, plus any reduction in value of repaired items;

(3) Take all or any part of the property at an agreed or appraised value; or

(4) Repair, rebuild or replace the property with other property of like kind and quality.

c. We will give notice of our intentions within 30 days after we receive the sworn statement of loss.

d. We will determine the value of Covered Property as follows:

(1) At actual cash value as of the time of loss or damage, except as provided in (2), (3), (4), (5) and (6) below.

(2) If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is $2,500 or less, we will pay the cost of building repairs or replacement.

This provision does not apply to the following even when attached to the building:

(a) Awnings or floor coverings;

(b) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or

(c) Outdoor equipment or furniture.

(3) "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.

(4) Glass at the cost of replacement with safety glazing material if required by law.

(5) Tenant's Improvements and Betterments at:

(a) Actual cash value of the lost or damaged property if you make repairs promptly.

(b) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:

(i) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and

(ii) Divide the amount determined in (i) above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.

(iii) Nothing if others pay for repairs or replacement.

(6) Valuable Papers and Records, including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of:

(a) Blank materials for reproducing the records; and

(b) Labor to transcribe or copy the records when there is a duplicate.

(7) Applicable only to Accounts Receivable

(a) If you cannot accurately establish the amount of accounts receivable outstanding as of the time of loss or damage, the following method will be used:

(i) Determine the total of the average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which the loss or damage occurs; and

(ii) Adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss or damage occurred or for any demonstrated variance from the average for that month.

(b) The following will be deducted from the total amount of accounts receivable, however that amount is established:

(i) The amount of the accounts for which there is no loss or damage;

(ii) The amount of the accounts that you are able to re-establish or collect;

(iii) An amount to allow for probable bad debts that you are normally unable to collect; and

(iv) All unearned interest and service charges.

(8) Money at its face value.

(9) Securities at their value at the close of business on the day the loss is discovered.

e. Our payment for loss of or damage to personal property of others will only be for the account of the owners of the property. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owner's property. We will not pay the owners more than their financial interest in the Covered Property.

f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.

g. We will pay for covered loss or damage within 30 days after we receive the sworn statement of loss, if:

(1) You have complied with all of the terms of this policy; and

(2) (a) We have reached agreement with you on the amount of loss; or

(b) An appraisal award has been made.

6. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, you may retain the property. But then you must return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

7. Vacancy

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage, we will:

a. Not pay for any loss or damage caused by:

(1) Vandalism; or

(2) Sprinkler leakage, unless you have protected the system against freezing.

(3) Building glass breakage;

(4) Water damage;

(5) Theft; or

(6) Attempted theft.

b. Reduce the amount we would otherwise pay for the loss or damage by 15%. Buildings under construction are not considered vacant.

PROPERTY GENERAL CONDITIONS

1. Coinsurance

a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

(1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;

(2) Divide the Limit of Insurance of the property by the figure determined in step (1);

(3) Multiply the total amount of the covered loss, before the application of any deductible, by the figure determined in step (2); and

(4) Subtract the deductible from the figure determined in step (3).

The amount determined in step (4) is the most we will pay. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

Example No. 1 (Underinsurance):
When:

The value of the property is	$250,000
The Coinsurance percentage for it is	80%
The Limit of Insurance for it is	$100,000
The Deductible is	$250
The amount of loss is	$ 40,000

Step (1): $250,000 x 80% = $200,000 (the minimum amount of insurance to meet your Coinsurance Requirements)

Step (2): $100,000 @ $200,000 = .50

Step (3): $ 40,000 x .50 = $20,000

Step (4): $ 20,000 - $250 = $19,750

We will pay no more than $19,750. The remaining $20,250 is not covered.

Example No. 2 (Adequate Insurance):
When:

The value of the property is	$250,000
The Coinsurance percentage for it is	80%
The Limit of Insurance for it is	$200,000
The Deductible is	$250
The amount of loss is	$ 40,000

Step (1): $250,000 x 80% = $200,000 (the minimum amount of insurance to meet your Coinsurance Requirements)

Step (2): $200,000 @ $200,000 = 1.00

Step (3): $ 40,000 x 1.00 = $40,000

Step (4): $ 40,000 - $250 = $39,750

We will cover the $39,750 loss in excess of the Deductible. No penalty applies.

2. Control of Property

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

If you violate a condition of this policy, we will not pay for loss or damage at the involved location. But your coverage will continue for other locations at which the violation does not apply.

3. Mortgage Holders

a. The term "mortgage holder" includes trustee.

b. We will pay for covered loss of or damage to buildings or structures to each mortgage holder shown in the Declarations in their order of precedence, as interests may appear.

c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the building or structure.

d. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the mortgage holder will have the right to receive loss payment if the mortgage holder:

(1) Pays any premium due under this policy at our request if you have failed to do so;

(2) Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so; and

(3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgage holder.

All of the terms of this policy will then apply directly to the mortgage holder.

e. If we pay the mortgage holder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:

(1) The mortgage holder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and

(2) The mortgage holder's right to recover the full amount of the mortgage holder's claim will not be impaired.

At our option, we may pay to the mortgage holder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

f. If we cancel this policy, we will give written notice to the mortgage holder at least:

(1) 10 days before the effective date of cancellation if we cancel for your non-payment of premium; or

(2) 30 days before the effective date of cancellation if we cancel for any other reason.

g. If we do not renew this policy, we will give written notice to the mortgage holder at least 10 days before the expiration date of this policy.

4. **No Benefit to Bailee**

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

5. **Policy Period, Coverage Territory**

Under this form:

a. We cover loss or damage commencing:

(1) During the policy period shown in the Declarations; and

(2) Within the coverage territory or, with respect to property in transit, while it is between points in the coverage territory.

b. The coverage territory is:

(1) The United States of America (including its territories and possessions);

(2) Puerto Rico; and

(3) Canada.

G. OPTIONAL COVERAGES

If shown as applicable in the Declarations, the following Optional Coverages also apply. These coverages are subject to the terms and conditions applicable to property coverage in this policy, except as provided below.

1. **Outdoor Signs**

a. We will pay for direct physical loss of or damage to all outdoor signs at the described premises:

(1) Owned by you; or

(2) Owned by others but in your care, custody or control.

b. Paragraph A.3., Covered Cause of Loss, and Section B., Exclusions, do not apply to this Optional Coverage except for:

(1) Paragraph B.1.c., Governmental Action;

(2) Paragraph B.1.d., Nuclear Hazard; and

(3) Paragraph B.1.f., War and Military Action.

c. We will not pay for loss or damage caused by or resulting from:

(1) Wear and tear;

(2) Hidden or latent defect;

(3) Rust;

(4) Corrosion; or

(5) Mechanical breakdown.

d. The most we will pay for loss of or damage in any one occurrence is the Limit of Insurance for Outdoor Signs shown in the Declarations.

e. The provisions of this Optional Coverage supersede all other references to outdoor signs in this policy.

2. Exterior Grade Floor Glass

a. We will pay for direct physical loss of or damage to all exterior grade floor and basement glass, including all lettering and ornamentation, located at the described piemises and:

(1) Owned by you; or

(2) Owned by others but in your care, custody or control.

b. We will also pay for necessary:

(1) Expenses incurred to put up temporary plates or board up openings;

(2) Repair or replacement of encasing frames; and

(3) Expenses incurred to remove or replace obstructions.

c. Paragraph A.3., Covered Causes of Loss, and Section B., Exclusions, do not apply to this Optional Coverage, except for:

(1) Paragraph B.1.c., Governmental Action;

(2) Paragraph B.1.d., Nuclear Hazard; and

(3) Paragraph B.1.f., War and Military Action.

d. We will not pay for loss or damage caused by or resulting from:

(1) Wear and tear;

(2) Hidden or latent defect;

(3) Corrosion; or

(4) Rust.

e. This Optional Coverage supersedes all limitations in this policy that apply to exterior grade floor glass.

3. Employee Dishonesty

a. We will pay for direct loss of or damage to Business Personal Property, including money and securities, resulting from dishonest acts committed by any of your employees acting alone or in collusion with other persons (except you or your partner) with the manifest intent to:

(1) Cause you to sustain loss or damage; and also

(2) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:

(a) Any employee; or

(b) Any other person or organization.

b. We will not pay for loss or damage:

(1) Resulting from any dishonest or criminal act that you or any of your partners commit whether acting alone or in collusion with other persons.

(2) The only proof of which as to its existence or amount is:

(a) An inventory computation; or

(b) A profit and loss computation.

c. The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Employee Dishonesty shown in the Declarations.

d. All loss or damage:

(1) Caused by one or more persons; and

(2) Involving a single act or series of related acts;

is considered one occurrence.

e. We will pay only for loss or damage you sustain through acts committed or events occurring during the Policy Period. Regardless of the number of years this policy remains in force or the number of premiums paid, no Limit of Insurance cumulates from year to year or period to period.

f. This Optional Coverage does not apply to any employee immediately upon discovery by:

(1) You; or

(2) Any of your partners, officers or directors not in collusion with the employee;

of any dishonest act committed by that employee before or after being hired by you.

g. We will pay only covered loss or damage discovered no later than one year from the end of the Policy Period.

h. If you (or any predecessor in interest) sustained loss or damage during the period of any prior insurance that you could have recovered under that insurance except that the time within which you discover loss or damage had expired, we will pay for it under this Optional Coverage, provided:

(1) This Optional Coverage became effective at the time of cancellation or termination of the prior insurance; and

(2) The loss or damage would have been covered by this Optional Coverage had it been in effect when the acts or events causing the loss or damage were committed or occurred.

i. The insurance under paragraph h. above is part of, not in addition to, the Limit of Insurance applying to this Optional Coverage and is limited to the lesser of the amount recoverable under:

(1) This Optional Coverage as of its effective date; or

(2) The prior insurance had it remained in effect.

4. Building Limit - Automatic Increase

a. The Limit of Insurance for Buildings will automatically increase by the annual percentage shown in the Declarations.

b. The amount of increase will be:

(1) The Building limit that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Building limit, times

(2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 8% is .08), times

(3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Building limit, divided by 365.

Example:

If: The applicable Building limit is $100,000. The annual percentage increase is 8%. The number of days since the beginning of the policy year (or last policy change) is 146.

The amount of increase is

$100,000 x .08 x 146 / 365 = $3,200.

5. **Combined Business Income - Extra Expense**

The most we will pay for loss in any one occurance for Combined Business Income-Extra Expense is the applicable Limit of Insurance shown in the Declarations.

a. Business Income

We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your "operations" during the "period of restoration." The suspension must be caused by direct physical loss of or damage to property at the described premises, including personal property in the open (or in a vehicle within 100 feet, caused by or resulting from any Covered Cause of Loss.

We will only pay for loss of Business Income that occurs within 12 consecutive months after the date of direct physical loss or damage.

Business Income means the:

(1) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and

(2) Continuing normal operation expenses incurred, including payroll.

b. Extra Expense

We will pay necessary Extra Expense you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property at the described premises, including personal property in the open (or in a vehicle) within 100 feet, caused by or resulting from a Covered Cause of Loss.

Extra Expense means expense incurred:

(1) To avoid or minimize the suspension of business and to continue "operations:"

(a) At the described premises; or

(b) At replacement premises or at temporary locations, including:

Relocation expenses; and

Costs to equip and operate the replacement or temporary locations.

(2) To minimize the suspension of business if you cannot continue "operations".

(3) (a) To repair or replace any property; or

(b) To research, replace, or restore the lost information on damaged valuable papers and records;

We will only pay for Extra Expense that occurs within 12 consecutive months after the date of direct physical loss or damage.

c. Civil Authority

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss. This coverage will apply for a period of up to two consecutive weeks from the date of that action.

d. Limitation-Electronic Media and Records

We will not pay for any loss of Business Income caused by direct physical loss of or damage to Electronic Media and Records after the longer of:

(1) 60 consecutive days from the date of direct physical loss or damage; or

(2) The period, beginning with the date of direct physical loss or damage, necessary to repair, rebuild or replace with reasonable speed and similar quality, other property at the described premises, due to loss or damage caused by the same occurrence.

Electronic Media and Records are:

(a) Electronic data processing, recording or storage media such as films, tapes, discs, drums or cells;

(b) Data stored on such media; or

(c) Programming records used for electronic data processing or electronically controlled equipment.

Example No. 1:

A Covered Cause of Loss damages a computer on June 1. It takes until September 1 to replace the computer, and until October 1 to restore the data that was lost when the damage occurred. We will only pay for the Business Income loss sustained during the period June 1 - September 1. Loss during the period September 2 - October 1 is not covered.

Example No. 2:

A Covered Cause of Loss results in the loss of data processing programming records on August 1.

The records are replaced on October 15. We will only pay for the Business Income loss sustained during the period August 1 - September 29 (60 consecutive days). Loss during the period September 30 - October 15 is not covered.

e. Resumption of Operations

We will reduce the amount of your:

Business Income loss, other than Extra Expense, to the extent you can resume your "operations," in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.

Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.

f. Business Income and Extra Expense Exclusions. We will not pay for:

(1) Any Extra Expense, or increase of Business Income loss, caused by or resulting from:

(a) Delay in rebuilding, repairing or replacing the property or resuming "operations," due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or

(b) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the suspension of "operations," we will cover such loss that affects your Business Income during the "period of restoration."

(c) Theft of property not attached as part of the building or structure. This exclusion does not apply if the loss occurs at the time of a Riot or Civil Commotion. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

(d) Loss to mobile equipment.

(2) Any other consequential loss.

6. Agreed Value

a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.

b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.

c. The terms of this Optional Coverage apply only to loss or damage that occurs:

(1) On or after the effective date of this Optional Coverage; and

(2) Before the Agreed Value expiration date shown in the Declarations or the policy expiration date, whichever occurs first.

7. Replacement Cost

a. Replacement Cost (without deduction for depreciation) replaces actual Cash Value in the Loss Condition, Valuation, of this Coverage Form.

b. This Optional Coverage does not apply to:

(1) Property of others;

(2) Contents of a residence;

(3) Manuscripts;

(4) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or

(5) "Stock," unless the Including "Stock" option is shown in the Declarations.

c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.

d. We will not pay on a replacement cost basis for any loss or damage:

(1) Until the lost or damaged property is actually repaired or replaced; and

(2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

e. We will not pay more for loss or damage on a replacement cost basis than the least of:

(1) The Limit of Insurance applicable to the lost or damaged property;

(2) The cost to replace, on the same premises, the lost or damaged property with other property:

(a) Of comparable material and quality; and

(b) Used for the same purpose; or

(3) The amount you actually spend that is necessary to repair or replace the lost or damaged property.

H. PROPERTY DEFINITIONS

1. "Operations" means your business activities occurring at the described premises.

2. "Period of Restoration" means the period of time that:

   a. Begins with the date of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the described premises; and

   b. Ends on the date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality.

   "Period of restoration" does not include any increased period required due to the enforcement of any law that:

   (1) Regulates the construction, use or repair, or requires the tearing down of any property; or

   (2) Requires any insured or others to test for, monitor, clean-up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants."

   The expiration date of this policy will not cut short the "period of restoration."

3. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

4. "Stock" means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.

5. "Specified Causes of Loss" means the following:

   Fire; lightning; explosion, windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

   a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or similar rock formations. It does not include the cost of filling sinkholes.

   b. Falling objects does not include loss or damage to:

      (1) Personal property in the open; or

      (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

   c. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam.

Section II - Business Owners Liability Coverage

Words and phrases that appear in quotation marks have special meaning. Refer to SECTION F -LIABILITY AND MEDICAL EXPENSES DEFINITIONS.

A. COVERAGE

1. **Business Liability.** We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury," "property damage," "personal injury" or "advertising injury" to which this insurance applies. No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under COVERAGE EXTENSION - SUPPLEMENTARY PAYMENTS.

   a. This insurance applies only:

      (1) To "bodily injury" or "property damage:"

         (a) That occurs during the policy period; and

         (b) That is caused by an "occurrence." The "occurrence" must take place in the coverage territory."

      (2) To "personal injury" caused by an offense:

         (a) Committed in the "coverage territory" during the policy period; and

         (b) Arising out of the conduct of your business, excluding advertising, publishing, broadcasting or telecasting done by or for you.

      (3) To "advertising injury" caused by an offense committed:

         (a) In the "coverage territory" during the policy period; and

         (b) In the course of advertising your goods, products or services.

   b. We will have the right and duty to defend any "suit" seeking those damages. But

      (1) The amount we will pay for damages is limited as described in Section D - Liability and Medical Expenses Limits of Insurance;

      (2) We may investigate and settle any claim or "suit" at our discretion; and

      (3) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgements or settlements or medical expenses.

   c. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury."

   d. "Property damage" that is loss of use of tangible property that is not physically injured will be deemed to occur at the time of the "occurrence" that caused it.

   e. **Coverage Extension - Supplementary Payments**

      In addition to the Limit of Insurance, we will pay, with respect to any claim or "suit" we defend:

      (1) All expenses we incur.

      (2) Up to $250 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which Business Liability Coverage for "bodily injury" applies. We do not have to furnish these bonds.

      (3) The cost of bonds to release attachments, but only for bond amounts within our Limit of Insurance. We do not have to furnish these bonds.

      (4) All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings up to $100 a day because of time off from work.

      (5) All costs taxed against the insured in the "suit."

(6) Prejudgement interest awarded against the insured on that part of the judgement we pay. If we make an offer to pay the Limit of Insurance, we will not pay any prejudgement interest based on that period of time after the offer..

(7) All interest on the full amount of any judgement that accrues after entry of the judgement and before we have paid, offered to pay, or deposited in court the part of the judgement that is within our Limit of Insurance.

2. Medical Expenses

a. We will pay medical expenses as described below for "bodily injury" caused by an accident:

(1) On premises you own or rent;

(2) On ways next to premises you own or rent; or

(3) Because of your operations;

provided that:

(a) The accident takes place in the "coverage territory" and during the policy period;

(b) The expenses are incurred and reported to us within one year of the date of the accident; and

(c) The injured person submits to examination, at our expense, by physicians of our choice as often as we reasonably require.

b. We will make these payments regardless of fault. These payments will not exceed the Limit of Insurance. We will pay reasonable expenses for:

(1) First aid at the time of an accident;

(2) Necessary medical, surgical, x-ray and dental services, including prosthetic devices; and

(3) Necessary ambulance, hospital, professional nursing and funeral services.

B. EXCLUSIONS

1. **Applicable to Business Liability Coverage** - This insurance does not apply to:

a. "Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

b. "Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) Assumed in a contract or agreement that is an "insured contract;" or

(2) That the insured would have in the absence of the contract or agreement.

c. "Bodily injury" or "property damage" for which any insured may be held liable by reason of:

(1) Causing or contributing to the intoxication of any persons;

(2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or

(3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

d. Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.

e. "Bodily injury" to:

(1) An employee of the insured arising out of and in the course of employment by the insured; or

(2) The spouse, child, parent, brother or sister of that employee as a consequence of (1) above.

This exclusion applies:

(a) Whether the insured may be liable as an employer or in any other capacity; and

(b) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract."

f. (1) "Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, release or escape of pollutants:

(a) At or from premises you own, rent or occupy;

(b) At or from any site or location used by or for you or others for the handling, storage, disposal, processing or treatment of waste;

(c) That are at any time transported, handled, stored, treated, disposed of, or processed as waste by or for you or any person or organization for whom you may be legally responsible; or

(d) At or from any site or location on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations:

(i) If the pollutants are brought on or to the site or location in connection with such operations; or

(ii) If the operations are to test for, monitor, cleanup, remove, contain, treat, detoxify or neutralize the pollutants.

(2) Any loss, cost or expense arising out of any governmental direction or request that you test for, monitor, clean up, remove, contain, treat, detoxify or neutralize the pollutants. Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed. Subparagraphs (a) and (d) (i) of paragraph (1) of this exclusion do not apply to "bodily injury" or "property damage" caused by heat, smoke or fumes from a hostile fire. As used in this exclusion, a hostile fire means one which becomes uncontrollable or breaks out from where it was intended to be.

g. "Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading."

This exclusion does not apply to:

(1) A watercraft while ashore on premises you own or rent;

(2) A watercraft you do not own that is:

(a) Less than 26 feet long; and

(b) Not being used to carry persons or property for a charge;

(3) Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the insured;

(4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft; or

(5) "Bodily injury" or "property damage" arising out of the operation of any of the following equipment:

(a) Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and

(b) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.

h. "Bodily injury" or "property damage" arising out of:

(1) The transportation of "mobile equipment" by an "auto" owned or operated by or rented or loaned to any insured; or

(2) The use of "mobile equipment" in, or while in practice or preparation for, a prearranged racing, speed or demolition contest or in any stunting activity.

i. "Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

j. "Bodily injury" or "property damage" due to rendering or failure to render any professional service. This includes but is not limited to:

(1) Engineering, drafting, architectural, legal, accounting or advertising services;

(2) Preparing, approving, or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications.

(3) Supervisory, inspection or engineering services;

(4) Any cosmetic or tonsorial service or treatment;

(5) Optometry or optical or hearing aid services including the prescribing, preparation, fitting, demonstration or distribution of ophthalmic lenses and similar products or hearing aid devices;

(6) Ear piercing services; and

(7) Services in the practice of pharmacy; but this exclusion does not apply to an insured whose operations include those of a retail druggist or drugstore.

k. "Property damage" to:

(1) Property you own, rent or occupy;

(2) Premises you sell, give away or abandon. If the "property damage" arises out of any part of those premises;

(3) Property loaned to you;

(4) Personal property in your care, custody or control;

(5) That particular part of real property on which you or any contractor or subcontractor working directly or indirectly on your behalf is performing operations, if the "property damage" arises out of those operations; or

(6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraph (3), (4), (5), and (6) of this exclusion do not apply to liability assumed under a sidetrack agreement.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "products-completed operations hazard."

l. "Property damage" to "your product" arising out of it or any part of it.

m. "Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

n. "Property damage" to "impaired property" or property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of a sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

o. Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product;"

(2) "Your work;" or

(3) "Impaired property;"

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

p. "Personal injury" or "advertising injury:"

(1) Arising out of oral or written publication or material, if done by or at the direction of the insured with knowledge of its falsity;

(2) Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;

(3) Arising out of the willful violation of penal statute or ordinance committed by or with the consent of the insured; or

(4) For which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement.

q. "Advertising injury" arising out of:

(1) Breach of contract, other than misappropriation of advertising ideas under an implied contract;

(2) The failure of goods, products or services to conform with advertised quality or performance;

(3) The wrong description of the price of goods, products or services; or

(4) An offense committed by an insured whose business is advertising, broadcasting, publishing or telecasting.

r. "Bodily injury" due to rendering or failure to render, any professional service by an insured whose operations include those of:

(1) Medical, surgical, dental, x-ray, or nursing service or treatments;

(2) Any health service or treatment.

Exclusions c., d., e., f., g., h., i., k., l., m., n., and o. do not apply to damage by fire or explosion to premises rented to you. A separate Limit of Insurance applies to this coverage as described in Section D., Liability and Medical Expenses Limits of Insurance.

2. Applicable to Medical Expenses Coverage - We will not pay expenses for "bodily injury:"

a. To any insured.

b. To a person hired to do work for or on behalf of any insured or a tenant of any insured.

c. To a person injured on that part of premises you own or rent that the person normally occupies.

d. To a person, whether or not an employee of any insured, if benefits for the "bodily injury" are payable or must be provided under a workers compensation or disability benefits law or a similar law.

e. To a person injured while taking part in athletics.

f. Included within the "products-completed operations hazard."

g. Excluded under Business Liability Coverage.

h. Due to war, whether or not declared, or any act or condition incident to war. War include civil war, insurrection, rebellion or revolution.

3. **Applicable to both Business Liability Coverage and Medical Coverage - Nuclear Energy Liability Exclusion.**

This insurance does not apply:

a. Under Business Liability Coverage, to "bodily injury" or "property damage:"

(1) With respects to which an insured under the policy is also an insured under a nuclear energy liability policy issued by the Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or

(2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which:

(a) Any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof; or

(b) The insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

b. Under Medical Expenses Coverage, to expenses incurred with respect to "bodily injury" resulting from the "hazardous properties" of "nuclear material" and arising out of the operation of a "nuclear facility" by any person or organization.

c. Under Business Liability Coverage, to "bodily injury" or "property damage" resulting from the "hazardous properties" of the "nuclear material;" if:

(1) the "nuclear material:"

(a) Is at any "nuclear facility:" owned by, or operated by or on behalf of, an insured; or

(b) Has been discharged or dispersed therefrom;

(2) The "nuclear material" is contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported, or disposed of by or on behalf of an insured; or

(3) The "bodily injury" or "property damage" arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility;" but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (3) applies only to "property damage" to such "nuclear facility" and any property thereat.

As used in this exclusion:

"by-product material" has the meaning given it in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"hazardous properties" include radioactive; toxic or explosive properties;

"nuclear facility" means:

(a) Any "nuclear reactor;"

(b) Any equipment or device designed or used for:

(1) Separating the isotopes of uranium or plutonium;

(2) Processing or utilizing "spent fuel;" or

(3) Handling, processing or packaging "waste;"

(c) Any equipment or device used for the processing, fabricating or alloying of "special nuclear material;" if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof; or more than 250 grams of uranium 235;

(d) Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste;" and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations;

"nuclear material" means "source material," "special nuclear material" or "by-product material;"

"nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

"property damage" includes all forms of radioactive contamination of property;

"source material" has the meaning given it in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"special nuclear material" has the meaning given it in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor;"

"waste" means any waste material:

(a) Containing "by-product material" other than the tailings of waste produced by extraction or concentration of uranium or thorium from any ore processed primarily for its "source material" content; and

(b) Resulting from the operation by any person or organization of any "nuclear facility" including under paragraphs (a) and (b) of the definition of "nuclear facility."

C. WHO IS AN INSURED

1. If you are designated in the Declarations as:

   a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.

   b. A partnership or joint venture, you are an insured. Your members, your partners and their spouses are also insureds, but only with respect to the conduct of your business.

   c. An organization other than a partnership or joint venture, you are an insured. Your executive officers and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.

2. Each of the following is also an insured:

   a. Your employees, other than your executive officers, but only for acts within the scope of their employment by you. However, none of these employees is an insured for:

      (1) "Bodily injury" or "personal injury" to you or to a co-employee while in the course of his or her employment;

      (2) "Bodily injury" or "personal injury" arising out of his or her providing or failing to provide professional health care services; or

      (3) "Property damage" to property owned or occupied by or rented or loaned to that employee, any of your other employees, or any of your partners or members (if you are a partnership or joint venture).

   b. Any person (other than your employee), or any organization while acting as your real estate manager.

   c. Any person or organization having proper temporary custody of your property if you die, but only:

      (1) With respect to liability arising out of the maintenance or use of that property; and

      (2) Until your legal representative has been appointed.

d. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this policy.

3. With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:

   a. "Bodily injury" to a co-employee of the person driving the equipment; or

   b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.

   No person or organization is an insured with respect to the conduct of any current or past partnership or joint venture that is not shown as a Named Insured in the Declarations.

D. LIABILITY AND MEDICAL EXPENSES LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

   a. Insureds;

   b. Claims made or "suits" brought; or

   c. Persons or organizations making claims or bringing "suits."

2. The most we will pay for the sum of all damages because of all:

   a. "Bodily injury," "property damage" and medical expenses arising out of any one "occurrence;" and

   b. "Personal injury" and "advertising injury" sustained by any one person or organization;

   is the Business Liability and Medical Expenses limit shown in the Declarations. But the most we will pay for all medical expenses because of "bodily injury" sustained by any one person is the Medical Expenses limit shown in the Declarations.

3. The most we will pay under Business Liability Coverage for damages because of "property damage" to premises rented to you arising out of any one fire or explosion is the Fire Legal Liability limit shown in the Declarations.

4. **Aggregate Limits**

   a. **General Aggregate Limit (Other than Products-Completed Operations)**

      The most we will pay for all injury or damage including medical expenses arising from all "occurrences" during the policy period is twice the Liability and Medical Expenses limit. This limitation does not apply to "property damage" to premises rented to you arising out of fire or explosion.

   b. **Products-Completed Operations Aggregate Limit**

      The most we will pay for injury or damage under the "products-completed operations hazard arising from all "occurrences" during the policy period is twice the Liability and Medical Expenses limit.

      The limits of this policy apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Limits of Insurance.

E. LIABILITY AND MEDICAL EXPENSES GENERAL CONDITIONS

1. **Bankruptcy**

   Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this policy.

2. **Duties In the Event of Occurrence, Claim or Suit**

   a. You must see to it that we are notified promptly of an "occurrence" that may result in a claim. Notice should include:

      (1) How, when and where the occurrence" took place; and

      (2) The names and addresses of any injured persons and witnesses.

   b. If a claim is made or "suit" is brought against any insured, you must see to it that we receive prompt written notice of the claim or "suit."

   c. You and any other involved insured must:

      (1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit;"

      (2) Authorize us to obtain records and other information;

      (3) Cooperate with us in the investigation, settlement or defense of the claim or "suit;" and

      (4) Assist us, upon our request, in the enforcement of any right against any person or organization that may be liable to the insured because of injury or damage to which this insurance may also apply.

   d. No insureds will, except at their own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

3. **Financial Responsibility Laws**

   a. When this policy is certified as proof of financial responsibility for the future under the provisions of any motor vehicle financial responsibility law, the insurance provided by the policy for "bodily injury" liability and "property damage" liability will comply with the provisions of the law to the extent of the coverage and limits of insurance required by that law.

   b. With respect to "mobile equipment" to which this insurance applies, we will provide any liability, uninsured motorists, underinsured motors, no-fault or other coverage required by any motor vehicle law. We will provide the required limits for those coverages.

4. **Legal Action Against Us**

   No person or organization has a right under this policy:

   a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or

   b. To sue us on this policy unless all of its terms have been fully complied with.

      A person or organization may sue us to recover on an agreed settlement or on a final judgement against an insured obtained after an actual trial; but we will not be liable for damages that are not payable under the terms of this policy or that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

5. **Separation of Insureds**

   Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this policy to the first Named Insured, this insurance applies:

   a. As if each Named Insured were the only Named Insured; and

   b. Separately to each insured against whom claims is made or "suit" is brought.

F. LIABILITY AND MEDICAL EXPENSES DEFINITIONS

1. "**Advertising Injury**" means injury arising out of one or more of the following offenses:
   a. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
   b. Oral or written publication of material that violates a person's right of privacy;
   c. Misappropriation of advertising ideas or style of doing business; or
   d. Infringement of copyright, title or slogan.

2. "**Auto**" means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment. But "auto" does not include "mobile equipment."

3. "**Bodily Injury**" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.

4. "**Coverage Territory**" means:
   a. The United States of America (including its territories and possessions), Puerto Rico and Canada;
   b. International waters or airspace, provided the injury or damage does not occur in the course of travel or transportation to or from any place not included in a. above; or
   c. All parts of the world if:
      (1) The injury or damage arises out of:
         (a) Goods or products made or sold by your business in the territory described in a. above; or
         (b) The activities of a person whose home is in the territory described in a. above, but is away for a short time on your business; and
      (2) The insured's responsibility to pay damages is determined in a "suit" on the merits in the territory described in a. above or in a settlement we agree to.

5. "**Impaired Property**" means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:
   a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient inadequate or dangerous; or
   b. You have failed to fulfill the terms of a contract or agreement;

   if such property can be restored to use by:

   (1) The repair, replacement, adjustment or removal of "your product" or "your work;" or

   (2) Your fulfilling the terms of the contract or agreement.

6. "**Insured Contract**" means:
   a. A lease of premises;
   b. A sidetrack agreement;
   c. An easement or license agreement in connection with vehicle or pedestrian private railroad crossings at grade;
   d. Any other easement agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;
   e. An indemnification of a municipality as required by ordinance, except in connection with work for a municipality;
   f. An elevator maintenance agreement; or

g. That part of any other contract or agreement pertaining to your business under which you assume the tort liability of another to pay damages because of "bodily injury" or "property damage" to a third person or organization, if the contract or agreement is made prior to the "bodily injury" or "property damage." Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

An "insured contract" does not include that part of any contract or agreement:

(1) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:

(a) Preparing, approving or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications; or

(b) Giving directions or instructions, or failing to give them, if that is the primary cause of injury or damage.

(2) Under which the insured, if an architect, engineer or surveyor, assumes liability for injury or damage arising out of the insured's rendering or failing to render professional services, including those listed in (a) above and supervisory, inspection or engineering services; or

(3) That indemnifies any person or organization for damage by fire or explosion to premises rented or loaned to you.

7. **"Loading or Unloading,"** means the handling of property:

a. After it is moved from the place where it is accepted for movement into or onto an aircraft watercraft or "auto;"

b. While it is in or on aircraft, watercraft or "auto," or

c. While it is being moved from an aircraft, watercraft or "auto" to the place where it is finally delivered; but "loading or unloading" does not include the movement or property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or "auto."

8. **"Mobile Equipment"** means any of the following types of land vehicles, including any attached machinery or equipment:

a. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;

b. Vehicles maintained for use solely on or next to premises you own or rent;

c. Vehicles that travel on crawler treads;

d. Vehicles, whether self-propelled or not, on which are permanently mounted:

(1) Power cranes, shovels, loaders, diggers or drills; or

(2) Road construction or resurfacing equipment such as graders, scrapers or rollers;

e. Vehicles not described in a., b., c., or d. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:

(1) Air compressors pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or

(2) Cherry pickers and similar devices used to raise or lower workers;

f. Vehicles not described in a., b., c., or d. above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos:"

(1) Equipment designed primarily for:

(a) Snow removal;

(b) Road maintenance, but not construction or resurfacing;

(c) Street cleaning;

(2) Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and

(3) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.

9. **"Occurrence"** means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

10. **"Personal Injury"**, means injury other than "bodily injury," arising out of one or more of the following offenses:

a. False arrest, detention or imprisonment;

b. Malicious prosecution;

c. Wrongful entry into, or eviction of a person from, a room, dwelling or premises that the person occupies;

d. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services; or

e. Oral or written publication of material that violates a person's right of privacy.

11. a. **"Products - Completed Operations Hazard"** includes all "bodily injury" and "property damage" arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not yet been completed or abandoned.

The "bodily injury" or "property damage" must occur away from premises you own or rent, unless your business includes the selling, handling or distribution of "your product" for consumption on premises you own or rent.

b. "Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

c. This hazard does not include "bodily injury" or "property damage" arising out of:

(1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle created by the "loading or unloading" of it; or

(2) The existence of tools, uninstalled equipment or abandoned or unused materials.

12. **"Property Damage"** means:

a. Physical injury to tangible property, including all resulting loss of use of that property; or

b. Loss of use of tangible property that is not physically injured.

13. **Suit"** means a civil proceeding in which damages because of "bodily injury," property damage," "personal injury" or "advertising injury" to which this insurance applies are alleged. "Suit" includes an arbitration proceeding alleging such damages to which you must submit or submit with our consent.

14. **"Your Product"** means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any of the items included in a. and b. above.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

15. **"Your Work"** means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any of the items included in a. or b. above.

Section III - Business Owners Common Policy Conditions

All coverages of this policy are subject to the following conditions.

A. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.

2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:

   a. 5 days before the effective date of cancellation if any one of the following conditions exists at any building that is Covered Property in this policy.

      (1) The building has been vacant or unoccupied 60 or more consecutive days. This does not apply to:

         (a) Seasonal unoccupancy; or

         (b) Buildings in the course of construction, renovation or addition.

         Buildings with 65% or more of the rental units or floor area vacant or unoccupied are considered unoccupied under this provision.

      (2) After damage by a covered cause of loss, permanent repairs to the building:

         (a) Have not started, and

         (b) Have not been contracted for,

         within 30 days of initial payment of loss.

      (3) The building has:

         (a) An outstanding order to vacate;

         (b) An outstanding demolition order; or

         (c) Been declared unsafe by governmental authority.

      (4) Fixed and salvageable items have been or are being removed from the building and are not being replaced. This does not apply to such removal that is necessary or incidental to any renovation or remodeling.

      (5) Failure to:

         (a) Furnish necessary heat, water, sewer service or electricity for 30 consecutive days or more, except during a period of seasonal unoccupancy; or

         (b) Pay property taxes that are owing and have been outstanding for more than one year following the date due, except that this provision will not apply where you are in a bona fide dispute with the taxing authority regarding payment of such taxes.

   b. 10 days before the effective date of cancellation if we cancel for nonpayment of premium.

   c. 30 days before the effective date of cancellation if we cancel for any other reason.

3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.

4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.

5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.

6. If notice is mailed, proof of mailing will be sufficient proof of notice.

B. CHANGES

This Policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsements issued by us and made a part of this policy.

C. CONCEALMENT, MISREPRESENTATION OR FRAUD

This policy is void in any case of fraud by you at any time as it relates to this policy. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. This policy;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this policy.

D. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

E. INSPECTIONS AND SURVEYS

We have the right but are not obligated to:

1. Make inspections and surveys at any time;
2. Give you reports on the conditions we find; and
3. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

1. Are safe or healthful; or
2. Comply with laws, regulations, codes or standards.

This condition applies not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

F. INSURANCE UNDER TWO OR MORE COVERAGES

If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

G. LIBERALIZATION

If we adopt any revision that would broaden the coverage under this policy without additional premium, within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.

H. OTHER INSURANCE

1. If there is other insurance covering the same loss or damage, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

2. Business Liability Coverage is excess over any other insurance that insures for direct physical loss or damage.

3. When this insurance is excess, we will have no duty under Business Liability Coverage to defend any claim or "suit" that any other insurer has a duty to defend. If no other insurer defends, we will undertake to do so; but we will be entitled to the insured's rights against all those other insurers.

I. PREMIUMS

1. The first Named Insured shown in the Declarations:

   a. Is responsible for the payment of all premiums; and

   b. Will be the payee for any return premiums we pay.

2. The premium shown in the Declarations was computed based on rates in effect at the time the policy was issued. On each renewal, continuation or anniversary of the effective date of this policy, we will compute the premium in accordance with our rates and rules then in effect.

3. With our consent, you may continue this policy in force by paying a continuation premium for each successive one-year period. The premium must be:

   a. Paid to us prior to the anniversary date; and

   b. Determined in accordance with paragraph 2. above.

   Our forms then in effect will apply. If you do not pay the continuation premium, this policy will expire on the first anniversary date that we have not received the premium.

4. Undeclared exposures or changes in your business operations, acquisition or use of locations may occur during the policy period that are not shown in the Declarations. If so, we may require an additional premium. That premium will be determined in accordance with our rates and rules then in effect.

J. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

1. Applicable to Business Owners Property coverage:

   If any person or organization to or for whom we make payment under this policy has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

a. Prior to a loss to your Covered Property.

b. After a loss to your Covered Property only if, at time of loss, that party is one of the following:

(1) Someone insured by this insurance;

(2) A business firm:

(a) Owned or controlled by you; or

(b) That owns or controls you; or

(3) Your tenant.

You may also accept the usual bills of lading or shipping receipts limiting the liability or carriers.

This will not restrict your insurance.

2. Applicable to Business Owners Liability coverage:

If the insured has rights to recover all or part of any payment we have made under this policy, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request the insured will bring "suit" or transfer those rights to us and help us enforce them. This condition does not apply to Medical Expenses Coverage.

K. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS POLICY

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual Named Insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

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Form PT-0617 Edition 1-90

This endorsement modifies insurance provided by the following:

CONTRACTORS BUSINESS OWNERS POLICY

BO-7253
(Ed. 2-93)

This endorsement changes the policy. Please read it carefully.

PERSONAL PROPERTY OFF PREMISES

Paragraph b. Personal Property Off Premises of Section I - Property Coverage, A Coverage - 6 Coverage Extensions is replaced by the following:

b. Personal Property Off Premises

You may extend the insurance that applies to Business Personal Property to apply to Covered Business Personal Property and similar Personal Property of Others, other than money and securities, while it is in course of transit or temporarily at a premises you do not own, lease, have charge or control or operate. The most we will pay for loss or damage under this coverage extension is $25,000 per occurrence.

Coverage under this extension shall include machinery and equipment being installed at premises you do not own, lease, have charge or control or operate. Coverage for machinery and equipment being installed shall cease after your operations have been completed or abandoned. Your operations are deemed completed at the earliest of the following times:

1. When the covered property is installed and accepted by the owner or purchaser; or
2. Thirty days after completion of your work; or
3. At the expiration of this policy;

Whichever occurs first.

Work that may need subsequent service, maintenance, corrections, repairs or replacement, but which is otherwise complete, will be treated as completed.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

ST-7181
(Ed. 4-96)

IF YOUR POLICY PROVIDES PROPERTY INSURANCE ON A BUILDING, YOU SHOULD KNOW...

- A building valuation may be completed each year based on information submitted with your application for insurance. Your building limits of insurance may be increased based on the company's Building Cost Valuation Guide and any coinsurance requirements at the time of valuation. This estimated valuation is not a substitute for a detailed appraisal.

- If we do not complete a valuation of your building(s), we may increase the building amount of insurance at renewal, based on national statistics for changes in costs of construction and inflation.

- If your policy provides Total Building Replacement Cost Protection Coverage, this coverage requires that you agree to insure for 100% of building value. We will complete a building valuation each year based on information submitted with your application for insurance. In accordance with the terms of Total Building Replacement Cost Protection Coverage, your limits may be increased based on the company's Building Cost Valuation Guide. This estimated valuation is not a substitute for a detailed appraisal.

PLEASE CONTACT YOUR AGENT IF YOU HAVE ANY QUESTIONS ABOUT BUILDING VALUATION, INSURANCE, TOTAL BUILDING REPLACEMENT COST PROTECTION COVERAGE OR YOUR BUILDING LIMITS OF INSURANCE.

This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY

BO-7102
(Ed. 12-88)

ADDITIONAL INSURED--MANAGERS OR LESSORS OF PREMISES

SCHEDULE*

Designation of Premises (Part Leased to You):

Name of Person or Organization (Additional Insured):

Additional Premium:

A. The following is added to Paragraph C. WHO IS AN INSURED in the Business Owners Liability Coverage Form:

4. The person or organization shown in the Schedule is also an insured, but only with respect to liability arising out of the ownership, maintenance or use of that part of the premises leased to you and shown in the Schedule.

This insurance does not apply to:

1. Any "Occurrence" that takes place after you cease to be a tenant in the premises described in the Schedule.

2. Structural alterations, new construction or demolition operations performed by or for the person or organization designated in the Schedule.

B. The following exclusions are added:

*Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

Copyright, Insurance Services Office, Inc., 1984, 1985

This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY
CONTRACTORS BUSINESS OWNERS POLICY

BO-7233
(Ed. 1-93)

EMPLOYMENT - RELATED PRACTICES EXCLUSION

The following exclusion is added to Section B. EXCLUSIONS of the Business Owners Liability Coverage Form:

This insurance does not apply to "bodily injury" or "personal injury" arising out of any:

a. Refusal to employ;

b. Termination of employment;

c. Coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination or other employment-related practices, policies, acts or omissions; or

d. Consequential "bodily injury" or "personal injury" as a result of a. through c. above.

This exclusion applies whether the insured may be held liable as an employer or in any other capacity and to any obligation to share damages with or to repay someone else who must pay damages because of the injury.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

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This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY
CONTRACTORS' BUSINESS OWNERS POLICY

BO-7302
(Ed. 1-95)

AMENDMENT - LEASED WORKERS

The following definitions are added to LIABILITY AND MEDICAL EXPENSES DEFINITIONS:

"Employee" includes a "leased worker." "Employee" does not include a "temporary worker."

"Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker."

"Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

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This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY
CONTRACTORS BUSINESS OWNERS POLICY

BO-7314
(Ed. 8-96)

AMENDMENT SECTION II - WHO IS AN INSURED

Section II - WHO IS AN INSURED is replaced by the following:

1. If you are designated in the Declarations as:

   a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.

   b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.

   c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.

   d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your executive officers and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.

2. Each of the following is also an insured:

   a. Your employees, other than either your executive officers (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business. However, none of these employees is an insured for:

      (1) "Bodily injury" or "personal injury":

         (a) To you, to your partners or members (if you are a partnership or a joint venture), to your members (if you are a limited liability company), or to a co-employee while that co-employee is either in the course of his or her employment or performing duties related to the conduct of your business;

         (b) Arising out of his or her providing or failing to provide professional health care services. However, if you have employees who are pharmacists in your retail druggist or drugstore operations, they are insureds with respect to their providing or failing to provide professional health care services.

      (2) "Property damage" to property:

         (a) Owned, occupied or used by;

         (b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by

      you, any of your employees, any partner or member (if you are a partnership or joint venture) or any member (if you are a limited liability company).

   b. Any person (other than your employee), or any organization while acting as your real estate manager.

   c. Any person or organization having proper temporary custody of your property if you die, but only:

      (1) With respect to liability arising out of the maintenance or use of that property; and

      (2) Until your legal representative has been appointed.

   d. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this Policy.

3. With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:

   a. "Bodily injury" to a co-employee of the person driving the equipment; or

   b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

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This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
BUSINESS OWNERS POLICY
CONTRACTORS BUSINESS OWNERS POLICY

CG-7149
(Ed. 10-92)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LEAD LIABILITY EXCLUSION

This insurance does not apply to:

(1) "Bodily injury", "property damage" or "personal injury" arising out of or caused by the actual or alleged:

(a) exposure to or existence of lead, paint containing lead, or any other material or substance containing lead; or

(b) manufacture, distribution, sale, resale, rebranding, installation, repair, removal, encapsulation, abatement, replacement or handling of lead, paint containing lead, or any other material or substance containing lead

whether or not the lead is or was at any time airborne as a particle contained in a product ingested, inhaled, transmitted in any fashion, or found in any form whatsoever;

(2) Any legal obligation of any insured for indemnification or contribution due to damages arising out of "bodily injury," "property damage" or "personal injury" caused by lead, paint containing lead, or any other substance or material containing lead;

(3) Any loss, cost, expense or damages, whether direct or consequential, arising out of any:

(a) request, demand or order that any insured or others test for, monitor, clean up, remove, abate, contain, treat, or neutralize lead, paint containing lead, or any other substance or material containing lead, or in any way respond to, or assess the effects of lead; or

(b) claim or suit relating to, testing for, monitoring, cleaning up, removing, abating, containing, treating, or neutralizing lead, paint containing lead, or any other substance or material containing lead or in any way responding to or assessing the effects of lead.

This endorsement modifies insurance provided by the following:

CONTRACTORS BUSINESS OWNERS POLICY
COMMERCIAL GENERAL LIABILITY COVERAGE PART

CG-7167
(Ed. 1-95)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED ENDORSEMENT
CONSTRUCTION CONTRACTS

WHO IS AN INSURED (Section II) is amended to include as an additional insured any general contractor, subcontractor or owner whom you are required to add as an additional insured on this policy under a written or oral construction contract or agreement where a certificate of insurance showing that person or organization as an additional insured has been issued and received by "us" prior to the date of loss. The written or oral contract or agreement must not be a lease agreement for equipment or property, and must be:

(a) currently in effect or becoming effective during the term of this policy; and

(b) executed prior to the "occurrence" resulting in "bodily injury," "property damage," "personal injury" or "advertising injury."

The insurance provided to the additional insured is limited as follows:

(a) The additional insured is covered for its vicarious liability for the acts or omissions of the named insured which arise from the named insured's ongoing construction operations. The additional insured is not covered for liability due to its independent acts or for any supervision of "your work" or the work of any other person or organization; and

(b) The limits of insurance applicable to the additional insured are those specified in the written contract or agreement or in the Declarations for this policy, whichever are less.

The insurance provided to the additional insured does not apply to "bodily injury," "property damage," "personal injury" or "advertising injury" arising out of an architect's, engineer's or surveyor's rendering of or failure to render any professional services including:

(a) The preparing, approving or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, design or specifications; and

(b) Supervisory, inspection or engineering services.

Any coverage provided hereunder shall be excess over other valid and collectible insurance available to the additional insured whether that other insurance is primary, excess, contingent or provided on any other basis.



355 Maple Avenue
Harleysville, PA 19438-2297
www.harleysvillegroup.com

Harleysville Insurance Company of Ohio
Harleysville Preferred Insurance Company
Harleysville Insurance Company of New Jersey
Harleysville Mutual Insurance Company
Harleysville-Garden State Insurance Company
Harleysville Worcester Insurance Company
Harleysville-Atlantic Insurance Company
Harleysville Pennland Insurance Company

HERE'S AN "800" NUMBER WE HOPE YOU NEVER NEED.

We are totally committed to providing you with the best customer services available, from helping you understand the coverage you buy to making sure your claim settlement runs smoothly. Now, we are happy to announce an important new service to give you the security of knowing someone is *always* there to help you if and when the need arises.

Because accidents don't always happen during business hours

Naturally, you should call your independent insurance agent to report a claim. But what do you do if you suffer a loss during the wee hours of the morning or on weekends when your agent's office may be closed?

We have an answer. It's a new toll-free number you can use to report claims on evenings, weekends, holidays, 365 days a year! By calling (800) 241-2541, you can receive prompt response to immediate claim issues that cannot wait until the next business day. Knowledgeable adjusters who understand the importance of your call will take your information and begin the claim process. If the situation warrants, they will rush to the scene to assess the damage and secure statements and police reports. They will also help you prevent further loss. In all cases, one of our representatives will soon be in touch with you and keep you informed of the progress of your claim settlement.

Keep this number handy at all times

To be well-prepared to report a loss, keep this "800" number---and the name of your insurance agent, insurance company, and policy numbers---handy at all times.

Before a loss occurs, prepare an itemized listing of all your belongings and update it regularly. Include photos, videotapes and receipts, and store them in a safe place away from your home. Also keep an extra copy of documents relating to vehicle ownership, maintenance, and insurance and store them away from your autos. If you must file a claim, these simple measures can help your adjuster determine the extent of your loss and assure a prompt, fair payment for you.

We certainly hope your family stays safe and your property, sound. But if you do suffer a loss, be assured that someone will be there to help you and to give your claim the personal and prompt attention it deserves.

800-241-2541

After-hours Claims Reporting

(During business hours, please contact your agent.)

GU-1145 (Ed. 3-94)

PREMIUM AUDIT NOTICE

The following information is intended to explain the premium base on policies written "Subject to Audit."

An accurate Premium Audit is a benefit to you and your business. We recommend the person(s) in charge of keeping your financial records (e.g. Payroll; Gross Sales; Total Cost) be aware of insurance auditor needs. Records that are accurate and properly maintained allow us to complete the audit and to apply, when applicable, certain premium saving rules.

WHO WILL MAKE THE AUDIT?

A Premium Auditor will contact you for an appointment if our rules require a physical audit. If the necessary information can be obtained without a physical audit, we will send you the necessary forms for you to complete.

WHAT RECORDS WILL BE NEEDED?

The Premium Auditor will examine and audit all of your records that relate to your policy. The records needed will vary depending upon the type of coverage you have. In most cases, the auditor will be able to obtain the necessary audit data from two or more of the following records:

- Payroll Journals with monthly/quarterly totals
- Quarterly Tax Reports
- General Ledgers
- Individual Earning Cards with monthly/quarterly totals
- Certificates of Insurance for sub-contractors
- Vehicle descriptions (include purchase date and date sold)

In the course of the audit, the Auditor may ask some questions about your records and personally observe the various aspects of your business operations. This will assist the Auditor in properly classifying your operations and employees.

HOW SHOULD YOUR RECORDS BE KEPT:

Payroll: Many of the premiums for your insurance are based on payroll which is defined as total remuneration. Remuneration includes:

- Wages
- Commissions
- Bonuses
- Overtime Pay
- Holiday Pay
- Vacation Pay
- Sick Pay
- Payment for Piece Work
- Other $ Substitutes

Overtime: The amount paid in excess of straight time pay can be deducted if the excess can be verified by your records. Your records must show overtime separately by employee and totalled monthly and quarterly. THIS IS NOT APPLICABLE IN PA (WC) or DE (WC).

Division of Payroll: Division of an individual employee's payroll to more than one classification is not allowed. Exception: For construction or erection operations, the payroll of an employee may be allocated to each type of work performed if proper records are kept. Payroll **cannot** be divided between construction and office or sales classifications.

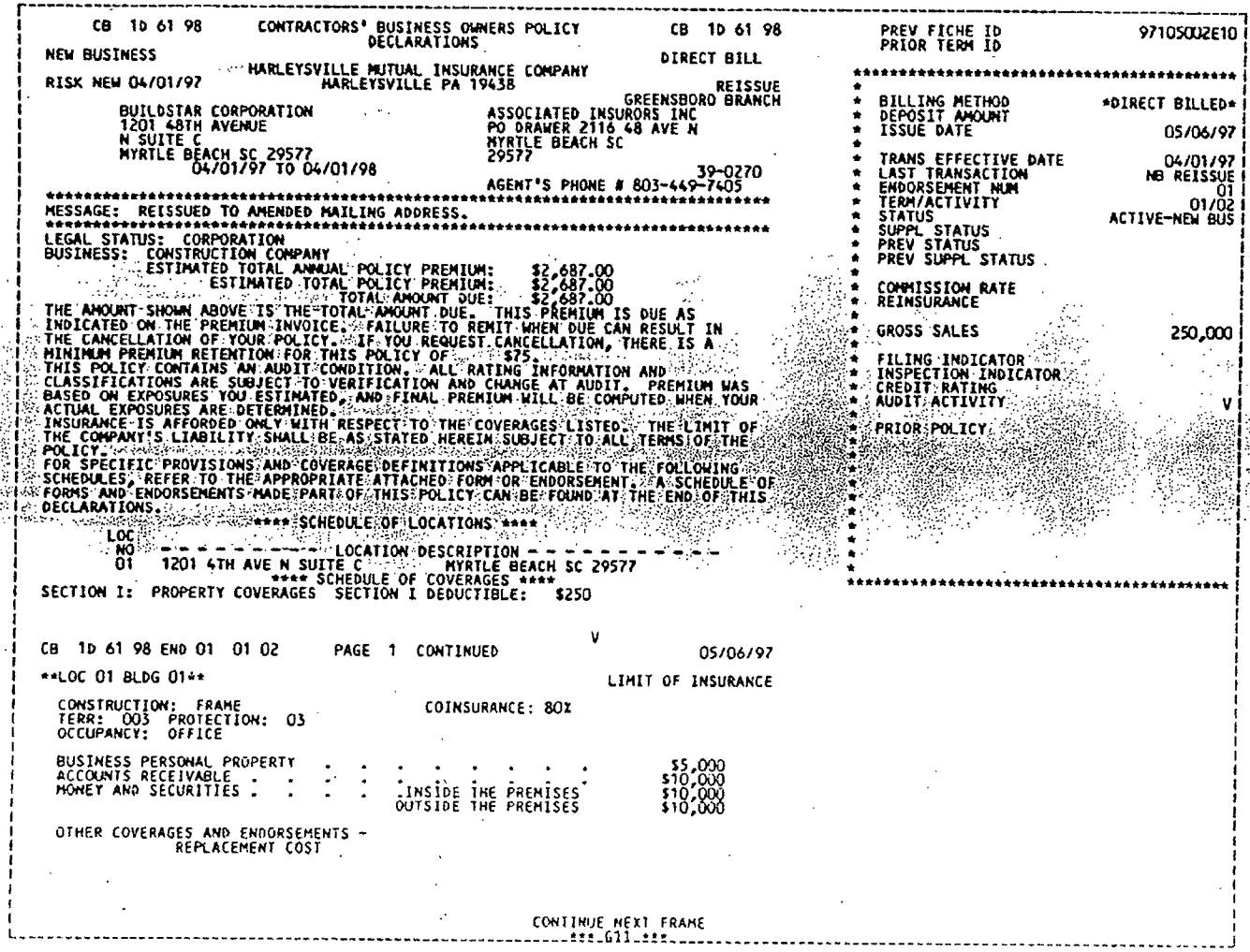
Gross Sales: Another premium base for insurance is gross sales. Sales information must be kept separately for each location with monthly and quarterly totals by the type of product sold.

*** IMPORTANT ***

Subcontractors: Most state Workers Compensation laws will hold you responsible for injuries sustained by an employee of an uninsured subcontractor. You may also be responsible for the legal liability of your subcontractors. To protect yourself, be sure to secure a CERTIFICATE OF INSURANCE from each subcontractor for Workers Compensation and General Liability coverage. These certificates must be available to the auditor at time of audit.

If no evidence of insurance is available or if liability insurance is inadequate, the subcontractor's payroll must be added to your premium base. If a person is claimed to be a subcontractor, but they do not have their own employees and their duties closely resemble those of an employee of yours, that person may be considered an employee for audit purposes. "Adequate insurance" means the subcontractor carries liability insurance with coverage comparable to yours (e.g. premises/operations -- products/completed operations) and limits of liability which are no less than $300,000 CSL ($300,000 BI/$300,000 PD Split Limits) for the period of time work was performed for you. Any limit less than the above will be considered inadequate and a payroll charge will be included on your audit.

We recommend you bring any questions concerning your insurance to the attention of your Agent.



```
     CB  1D 61 98      CONTRACTORS' BUSINESS OWNERS POLICY          CB  1D 61 98
                              DECLARATIONS
NEW BUSINESS                                                      DIRECT BILL
                      HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97          HARLEYSVILLE PA 19438                      REISSUE
                                                                GREENSBORO BRANCH
        BUILDSTAR CORPORATION                 ASSOCIATED INSURORS INC
        1201 48TH AVENUE                      PO DRAWER 2116 48 AVE N
        N SUITE C                             MYRTLE BEACH SC
        MYRTLE BEACH SC 29577                 29577
             04/01/97 TO 04/01/98                                 39-0270
                                              AGENT'S PHONE # 803-449-7405
*************************************************************************
MESSAGE:  REISSUED TO AMENDED MAILING ADDRESS.
*************************************************************************
LEGAL STATUS:  CORPORATION
BUSINESS:  CONSTRUCTION COMPANY
          ESTIMATED TOTAL ANNUAL POLICY PREMIUM:    $2,687.00
                ESTIMATED TOTAL POLICY PREMIUM:     $2,687.00
                            TOTAL AMOUNT DUE:       $2,687.00
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE.  THIS PREMIUM IS DUE AS
INDICATED ON THE PREMIUM INVOICE.  FAILURE TO REMIT WHEN DUE CAN RESULT IN
THE CANCELLATION OF YOUR POLICY.  IF YOU REQUEST CANCELLATION, THERE IS A
MINIMUM PREMIUM RETENTION FOR THIS POLICY OF      $75.
THIS POLICY CONTAINS AN AUDIT CONDITION.  ALL RATING INFORMATION AND
CLASSIFICATIONS ARE SUBJECT TO VERIFICATION AND CHANGE AT AUDIT.  PREMIUM WAS
BASED ON EXPOSURES YOU ESTIMATED, AND FINAL PREMIUM WILL BE COMPUTED WHEN YOUR
ACTUAL EXPOSURES ARE DETERMINED.
INSURANCE IS AFFORDED ONLY WITH RESPECT TO THE COVERAGES LISTED.  THE LIMIT OF
THE COMPANY'S LIABILITY SHALL BE AS STATED HEREIN SUBJECT TO ALL TERMS OF THE
POLICY.
FOR SPECIFIC PROVISIONS AND COVERAGE DEFINITIONS APPLICABLE TO THE FOLLOWING
SCHEDULES, REFER TO THE APPROPRIATE ATTACHED FORM OR ENDORSEMENT.  A SCHEDULE OF
FORMS AND ENDORSEMENTS MADE PART OF THIS POLICY CAN BE FOUND AT THE END OF THIS
DECLARATIONS.
                    **** SCHEDULE OF LOCATIONS ****
        LOC
        NO  - - - - - - - - - - LOCATION DESCRIPTION - - - - - - - - - - - -
        01   1201 4TH AVE N SUITE C        MYRTLE BEACH SC 29577
                    **** SCHEDULE OF COVERAGES ****
SECTION I:  PROPERTY COVERAGES  SECTION I DEDUCTIBLE:   $250


CB  1D 61 98 END 01  01 02      PAGE  1  CONTINUED                  05/06/97
**LOC 01 BLDG 01**                                          LIMIT OF INSURANCE
  CONSTRUCTION:  FRAME                      COINSURANCE: 80%
  TERR:  003  PROTECTION:  03
  OCCUPANCY:  OFFICE

  BUSINESS PERSONAL PROPERTY  . . . . . .          $5,000
  ACCOUNTS RECEIVABLE . . . . . .                 $10,000
  MONEY AND SECURITIES . . . . .  INSIDE THE PREMISES    $10,000
                                  OUTSIDE THE PREMISES   $10,000

  OTHER COVERAGES AND ENDORSEMENTS -
            REPLACEMENT COST


                                                CONTINUE NEXT FRAME
                                                    *** G11 ***
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PREV FICHE ID                    97105002E10
PRIOR TERM ID
*****************************************
*
*  BILLING METHOD              *DIRECT BILLED*
*  DEPOSIT AMOUNT
*  ISSUE DATE                        05/06/97
*
*  TRANS EFFECTIVE DATE              04/01/97
*  LAST TRANSACTION                  NB REISSUE
*  ENDORSEMENT NUM                          01
*  TERM/ACTIVITY                         01/02
*  STATUS                       ACTIVE-NEW BUS
*  SUPPL STATUS
*  PREV STATUS
*  PREV SUPPL STATUS
*
*  COMMISSION RATE
*  REINSURANCE
*
*  GROSS SALES                      250,000
*
*  FILING INDICATOR
*  INSPECTION INDICATOR
*  CREDIT RATING
*  AUDIT ACTIVITY                         V
*
*  PRIOR POLICY
*
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APPLIES TO BUSINESS PERSONAL PROPERTY ONLY

SECTION II: COMPREHENSIVE BUSINESS LIABILITY

BUSINESS LIABILITY AND MEDICAL EXPENSES, EACH OCCURRENCE	$1,000,000
GENERAL AGGREGATE (OTHER THAN PRODUCTS-COMPLETED OPERATIONS)	$2,000,000
PRODUCTS COMPLETED OPERATIONS AGGREGATE	$2,000,000
MEDICAL EXPENSES	$5,000
FIRE LEGAL LIABILITY.	$100,000

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ BLDG	STATE-TERR	DESCRIPTION	CLASS CODE
01/01	39-003	CARPENTRY - NEW CONSTRUCTION	17511
		PAYROLL PREMIUM BASIS	$95,000

**** SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS ****

ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
PREM NO. BLDG NO.

01 01 ADDITIONAL INSURED:
DR PATTI R VANWIE
1201 48TH N SUITE C
MYRTLE BEACH SC 29577

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE BLDG
*PJ0001E	0895	POLICY JACKET	
*B07132	0191	SOUTH CAROLINA CHANGES	
*B07206	0290	EXCLUSION-ASBESTOS	
*PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY	
*B07253	0293	PERSONAL PROPERTY OFF PREMISES	
*ST7181	0496	IF YOUR POLICY PROVIDES PROPERTY INSURANCE ON A BUILDING, YOU SHOULD KNOW...	

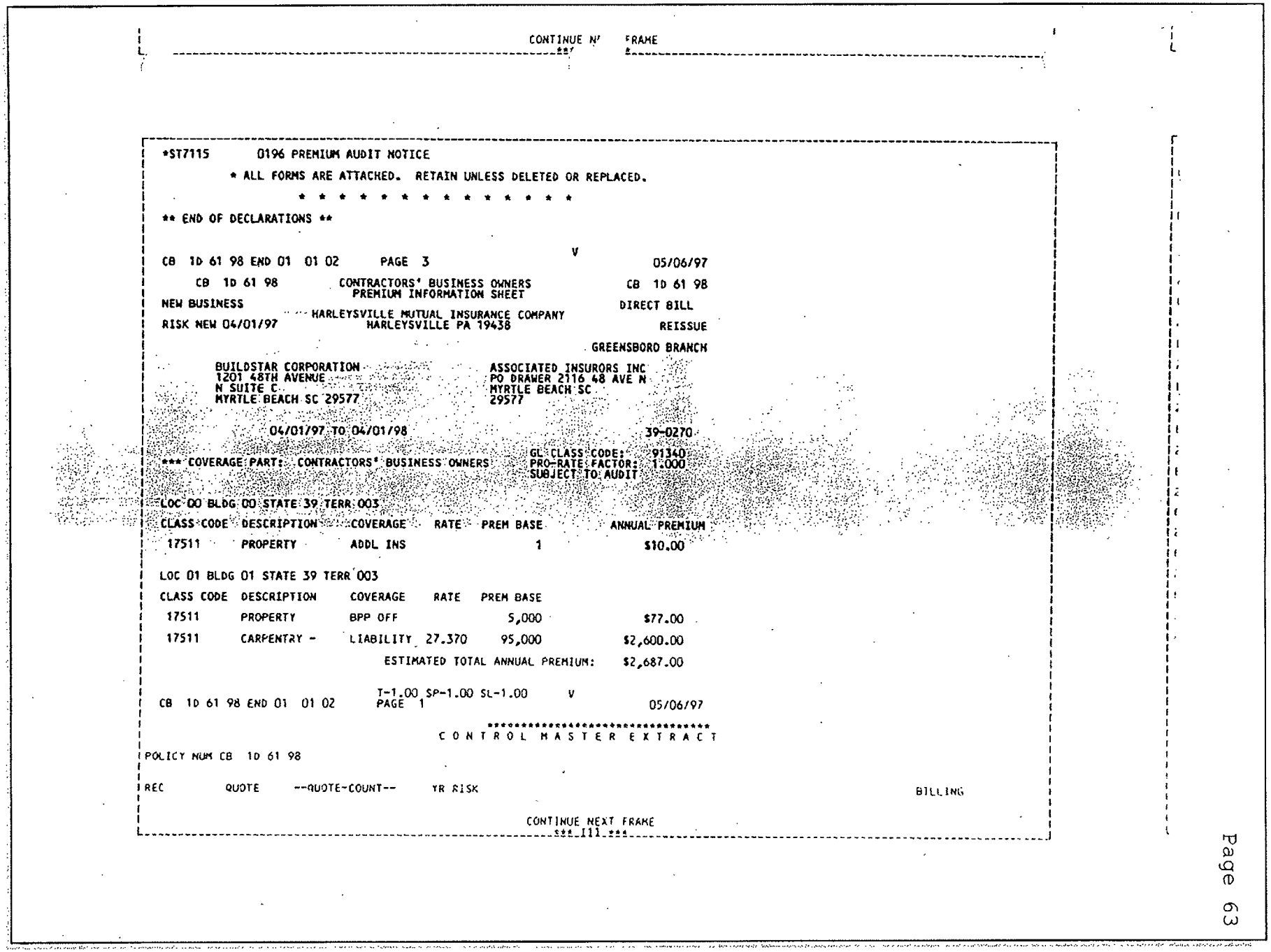
CB 1D 61 98 END 01 01 02 PAGE 2 CONTINUED 05/06/97

*B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
*B07233	0193	EMPLOYMENT - RELATED PRACTICES EXCLUSION
*B07302	0195	AMENDMENT - LEASED WORKERS
*B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED
*CG7149	1092	LEAD LIABILITY EXCLUSION
*CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

*GU1145	0394	HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED

CONTINUE NEXT FRAME
*** ... ***



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***

*ST7115 0196 PREMIUM AUDIT NOTICE

* ALL FORMS ARE ATTACHED. RETAIN UNLESS DELETED OR REPLACED.

* * * * * * * * * * * * * * *

** END OF DECLARATIONS **

V

CB 1D 61 98 END 01 01 02 PAGE 3 05/06/97

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET

NEW BUSINESS DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY

RISK NEW 04/01/97 HARLEYSVILLE PA 19438 REISSUE

GREENSBORO BRANCH

BUILDSTAR CORPORATION
1201 48TH AVENUE
N SUITE C
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577

04/01/97 TO 04/01/98 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS GL CLASS CODE: 91340
PRO-RATE FACTOR: 1.000
SUBJECT TO AUDIT

LOC 00 BLDG 00 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	ADDL INS		1	$10.00

LOC 01 BLDG 01 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
17511	CARPENTRY -	LIABILITY	27.370	95,000	$2,600.00

ESTIMATED TOTAL ANNUAL PREMIUM: $2,687.00

I-1.00 SP-1.00 SL-1.00 V
CB 1D 61 98 END 01 01 02 PAGE 1 05/06/97

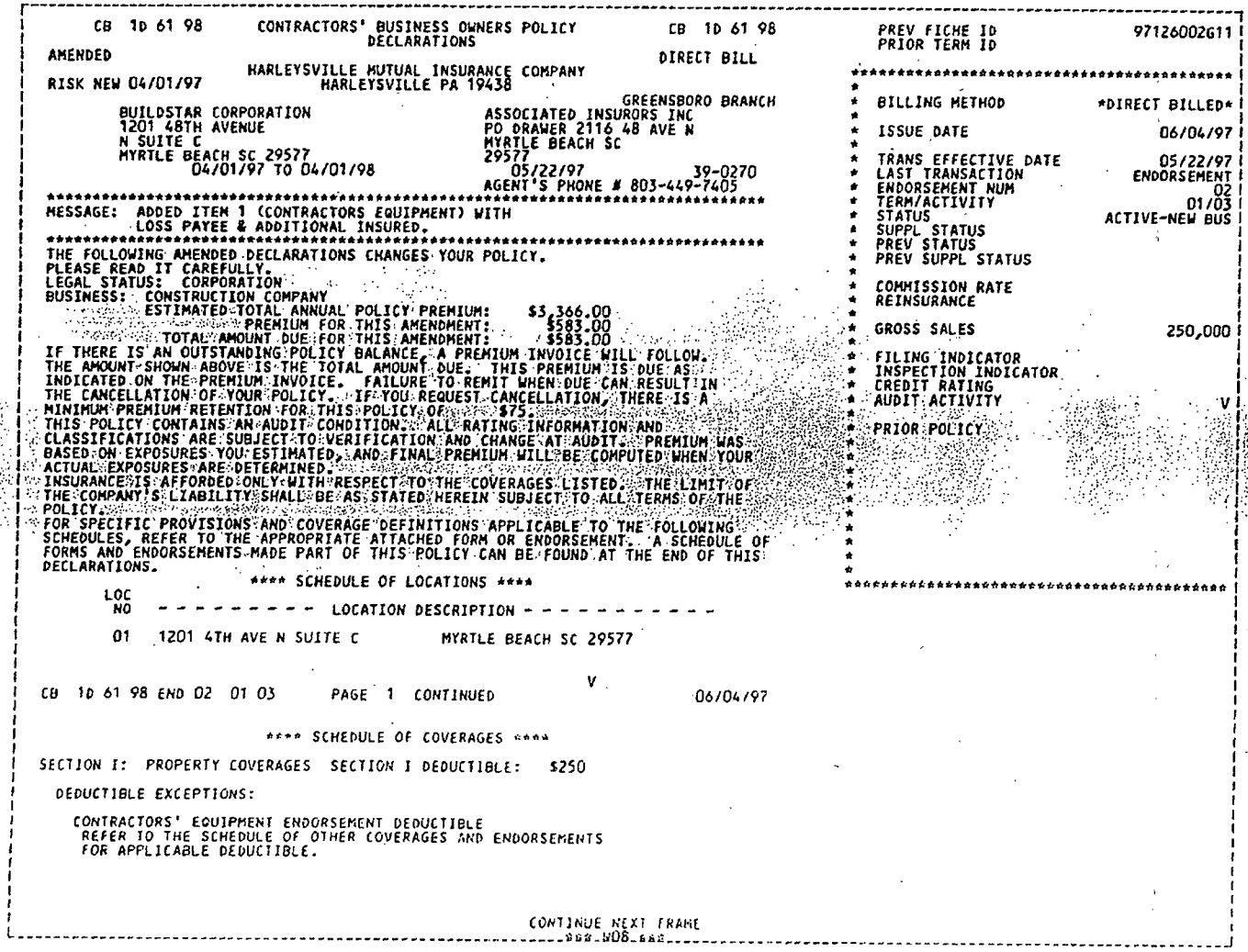
****
CONTROL MASTER EXTRACT

POLICY NUM CB 1D 61 98

REC QUOTE --QUOTE-COUNT-- YR RISK BILLING

CONTINUE NEXT FRAME
*** 111 ***

Consolidated ROA_1513



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CB  1D 61 98      CONTRACTORS' BUSINESS OWNERS POLICY          CB  1D 61 98
                        DECLARATIONS
AMENDED                                                      DIRECT BILL
                  HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97          HARLEYSVILLE PA 19438
                                                        GREENSBORO BRANCH
      BUILDSTAR CORPORATION                  ASSOCIATED INSURORS INC
      1201 48TH AVENUE                       PO DRAWER 2116 48 AVE N
      N SUITE C                              MYRTLE BEACH SC
      MYRTLE BEACH SC 29577                  29577
            04/01/97 TO 04/01/98                05/22/97          39-0270
                                             AGENT'S PHONE # 803-449-7405
*******************************************************************************
MESSAGE:  ADDED ITEM 1 (CONTRACTORS EQUIPMENT) WITH
          LOSS PAYEE & ADDITIONAL INSURED.
*******************************************************************************
THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY.
PLEASE READ IT CAREFULLY.
LEGAL STATUS:  CORPORATION
BUSINESS:  CONSTRUCTION COMPANY
          ESTIMATED TOTAL ANNUAL POLICY PREMIUM:     $3,366.00
                  PREMIUM FOR THIS AMENDMENT:          $583.00
            TOTAL AMOUNT DUE FOR THIS AMENDMENT:       $583.00
IF THERE IS AN OUTSTANDING POLICY BALANCE, A PREMIUM INVOICE WILL FOLLOW.
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE.  THIS PREMIUM IS DUE AS
INDICATED ON THE PREMIUM INVOICE.  FAILURE TO REMIT WHEN DUE CAN RESULT IN
THE CANCELLATION OF YOUR POLICY.  IF YOU REQUEST CANCELLATION, THERE IS A
MINIMUM PREMIUM RETENTION FOR THIS POLICY OF      $75.
THIS POLICY CONTAINS AN AUDIT CONDITION.  ALL RATING INFORMATION AND
CLASSIFICATIONS ARE SUBJECT TO VERIFICATION AND CHANGE AT AUDIT.  PREMIUM WAS
BASED ON EXPOSURES YOU ESTIMATED, AND FINAL PREMIUM WILL BE COMPUTED WHEN YOUR
ACTUAL EXPOSURES ARE DETERMINED.
INSURANCE IS AFFORDED ONLY WITH RESPECT TO THE COVERAGES LISTED.  THE LIMIT OF
THE COMPANY'S LIABILITY SHALL BE AS STATED HEREIN SUBJECT TO ALL TERMS OF THE
POLICY.
FOR SPECIFIC PROVISIONS AND COVERAGE DEFINITIONS APPLICABLE TO THE FOLLOWING
SCHEDULES, REFER TO THE APPROPRIATE ATTACHED FORM OR ENDORSEMENT.  A SCHEDULE OF
FORMS AND ENDORSEMENTS MADE PART OF THIS POLICY CAN BE FOUND AT THE END OF THIS
DECLARATIONS.
                    **** SCHEDULE OF LOCATIONS ****
      LOC
       NO   - - - - - - - - - - LOCATION DESCRIPTION - - - - - - - - - - -

       01   1201 4TH AVE N SUITE C          MYRTLE BEACH SC 29577


                                                                        V
CB  1D 61 98 END 02  01 03      PAGE  1  CONTINUED                  06/04/97

                        **** SCHEDULE OF COVERAGES ****

SECTION I:  PROPERTY COVERAGES  SECTION I DEDUCTIBLE:   $250

  DEDUCTIBLE EXCEPTIONS:

    CONTRACTORS' EQUIPMENT ENDORSEMENT DEDUCTIBLE
     REFER TO THE SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS
     FOR APPLICABLE DEDUCTIBLE.


                                                  CONTINUE NEXT FRAME
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PREV FICHE ID                    97126002G11
PRIOR TERM ID
*****************************************
*                                       *
*  BILLING METHOD              *DIRECT BILLED*
*                                       *
*  ISSUE DATE                      06/04/97
*                                       *
*  TRANS EFFECTIVE DATE            05/22/97
*  LAST TRANSACTION              ENDORSEMENT
*  ENDORSEMENT NUM                      02
*  TERM/ACTIVITY                     01/03
*  STATUS                    ACTIVE-NEW BUS
*  SUPPL STATUS
*  PREV STATUS
*  PREV SUPPL STATUS
*
*  COMMISSION RATE
*  REINSURANCE
*
*  GROSS SALES                     250,000
*
*  FILING INDICATOR
*  INSPECTION INDICATOR
*  CREDIT RATING
*  AUDIT ACTIVITY                        V
*
*  PRIOR POLICY
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*****************************************
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```
   NO.  NO.

    01   01     ADDITIONAL INSURED:
   DR PATTI R VANWIE
   1201 48TH N SUITE C
   MYRTLE BEACH SC 29577

ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
    01   01     NAME OF PERSON OR ORGANIZATION:
   CATERPILLAR FINANCIAL SERVICE  CORP. INSURANCE SERV CENTER
   PO BOX 1400
   CORAOPOLIS PA 15108
   ITEM 1

LOSS PAYABLE PROVISIONS
   PREM BLDG
    NO.  NO.

    01   01     LOSS PAYEE
                                        LOSS PAYABLE PROVISION APPLICABLE
   CATERPILLAR FINANCIAL SERVICE  CORP. INSURANCE SERV. CENTER
   PO BOX 1400
   CORAOPOLIS PA 15108
                DESCRIPTION OF PROPERTY:
   ITEM 1

            **** SCHEDULE OF FORMS AND ENDORSEMENTS ****
                                                                    LOC/
                                                                STATE BLDG
   PJ0001E      0895 POLICY JACKET
   B07132       0191 SOUTH CAROLINA CHANGES
   B07206       0290 EXCLUSION-ASBESTOS
   PT0617       0190 CONTRACTORS' BUSINESS OWNERS POLICY
  *B07112       1288 LOSS PAYABLE PROVISIONS
  *B07191       0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
   B07253       0293 PERSONAL PROPERTY OFF PREMISES
   B07102       1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
  *B07201       0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
   B07233       0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION
   B07302       0195 AMENDMENT - LEASED WORKERS

                                          V
CB  1D 61 98 END 02  01 03      PAGE  3  CONTINUED              06/04/97

   B07314       0896 AMENDMENT SECTION II - WHO IS AN INSURED
   CG7149       1092 LEAD LIABILITY EXCLUSION
   CG7167       0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION
                     CONTRACTS

                          ** IMPORTANT INFORMATION **
          THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
          PLEASE READ CAREFULLY.

   GU1145       0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
   ST7115       0196 PREMIUM AUDIT NOTICE

                     * INDICATES A NEW OR REPLACEMENT FORM.


                                                  CONTINUE NEXT FRAME
                                                      *** 809 ***

                    * * * * * * * * * * * * * * *

** END OF DECLARATIONS **
```

This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY

BO-7112
(Ed. 12-88)

LOSS PAYABLE PROVISIONS

SCHEDULE*

Prem. No.	Bldg. No.	Description of Property	Loss Payee (Name & Address)	Provision Applicable (Indicate Paragraph A or B)

The following is added to the Business Owners Property Coverage Form LOSS PAYMENT Loss Condition, as shown in the Declarations or by an "A" or "B" in the Schedule:

A. LOSS PAYABLE

For Covered Property in which both you and a Loss Payee shown in the Schedule or in the Declarations have an insurable interest we will:

1. Adjust losses with you;
2. Pay any claim for loss or damage jointly to you and the Loss Payee, as interests may appear.

B. LENDER'S LOSS PAYABLE

1. The Loss Payee shown in the Schedule or in the Declarations is a creditor (including a mortgage holder or trustee) with whom you have entered a contract for the sale of Covered Property, whose interest in that Covered Property is established by such written contracts as:
   a. Warehouse receipts;
   b. A contract for deed;
   c. Bills of lading; or
   d. Financing statements.
2. For Covered Property in which both you and a Loss Payee have an insurable interest:
   a. We will pay for covered loss or damage to each Loss Payee in their order of precedence, as interests may appear.
   b. The Loss Payee has the right to receive loss payment even if the Loss Payee has started foreclosure for similar action on the Covered Property.
   c. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the Loss Payee will still have the right to receive loss payment if the Loss Payee:
      (1) Pays any premium due under this policy at our request if you have failed to do so;
      (2) Submits a signed, sworn proof of loss within 60 days after receiving notice from us of your failure to do so; and
      (3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the Loss Payee.

      All of the terms of the Business Owners Property Coverage Form will then apply directly to the Loss Payee.
   d. If we pay the Loss Payee for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:
      (1) The Loss Payee's rights will be transferred to us to the extent of the amount we pay; and

*ormation required to complete this Schedule, if not shown on this endorsement will be shown in the Declarations.

Copyright Insurance Services Office, Inc., 1985

(2) The Loss Payee's right to recover the full amount of the Loss Payee's claim will not be impaired.

At our option, we may pay to the Loss Payee the whole principal on the debt plus any accrued interest. In this event you will pay your remaining debt to us.

3. If we cancel this policy, we will give written notice to the Loss Payee at least:

   a. 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or

   b. 30 days before the effective date of cancellation if we cancel for any other reason.

4. If we do not renew this policy, we will give written notice to the Loss Payee at least 10 days before the expiration date of this policy.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

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Contractors' Business Owners

BO-7191
(Ed. 1-90)

CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT

The words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to Section F - DEFINITIONS.

A. COVERAGE

We will pay for "loss" to Covered Property from any of the Covered Causes of Loss

1. COVERED PROPERTY, as used in this Coverage Form, means:

   Property described on the Declarations.

2. PROPERTY NOT COVERED

   Covered Property does not include.

   a. Automobiles, motor trucks, motorcycles, aircraft or watercraft;

   b. Plans, blue prints, designs or specifications;

   c. Any property which has become a permanent part of any structure;

   d. Property while underground;

   e. Property while being waterborne. But we will pay for direct "loss" caused by fire.

   f. Contraband, or property in the course of illegal transportation or trade.

3. COVERED CAUSES OF LOSS

   Covered Causes of Loss means RISKS OF DIRECT PHYSICAL "LOSS" to Covered Property except those causes of "loss" listed in the Exclusions.

B. EXCLUSIONS

1. We will not pay for a "loss" caused directly or indirectly by any of the following. Such "loss" is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the "loss."

   a. GOVERNMENTAL ACTION

      Seizure or destruction of property by order of governmental authority.

      But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread if the fire would be covered under this Coverage Form.

   b. NUCLEAR HAZARD

      (1) Any weapon employing atomic fission or fusion; or

      (2) Nuclear reaction or radiation, or radioactive contamination from any other cause.

      But we will pay for direct "loss" caused by resulting fire if the fire would be covered under this Coverage Form.

   c. WAR AND MILITARY ACTION

      (1) War, incuding undeclared or civil war;

      (2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

      (3) Insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.

2. We will not pay for a "loss" caused by or resulting from any of the following:

   a. Occasioned by the weight of a load exceeding the registered lifting or supporting capacity of any machine.

   b. Dishonest acts by you, anyone else with an interest in the property, your or their employees or authorized representatives or anyone entrusted with the property, whether or not acting alone or in collusion with other persons or occurring during the hours of employment.

      But this exclusion does not apply to a carrier for hire.

   c. Artifically generated current creating a short circuit or other electric disturbance within an article covered under this Coverage Form.

      But we will pay for direct "loss" caused by resulting fire or explosion, if these causes of "loss" would be covered under this Coverage Form.

      This exclusion only applies to "loss" to that article in which the disturbance occurs.

3. We will not pay for a "loss" caused by or resulting from any of the following. But if "loss" by a "Special Peril" results, we will pay for that resulting "loss."

   a. Wear and tear;

   b. Gradual deterioration;

   c. Breakage;

   d. Rust.

C. LIMITS OF INSURANCE

The most we will pay for "loss" in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

D. DEDUCTIBLE

We will not pay for "loss" in any one occurrence until the amount of the adjusted "loss" before applying the applicable Limits of Insurance exceeds the Deductible shown in the Declarations. We will then pay the amount of the adjusted "loss" in excess of the Deductible, up to the applicable Limit of Insurance.

E. ADDITIONAL CONDITIONS

The following conditions apply in addition to the Common Policy Conditons:

1. COVERAGE TERRITORY

   We cover property wherever located within:

   a. The United States of America; and

   b. Canada.

2. COINSURANCE

   All Covered Property, except property in transit must be insured for at least 100% of its total value as of the time of "loss" or you will incur a penalty.

   The penalty is that we will pay only the proportion of any "loss" that the Limit of Insurance shown in the Declarations for all Covered Property at all locations bears to 100% of the total value of all property at all locations as of the time of "loss." This penalty will not apply to property in transit.

3. It is a condition of this insurance that all articles insured hereunder are in sound condition at the time of attachment of this insurance.

4. PAIR, SET OR PARTS

   a. Pair or Set. In case of "loss" to any part of a pair or set we may:

      (1) Repair or replace any part to restore the pair or set to its value before the "loss;" or

      (2) Pay the difference between the value of the pair or set before and after the "loss."

   b. Parts. In case of "loss" to any part of Covered Property consisting of several parts when complete, we will only pay for the value of the lost or damaged part.

F. DEFINITIONS:

1. "Loss" means accidental loss or damage.

2. "Special perils" means fire, lightning, explosion, cyclone, tornado, windstorm, flood, earthquake, collision, derailment or overturn of conveyance, malicious damage or aircraft damage.

G. OPTIONAL COVERAGE RENTAL REIMBURSEMENT COVERAGE FOR CONTRACTORS' EQUIPMENT

We provide coverage for only that equipment specifically listed on the Contractors' Equipment Schedule and where Rental Reimbursement Coverage is indicated as covered.

1. We will pay for rental reimbursement expenses incurred by you for the rental of equipment because of loss to covered equipment. Payment applies in addition to the otherwise applicable amount of each coverage the insured has on covered equipment. No deductible shall apply to this coverage.

2. We will pay only those necessary and actual expenses incurred during the policy period, beginning at the time of the loss and ending, regardless of the policy's expiration, with the lesser of the following number of days:

   (a) The number of days reasonably required to repair or replace the covered equipment;

   (b) Thirty (30) days.

3. This coverage does not apply while there is spare or reserve equipment available to the insured for his/her operations.

This endorsement modifies insurance provided under the following:

CONTRACTORS' BUSINESS OWNERS POLICY

BO-7201
(Ed. 1-90)

ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT

Schedule

Name of Person or Organization:

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

WHO IS AN INSURED (Section II) is amended to include as an insured the person(s) or organization(s) shown in the Schedule, but only with respect to their liability arising out of the maintenance, operation or use by you of equipment leased to you by such person(s) or organization(s), subject to the following additional exclusions:

This insurance does not apply:

1. To any "occurrence" which takes place after the equipment lease expires;
2. To "bodily injury" or "property damage" arising out of the sole negligence of the person or organization shown in the Schedule.

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CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS

AMENDED DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438
GREENSBORO BRANCH

BUILDSTAR CORPORATION
1201 48TH AVENUE
N SUITE C
MYRTLE BEACH SC 29577
04/01/97 TO 04/01/98

ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577
05/27/97 39-0270
AGENT'S PHONE # 803-449-7405

****
MESSAGE: ITEM #2, HONDA PRESSURE WASHER IS ADDED TO THE POLICY.
****

THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY.
PLEASE READ IT CAREFULLY.
LEGAL STATUS: CORPORATION
BUSINESS: CONSTRUCTION COMPANY
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $3,378.00
PREMIUM FOR THIS AMENDMENT: SUBJECT TO AUDIT
TOTAL AMOUNT DUE FOR THIS AMENDMENT: $0.00
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS DUE AS INDICATED ON THE PREMIUM INVOICE. FAILURE TO REMIT WHEN DUE CAN RESULT IN THE CANCELLATION OF YOUR POLICY. IF YOU REQUEST CANCELLATION, THERE IS A MINIMUM PREMIUM RETENTION FOR THIS POLICY OF $75.
THIS POLICY CONTAINS AN AUDIT CONDITION. ALL RATING INFORMATION AND CLASSIFICATIONS ARE SUBJECT TO VERIFICATION AND CHANGE AT AUDIT. PREMIUM WAS BASED ON EXPOSURES YOU ESTIMATED, AND FINAL PREMIUM WILL BE COMPUTED WHEN YOUR ACTUAL EXPOSURES ARE DETERMINED.
INSURANCE IS AFFORDED ONLY WITH RESPECT TO THE COVERAGES LISTED. THE LIMIT OF THE COMPANY'S LIABILITY SHALL BE AS STATED HEREIN SUBJECT TO ALL TERMS OF THE POLICY.
FOR SPECIFIC PROVISIONS AND COVERAGE DEFINITIONS APPLICABLE TO THE FOLLOWING SCHEDULES, REFER TO THE APPROPRIATE ATTACHED FORM OR ENDORSEMENT. A SCHEDULE OF FORMS AND ENDORSEMENTS MADE PART OF THIS POLICY CAN BE FOUND AT THE END OF THIS DECLARATIONS.

**** SCHEDULE OF LOCATIONS ****

LOC NO	LOCATION DESCRIPTION	
01	1201 4TH AVE N SUITE C	MYRTLE BEACH SC 29577

CB 1D 61 98 END 03 01 04 PAGE 1 CONTINUED 06/19/97

**** SCHEDULE OF COVERAGES ****

SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: $250

DEDUCTIBLE EXCEPTIONS:

CONTRACTORS' EQUIPMENT ENDORSEMENT DEDUCTIBLE
REFER TO THE SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS FOR APPLICABLE DEDUCTIBLE.

LOC 01 BLDG 01 LIMIT OF INSURANCE

CONSTRUCTION: FRAME COINSURANCE: 80%

CONTINUE NEXT FRAME

PREV FICHE ID 97155002ND8
PRIOR TERM ID

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	06/19/97
TRANS EFFECTIVE DATE	05/27/97
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	03
TERM/ACTIVITY	01/04
STATUS	ACTIVE-NEW BUS
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	V
PRIOR POLICY	

Consolidated ROA_1521

CONTINUE NF FRAME

TERR: 003 PROTECTION: 03
OCCUPANCY: OFFICE

BUSINESS PERSONAL PROPERTY		$5,000
ACCOUNTS RECEIVABLE		$10,000
MONEY AND SECURITIES	INSIDE THE PREMISES	$10,000
	OUTSIDE THE PREMISES	$10,000

OTHER COVERAGES AND ENDORSEMENTS -
REPLACEMENT COST
APPLIES TO BUSINESS PERSONAL PROPERTY ONLY

SECTION II: COMPREHENSIVE BUSINESS LIABILITY

BUSINESS LIABILITY AND MEDICAL EXPENSES. EACH OCCURRENCE	$1,000,000
GENERAL AGGREGATE (OTHER THAN PRODUCTS-COMPLETED OPERATIONS)	$2,000,000
PRODUCTS COMPLETED OPERATIONS AGGREGATE	$2,000,000
MEDICAL EXPENSES	$5,000
FIRE LEGAL LIABILITY.	$100,000

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ BLDG	STATE-TERR	DESCRIPTION	CLASS CODE
01/01	39-003	CARPENTRY - NEW CONSTRUCTION	17511
		PAYROLL PREMIUM BASIS	$95,000

**** SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS ****

CONTRACTORS' EQUIPMENT ENDORSEMENT

SCHEDULE FOR CONTRACTORS' EQUIPMENT

ITEM NO	DED AMT	DESCRIPTION	MANUFACTURER	IDENTIFYING MARKS & NOS	AMOUNT OF INSURANCE
1		416C BACKHOE LOADER YEAR BUILT 1997	CATERPILLAR	SYN01896	$60,790
2		MM3204CWH PRESSURE WASHER	HONDA	S#320400022	$1,107

CB 10 61 98 END 03 01 04 PAGE 2 CONTINUED 06/19/97

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN ($61,897)
IN ANY ONE DISASTER, EITHER IN CASE OF PARTIAL OR TOTAL
LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES OR ALL COMBINED.

DEDUCTIBLE: $500

DEDUCTIBLE EXCEPTIONS ARE REFLECTED FOR SCHEDULED ITEMS.
IN CASE OF "LOSS" INVOLVING MORE THAN ONE SCHEDULED ITEM,
THE HIGHEST DEDUCTIBLE AMOUNT SHOWN FOR SCHEDULED COVERED
PROPERTY INVOLVED IS THE DEDUCTIBLE AMOUNT.

ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES

CONTINUE NEXT FRAME

```
    # BLDG
   NO.  NO.

    01   01     ADDITIONAL INSURED:
   DR PATTI R VANWIE
   1201 48TH N SUITE C
   MYRTLE BEACH SC 29577

 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
    01   01     NAME OF PERSON OR ORGANIZATION:
   CATERPILLAR FINANCIAL SERVICE  CORP. INSURANCE SERV CENTER
   PO BOX 1400
   CORAOPOLIS PA 15108
   ITEM 1

 LOSS PAYABLE PROVISIONS
   PREM BLDG
    NO.  NO.

    01   01     LOSS PAYEE
                                    LOSS PAYABLE PROVISION APPLICABLE
   CATERPILLAR FINANCIAL SERVICE  CORP. INSURANCE SERV. CENTER
   PO BOX 1400
   CORAOPOLIS PA 15108
                DESCRIPTION OF PROPERTY:
   ITEM 1

                **** SCHEDULE OF FORMS AND ENDORSEMENTS ****
                                                              LOC/
                                                            STATE BLDG
   PJ0001E      0895 POLICY JACKET
   B07132       0191 SOUTH CAROLINA CHANGES
   B07206       0290 EXCLUSION-ASBESTOS
   PT0617       0190 CONTRACTORS' BUSINESS OWNERS POLICY
   B07112       1288 LOSS PAYABLE PROVISIONS
   B07191       0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
   B07253       0293 PERSONAL PROPERTY OFF PREMISES
   B07102       1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
   B07201       0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT

                                                              V
 CB  1D 61 98 END 03  01 04      PAGE  3  CONTINUED                    06/19/97

   B07233       0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION
   B07302       0195 AMENDMENT - LEASED WORKERS
   B07314       0896 AMENDMENT SECTION II - WHO IS AN INSURED
   CG7149       1092 LEAD LIABILITY EXCLUSION
   CG7167       0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION
                     CONTRACTS

                          ** IMPORTANT INFORMATION **
            THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
            PLEASE READ CAREFULLY.

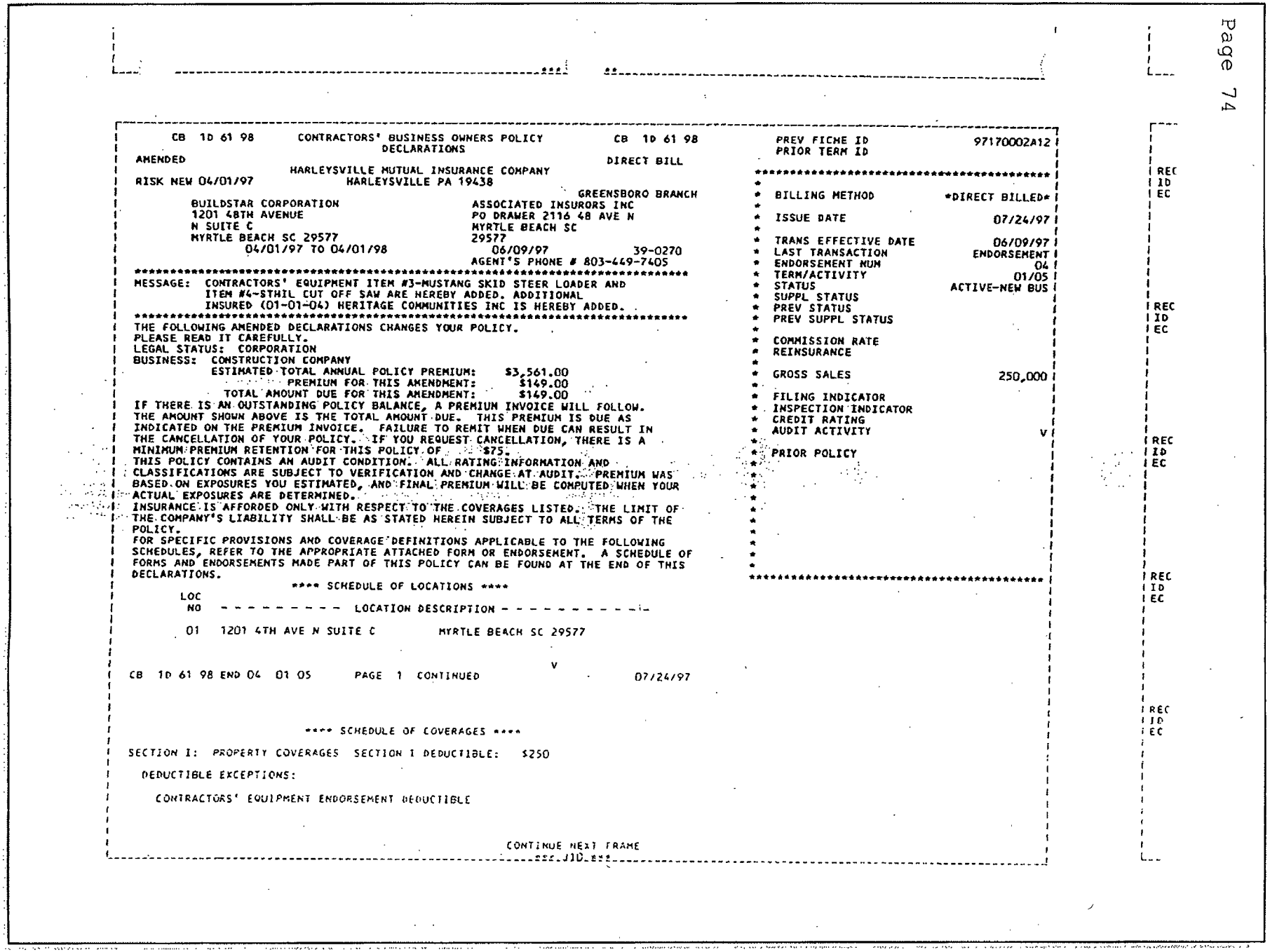
   GU3145       0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
   ST7115       0196 PREMIUM AUDIT NOTICE

                      - INDICATES A NEW OR REPLACEMENT FORM.

                                                  CONTINUE NEXT FRAME
                                                      ***_C12_***

 ** END OF DECLARATIONS **
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Consolidated ROA_1523



CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS
AMENDED DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438
GREENSBORO BRANCH

BUILDSTAR CORPORATION
1201 48TH AVENUE
N SUITE C
MYRTLE BEACH SC 29577
04/01/97 TO 04/01/98

ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577
06/09/97 39-0270
AGENT'S PHONE # 803-449-7405

****
MESSAGE: CONTRACTORS' EQUIPMENT ITEM #3-MUSTANG SKID STEER LOADER AND
ITEM #4-STHIL CUT OFF SAW ARE HEREBY ADDED. ADDITIONAL
INSURED (01-01-04) HERITAGE COMMUNITIES INC IS HEREBY ADDED.
****

THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY.
PLEASE READ IT CAREFULLY.
LEGAL STATUS: CORPORATION
BUSINESS: CONSTRUCTION COMPANY
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $3,561.00
PREMIUM FOR THIS AMENDMENT: $149.00
TOTAL AMOUNT DUE FOR THIS AMENDMENT: $149.00
IF THERE IS AN OUTSTANDING POLICY BALANCE, A PREMIUM INVOICE WILL FOLLOW.
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS DUE AS
INDICATED ON THE PREMIUM INVOICE. FAILURE TO REMIT WHEN DUE CAN RESULT IN
THE CANCELLATION OF YOUR POLICY. IF YOU REQUEST CANCELLATION, THERE IS A
MINIMUM PREMIUM RETENTION FOR THIS POLICY OF $75.
THIS POLICY CONTAINS AN AUDIT CONDITION. ALL RATING INFORMATION AND
CLASSIFICATIONS ARE SUBJECT TO VERIFICATION AND CHANGE AT AUDIT. PREMIUM WAS
BASED ON EXPOSURES YOU ESTIMATED, AND FINAL PREMIUM WILL BE COMPUTED WHEN YOUR
ACTUAL EXPOSURES ARE DETERMINED.
INSURANCE IS AFFORDED ONLY WITH RESPECT TO THE COVERAGES LISTED. THE LIMIT OF
THE COMPANY'S LIABILITY SHALL BE AS STATED HEREIN SUBJECT TO ALL TERMS OF THE
POLICY.
FOR SPECIFIC PROVISIONS AND COVERAGE DEFINITIONS APPLICABLE TO THE FOLLOWING
SCHEDULES, REFER TO THE APPROPRIATE ATTACHED FORM OR ENDORSEMENT. A SCHEDULE OF
FORMS AND ENDORSEMENTS MADE PART OF THIS POLICY CAN BE FOUND AT THE END OF THIS
DECLARATIONS.

**** SCHEDULE OF LOCATIONS ****

LOC NO	LOCATION DESCRIPTION	
01	1201 4TH AVE N SUITE C	MYRTLE BEACH SC 29577

CB 1D 61 98 END 04 01 05 PAGE 1 CONTINUED 07/24/97

**** SCHEDULE OF COVERAGES ****

SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: $250

DEDUCTIBLE EXCEPTIONS:

CONTRACTORS' EQUIPMENT ENDORSEMENT DEDUCTIBLE

CONTINUE NEXT FRAME

PREV FICHE ID 97170002A12
PRIOR TERM ID

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	07/24/97
TRANS EFFECTIVE DATE	06/09/97
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	04
TERM/ACTIVITY	01/05
STATUS	ACTIVE-NEW BUS
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	V
PRIOR POLICY	

REC ID EC
REC ID EC
REC ID EC
REC ID EC
REC ID EC

CONTINUE AME

REFER TO THE SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS
FOR APPLICABLE DEDUCTIBLE.

LOC 01 BLDG 01

LIMIT OF INSURANCE

CONSTRUCTION: FRAME COINSURANCE: 80%
TERR: 003 PROTECTION: 03
OCCUPANCY: OFFICE

BUSINESS PERSONAL PROPERTY		$5,000
ACCOUNTS RECEIVABLE		$10,000
MONEY AND SECURITIES	INSIDE THE PREMISES	$10,000
	OUTSIDE THE PREMISES	$10,000

OTHER COVERAGES AND ENDORSEMENTS -
REPLACEMENT COST
APPLIES TO BUSINESS PERSONAL PROPERTY ONLY

SECTION II: COMPREHENSIVE BUSINESS LIABILITY

BUSINESS LIABILITY AND MEDICAL EXPENSES. EACH OCCURRENCE	$1,000,000
GENERAL AGGREGATE (OTHER THAN PRODUCTS-COMPLETED OPERATIONS)	$2,000,000
PRODUCTS COMPLETED OPERATIONS AGGREGATE	$2,000,000
MEDICAL EXPENSES	$5,000
FIRE LEGAL LIABILITY.	$100,000

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ BLDG	STATE- TERR	DESCRIPTION	CLASS CODE
01/01	39-003	CARPENTRY - NEW CONSTRUCTION	17511
		PAYROLL PREMIUM BASIS	$95,000

**** SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS ****

CONTRACTORS' EQUIPMENT ENDORSEMENT

SCHEDULE FOR CONTRACTORS' EQUIPMENT

CB 1D 61 98 END 04 01 05 PAGE 2 CONTINUED 07/24/97

ITEM NO	DED AMT	DESCRIPTION	MANUFACTURER	V IDENTIFYING MARKS & NOS	AMOUNT OF INSURANCE
1		416C BACKHOE LOADER YEAR BUILT 1997	CATERPILLAR	SYN01896	$60,790
2		MH3204CWH PRESSURE WASHER	HONDA	S#320400022	$1,107
3		SKID STEER LOADER	MUSTANG	6483557	$14,800
4		CUT OFF SAW MODEL 5460	STHIL	136512184	$962

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN ($77,659)
IN ANY ONE DISASTER, EITHER IN CASE OF PARTIAL OR TOTAL
LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES OR ALL COMBINED.

DEDUCTIBLE: $500

DEDUCTIBLE EXCEPTIONS ARE REFLECTED FOR SCHEDULED ITEMS.

CONTINUE NEXT FRAME

REC ID EC
REC ID EC
REC ID EC
REC ID EC
REC ID EC

Consolidated ROA_1525

D' 'CTIBLE EXCEPTIONS ARE REFLECTED FOR SCHEDULED ITEMS.

CONTINUE FRAME
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IN CASE OF "LOSS" INVOLVING MORE THAN ONE SCHEDULED ITEM,
THE HIGHEST DEDUCTIBLE AMOUNT SHOWN FOR SCHEDULED COVERED
PROPERTY INVOLVED IS THE DEDUCTIBLE AMOUNT.

ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
PREM BLDG
NO. NO.

01 01 ADDITIONAL INSURED:
DR PATTI R VANWIE
1201 48TH N SUITE C
MYRTLE BEACH SC 29577

ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
01 01 NAME OF PERSON OR ORGANIZATION:
CATERPILLAR FINANCIAL SERVICE CORP. INSURANCE SERV CENTER
PO BOX 1400
CORAOPOLIS PA 15108
ITEM 1

01 01 NAME OF PERSON OR ORGANIZATION:
HERITAGE COMMUNITIES INC
SUITE C 1201 48TH AVE NORTH
MYRTLE BEACH SC 29577
ITEMS #3 AND #4

LOSS PAYABLE PROVISIONS
PREM BLDG
NO. NO.

01 01 LOSS PAYEE LOSS PAYABLE PROVISION APPLICABLE
CATERPILLAR FINANCIAL SERVICE CORP. INSURANCE SERV. CENTER
PO BOX 1400
CORAOPOLIS PA 15108
DESCRIPTION OF PROPERTY:
ITEM 1

CB 1D 61 98 END 04 01 05 PAGE 3 CONTINUED 07/24/97

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

		LOC/ STATE BLDG
PJ0001E	0895 POLICY JACKET	
B07132	0191 SOUTH CAROLINA CHANGES	
B07206	0290 EXCLUSION-ASBESTOS	
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288 LOSS PAYABLE PROVISIONS	
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293 PERSONAL PROPERTY OFF PREMISES	
B07102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195 AMENDMENT - LEASED WORKERS	

CONTINUE NEXT FRAME
L10

REC ID EC

REC ID EC

REC ID EC

REC ID EC

REC ID EC

B07314 0896 AMENDMENT SECTION II - WHO IS AN INSURED
CG7149 1092 LEAD LIABILITY EXCLUSION
CG7167 0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

GU1145 0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
ST7115 0196 PREMIUM AUDIT NOTICE

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * * * * * * * * * * * *

** END OF DECLARATIONS **

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET
AMENDED DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
1201 48TH AVENUE
N SUITE C
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577

04/01/97 TO 04/01/98 06/09/97 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS
GL CLASS CODE: 91340
PRO-RATE FACTOR: 0.811
SUBJECT TO AUDIT

LOC 00 BLDG 00 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		77,659	$854.00
17511	PROPERTY	ADDL INS		3	$30.00

LOC 01 BLDG 01 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
17511	CARPENTRY -	LIABILITY	27.370	95,000	$2,600.00

ESTIMATED TOTAL ANNUAL PREMIUM: $3,561.00

CONTINUE NEXT FRAME
_810_

Consolidated ROA_1526

Consolidated ROA_1527

*** E06

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

BUILDSTAR CORPORATION
4728 JENN DR
N SUITE C
MYRTLE BEACH SC 29577
04/01/97 TO 04/01/98

GREENSBORO BRANCH
ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578
12/23/97 39-0270
AGENT'S PHONE # 803-449-7405

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

IT IS UNDERSTOOD AND AGREED INSURED'S MAILING AND LOCATION
ADDRESS IS AMENDED TO 4728 JENN DR., MYRTLE BEACH SC 29577.

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $3,561.00
PREMIUM FOR THIS ENDORSEMENT: $0.00
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $0.00
**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

		LOC/ STATE BLDG
PJ0001E	0895 POLICY JACKET	
B07132	0191 SOUTH CAROLINA CHANGES	
B07206	0290 EXCLUSION-ASBESTOS	
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288 LOSS PAYABLE PROVISIONS	
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293 PERSONAL PROPERTY OFF PREMISES	
B07102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195 AMENDMENT - LEASED WORKERS	
B07314	0896 AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092 LEAD LIABILITY EXCLUSION	
CG7167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

GU1145	0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
ST7115	0196 PREMIUM AUDIT NOTICE

* INDICATES A NEW OR REPLACEMENT FORM.

U
CB 1D 61 98 END 05 01 06 PAGE 1 CONTINUED 12/31/97

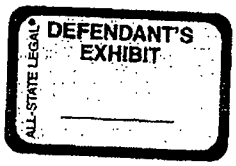
** END OF DECLARATIONS **

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CB 1D 61 98 END 05 01 06 PAGE 2 12/31/97

CONTINUE NEXT FRAME
*** F06 ***

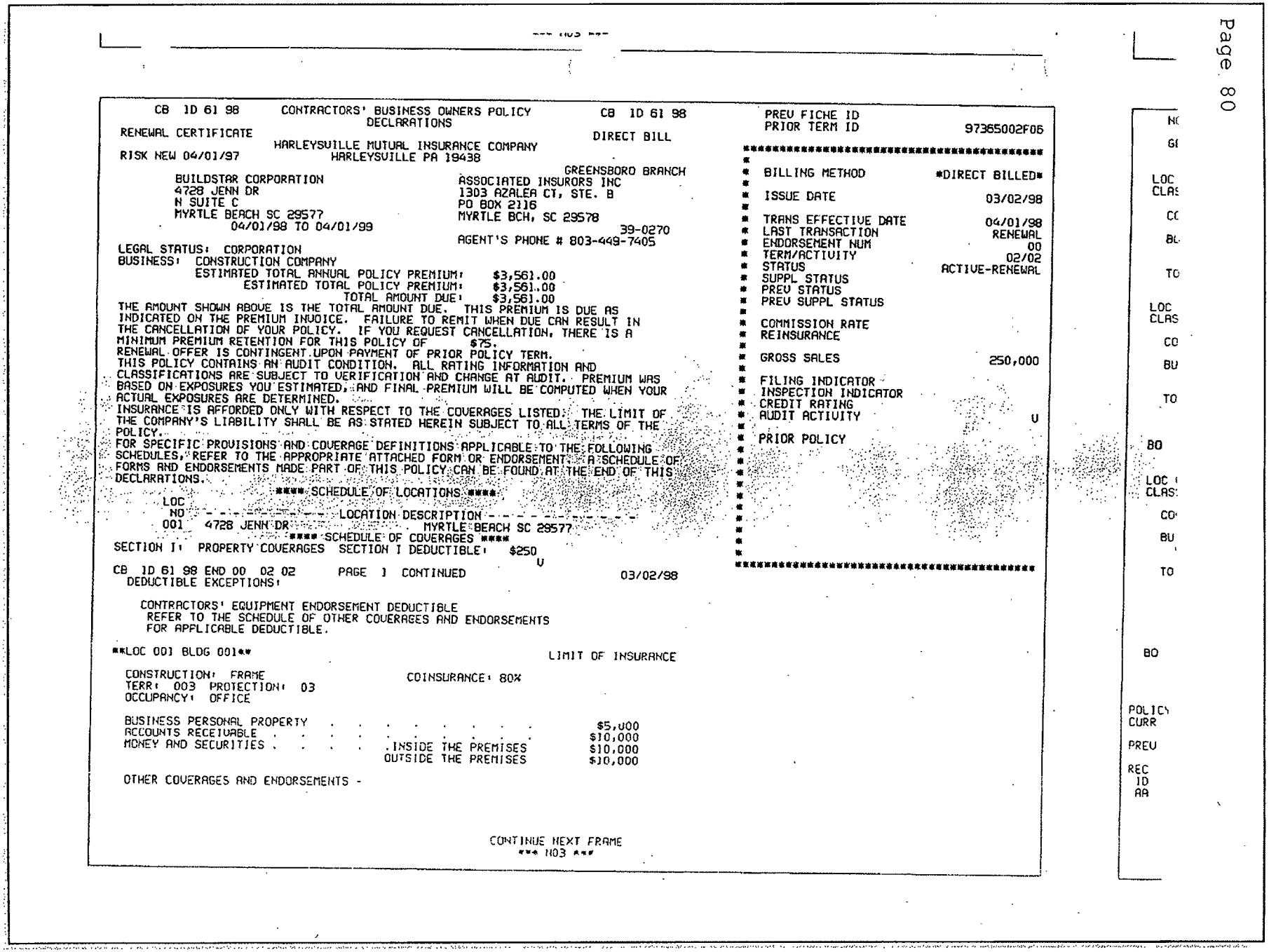
PREV FICHE ID 97205002J10
PRIOR TERM ID

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	12/31/97
TRANS EFFECTIVE DATE	12/23/97
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	05
TERM/ACTIVITY	01/06
STATUS	ACTIVE-NEW BUS
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	U
PRIOR POLICY	



BUILDSTAR CORP.
CB-ID6198
4/1/98-4/1/99

Consolidated ROA_1529



CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS
RENEWAL CERTIFICATE DIRECT BILL
HARLEYSUILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSUILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
N SUITE C
MYRTLE BEACH SC 29577
04/01/98 TO 04/01/99

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578
39-0270
AGENT'S PHONE # 803-449-7405

LEGAL STATUS: CORPORATION
BUSINESS: CONSTRUCTION COMPANY
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $3,561.00
ESTIMATED TOTAL POLICY PREMIUM: $3,561.00
TOTAL AMOUNT DUE: $3,561.00

THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS DUE AS INDICATED ON THE PREMIUM INVOICE. FAILURE TO REMIT WHEN DUE CAN RESULT IN THE CANCELLATION OF YOUR POLICY. IF YOU REQUEST CANCELLATION, THERE IS A MINIMUM PREMIUM RETENTION FOR THIS POLICY OF $75.
RENEWAL OFFER IS CONTINGENT UPON PAYMENT OF PRIOR POLICY TERM.
THIS POLICY CONTAINS AN AUDIT CONDITION. ALL RATING INFORMATION AND CLASSIFICATIONS ARE SUBJECT TO VERIFICATION AND CHANGE AT AUDIT. PREMIUM WAS BASED ON EXPOSURES YOU ESTIMATED, AND FINAL PREMIUM WILL BE COMPUTED WHEN YOUR ACTUAL EXPOSURES ARE DETERMINED.
INSURANCE IS AFFORDED ONLY WITH RESPECT TO THE COVERAGES LISTED. THE LIMIT OF THE COMPANY'S LIABILITY SHALL BE AS STATED HEREIN SUBJECT TO ALL TERMS OF THE POLICY.
FOR SPECIFIC PROVISIONS AND COVERAGE DEFINITIONS APPLICABLE TO THE FOLLOWING SCHEDULES, REFER TO THE APPROPRIATE ATTACHED FORM OR ENDORSEMENT. A SCHEDULE OF FORMS AND ENDORSEMENTS MADE PART OF THIS POLICY CAN BE FOUND AT THE END OF THIS DECLARATIONS.

**** SCHEDULE OF LOCATIONS ****

LOC NO	LOCATION DESCRIPTION
001	4728 JENN DR MYRTLE BEACH SC 28577

**** SCHEDULE OF COVERAGES ****

SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: $250
V

CB 1D 61 98 END 00 02 02 PAGE 1 CONTINUED 03/02/98
DEDUCTIBLE EXCEPTIONS:

CONTRACTORS' EQUIPMENT ENDORSEMENT DEDUCTIBLE
REFER TO THE SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS FOR APPLICABLE DEDUCTIBLE.

LOC 001 BLDG 001

LIMIT OF INSURANCE

CONSTRUCTION: FRAME COINSURANCE: 80%
TERR: 003 PROTECTION: 03
OCCUPANCY: OFFICE

BUSINESS PERSONAL PROPERTY		$5,000
ACCOUNTS RECEIVABLE		$10,000
MONEY AND SECURITIES	INSIDE THE PREMISES	$10,000
	OUTSIDE THE PREMISES	$10,000

OTHER COVERAGES AND ENDORSEMENTS -

CONTINUE NEXT FRAME
*** N03 ***

PREV FICHE ID
PRIOR TERM ID 97365002F06

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	03/02/98
TRANS EFFECTIVE DATE	04/01/98
LAST TRANSACTION	RENEWAL
ENDORSEMENT NUM	00
TERM/ACTIVITY	02/02
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	V
PRIOR POLICY	

REPLACEMENT COST
APPLIES TO BUSINESS PERSONAL PROPERTY ONLY

SECTION II: COMPREHENSIVE BUSINESS LIABILITY

BUSINESS LIABILITY AND MEDICAL EXPENSES. EACH OCCURRENCE	$1,000,000
GENERAL AGGREGATE (OTHER THAN PRODUCTS-COMPLETED OPERATIONS)	$2,000,000
PRODUCTS COMPLETED OPERATIONS AGGREGATE	$2,000,000
MEDICAL EXPENSES	$5,000
FIRE LEGAL LIABILITY	$100,000

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ BLDG	STATE-TERR	DESCRIPTION	CLASS CODE
001/001	39-003	CARPENTRY - NEW CONSTRUCTION	17511
		PAYROLL PREMIUM BASIS	$95,000

**** SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS ****

CONTRACTORS' EQUIPMENT ENDORSEMENT

SCHEDULE FOR CONTRACTORS' EQUIPMENT

ITEM NO	DED AMT	DESCRIPTION	MANUFACTURER	IDENTIFYING MARKS & NOS	AMOUNT OF INSURANCE
1		416C BACKHOE LOADER YEAR BUILT 1997	CATERPILLAR	5YN01896	$60,790
2		M#3204CWH PRESSURE WASHER	HONDA	S#320400022	$1,107
3		SKID STEER LOADER	MUSTANG	6483557	$14,800
4		CUT OFF SAW MODEL S460	STHIL	136512184	$962

CB 10 61 98 END 00 02:02 PAGE 2 CONTINUED U 03/02/98

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN ($77,659)
IN ANY ONE DISASTER, EITHER IN CASE OF PARTIAL OR TOTAL
LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES OR ALL COMBINED.

DEDUCTIBLE: $500

DEDUCTIBLE EXCEPTIONS ARE REFLECTED FOR SCHEDULED ITEMS.
IN CASE OF "LOSS" INVOLVING MORE THAN ONE SCHEDULED ITEM,
THE HIGHEST DEDUCTIBLE AMOUNT SHOWN FOR SCHEDULED COVERED
PROPERTY INVOLVED IS THE DEDUCTIBLE AMOUNT.

ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES

PREM NO.	BLDG NO.	
001	001	ADDITIONAL INSURED: DR PATTI R VANWIE 1201 48TH N SUITE C MYRTLE BEACH SC 29577

ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT

CONTINUE NEXT FRAME
*** 003 ***

001 001 NAME OF PERSON OR ORGANIZATION:
CATERPILLAR FINANCIAL SERVICE CORP. INSURANCE SERV CENTER
PO BOX 1400
CORAOPOLIS PA 15108
ITEM 1

001 001 NAME OF PERSON OR ORGANIZATION:
HERITAGE COMMUNITIES INC
SUITE C 1201 48TH AVE NORTH
MYRTLE BEACH SC 29577
ITEMS #3 AND #4

LOSS PAYABLE PROVISIONS
PREM BLDG
NO. NO.

001 001 LOSS PAYEE
LOSS PAYABLE PROVISION APPLICABLE
CATERPILLAR FINANCIAL SERVICE CORP. INSURANCE SERV. CENTER
PO BOX 1400
CORAOPOLIS PA 15108
DESCRIPTION OF PROPERTY:
ITEM 1

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE	BLDG
PJ0001E	0895	POLICY JACKET		
*B07132	1197	SOUTH CAROLINA CHANGES		
B07206	0290	EXCLUSION-ASBESTOS		
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY		

CB 1D 61 98 END 00 02 02 PAGE 3 CONTINUED V 03/02/98

B07112	1288	LOSS PAYABLE PROVISIONS
B07191	0190	CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
B07253	0293	PERSONAL PROPERTY OFF PREMISES
B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
B07201	0190	ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
B07233	0193	EMPLOYMENT - RELATED PRACTICES EXCLUSION
B07302	0195	AMENDMENT - LEASED WORKERS
B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED
CG7149	1092	LEAD LIABILITY EXCLUSION
CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS
*IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

GU1145	0394	HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
ST7115	0196	PREMIUM AUDIT NOTICE
*ST7206	1296	IMPORTANT NOTICE TO POLICYHOLDERS

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*** PAGE 3 ***

EMPLOYMENT RELATED PRACTICES EXCLUSION
*ST7213 0597 IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM. RETAIN LISTED FORMS NOT REPLACED.

* * * * * * * * * * * * * * *

RENEWAL INSURING AGREEMENT: IN CONSIDERATION OF PAYMENT OF THE PREMIUM SPECIFIED ON THE RENEWAL DECLARATIONS, THIS POLICY IS RENEWED FOR THE PERIOD STATED. THE RENEWAL IS SUBJECT TO ALL TERMS, CONDITIONS, FORMS AND ENDORSEMENTS ATTACHED TO THE POLICY OR TO THIS RENEWAL DECLARATIONS.

* * * * * * * * * * * * * * *

** END OF DECLARATIONS **

CB 1D 61 98 END 00 02 02 PAGE 4 03/02/98

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET

RENEWAL CERTIFICATE DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
N SUITE C
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/98 TO 04/01/99 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS
GL CLASS CODE: 91340
PRO-RATE FACTOR: 1.000
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		77,659	$854.00
17511	PROPERTY	ADDL INS		3	$30.00

LOC 001 BLDG 001 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00

CONTINUE NEXT FRAME
*** 804 ***

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
CONTRACTORS BUSINESS OWNERS POLICY
COMMERCIAL BLANKET EXCESS LIABILITY POLICY
COMMERCIAL UMBRELLA LIABILITY POLICY

IL-7115
(Ed. 5-97)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)

This insurance does not apply to "bodily injury" or "property damage" included in the "products - completed operations hazard" and arising out of "your work" involving the manufacture, application, use or sale of Exterior Insulation and Finish Systems (EIFS) or any part thereof, or any substantially similar system, including any exterior component, fixture or feature of any structure if an Exterior Insulation Finish System (EIFS) is used on any part of that structure.

ST-7206
(Ed. 12-96)

IMPORTANT NOTICE TO POLICYHOLDERS
EMPLOYMENT RELATED PRACTICES EXCLUSION

This policy contains the Employment Related Practices Exclusion which clarifies the intent to exclude coverage for employment related practices injury sustained by a person (or that person's spouse, child, parent, brother or sister) at whom the employment related practice is directed.

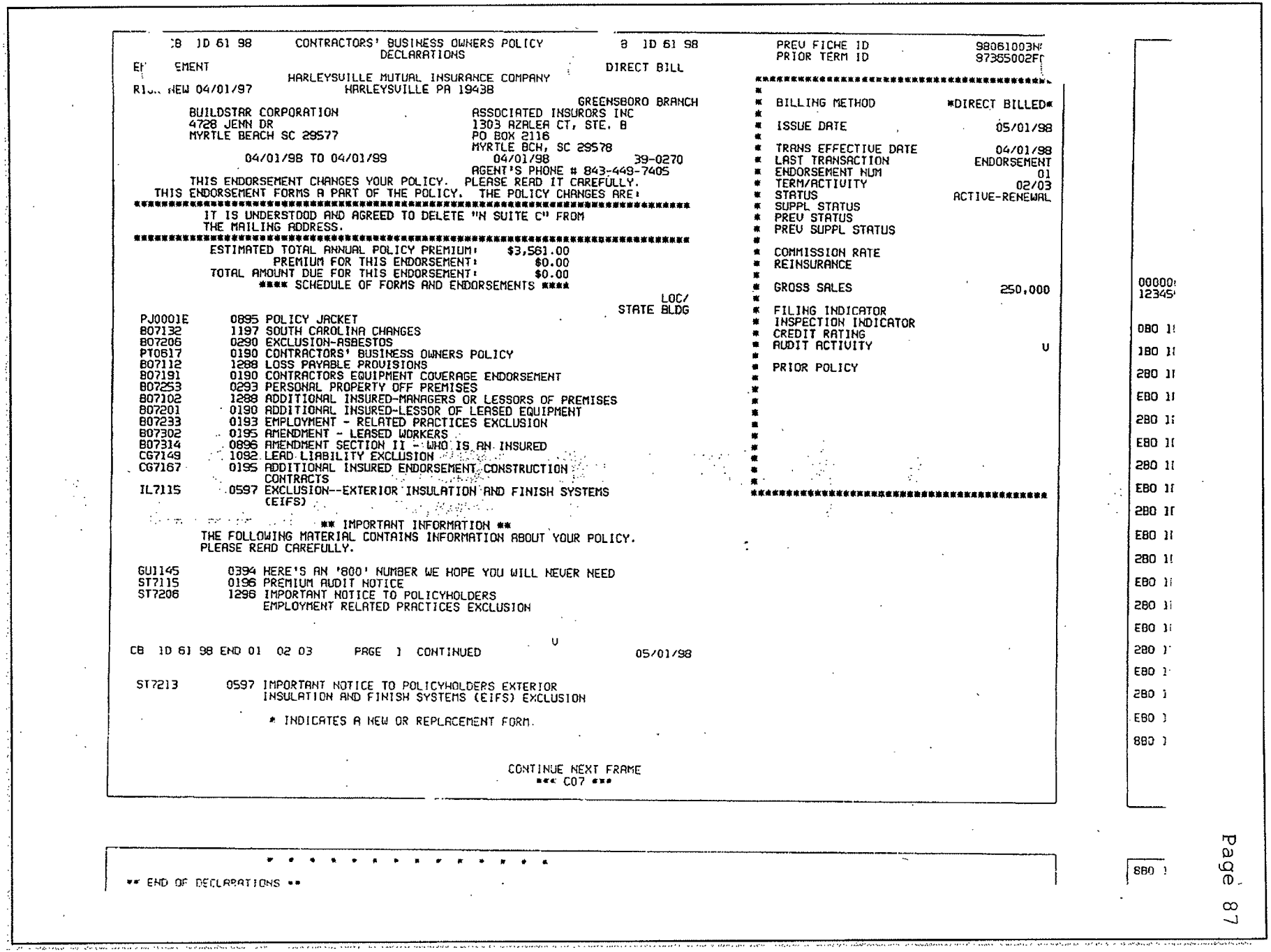
ST-7213
(Ed. 5-97)

IMPORTANT NOTICE TO POLICYHOLDERS

EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

This policy contains the Exterior Insulation and Finish Systems (EIFS) exclusion endorsement. This endorsement excludes coverage for "bodily injury" or "property damage" included in the "products - completed operations hazard" and arising out of "your work" involving the manufacture, application, use or sale of Exterior Insulation and Finish Systems (EIFS). Also excluded is any exterior component, fixture or feature of any structure if an EIFS is used on any part of that structure.

READ YOUR POLICY CAREFULLY to determine rights, duties and what is and is not covered.



CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY 8 1D 61 98
DECLARATIONS
EF EMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RI... NEW 04/01/97 HARLEYSVILLE PA 19438
GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/98 TO 04/01/99
04/01/98 39-0270
AGENT'S PHONE # 843-449-7405

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

IT IS UNDERSTOOD AND AGREED TO DELETE "N SUITE C" FROM
THE MAILING ADDRESS.

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $3,561.00
PREMIUM FOR THIS ENDORSEMENT: $0.00
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $0.00

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE BLDG
PJ0001E	0895	POLICY JACKET	
B07132	1197	SOUTH CAROLINA CHANGES	
B07206	0290	EXCLUSION-ASBESTOS	
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288	LOSS PAYABLE PROVISIONS	
B07191	0190	CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293	PERSONAL PROPERTY OFF PREMISES	
B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07201	0190	ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193	EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195	AMENDMENT - LEASED WORKERS	
B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1082	LEAD LIABILITY EXCLUSION	
CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

GU1145	0394	HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
ST7115	0196	PREMIUM AUDIT NOTICE
ST7206	1296	IMPORTANT NOTICE TO POLICYHOLDERS EMPLOYMENT RELATED PRACTICES EXCLUSION

CB 1D 61 98 END 01 02 03 PAGE 1 CONTINUED 05/01/98

ST7213	0597	IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

CONTINUE NEXT FRAME
*** C07 ***

PREV FICHE ID 98061003N
PRIOR TERM ID 97365002F

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	05/01/98
TRANS EFFECTIVE DATE	04/01/98
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	01
TERM/ACTIVITY	02/03
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	U
PRIOR POLICY	

00000
12345

080 1
180 1
280 1
E80 1
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280 1
880 1

** END OF DECLARATIONS **

Consolidated ROA_1536

Consolidated ROA_1537

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. 8
PO BOX 2116
MYRTLE BCH, SC 29578
AGENT'S PHONE # 843-449-7405

04/01/98 TO 04/01/99 11/25/98 39-0270

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

****

IT IS UNDERSTOOD AND AGREED TO ADD BACKHOE VALUE $44,307
ALONG WITH LOSS PAYEE- CASE CREDIT CORP, PO BOX 371974,
PITTSBURGH PA 15250-7974.

****

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $4,049.00
PREMIUM FOR THIS ENDORSEMENT: $170.00
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $170.00

IF THERE IS AN OUTSTANDING POLICY BALANCE, A PREMIUM INVOICE WILL FOLLOW.

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE BLDG
PJ0001E	0895	POLICY JACKET	
B07132	1197	SOUTH CAROLINA CHANGES	
B07206	0290	EXCLUSION-ASBESTOS	
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288	LOSS PAYABLE PROVISIONS	
B07191	0190	CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293	PERSONAL PROPERTY OFF PREMISES	
B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07201	0190	ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193	EMPLOYMENT RELATED PRACTICES EXCLUSION	
B07302	0195	AMENDMENT - LEASED WORKERS	
B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092	LEAD LIABILITY EXCLUSION	
CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

** IMPORTANT INFORMATION **

THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

GU1145	0394	HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED

CB 1D 61 98 END 02 02 04 PAGE 1 CONTINUED 12/07/98

ST7115	0196	PREMIUM AUDIT NOTICE
ST7206	1296	IMPORTANT NOTICE TO POLICYHOLDERS EMPLOYMENT RELATED PRACTICES EXCLUSION
ST7213	0597	IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR

CONTINUE NEXT FRAME
*** K14 ***

PREV FICHE ID	98121002C07
PRIOR TERM ID	98182002G10

****

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	12/07/98
TRANS EFFECTIVE DATE	11/25/98
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	02
TERM/ACTIVITY	02/04
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	U
PRIOR POLICY	

****

CONTINUE NEXT FRAME
*** K14 ***

INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * * * * * * * * * * *

** END OF DECLARATIONS **

CB 1D 61 98 END 02 02 04 PAGE 2 12/07/98

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/98 TO 04/01/99 11/25/98 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS GL CLASS CODE: 91340
PRO-RATE FACTOR: 0.348
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		121,956	$1,342.00
17511	PROPERTY	ADDL INS		3	$30.00

LOC 001 BLDG 001 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
17511	CARPENTRY -	LIABILITY	27.370	95,000	$2,600.00

ESTIMATED TOTAL ANNUAL PREMIUM: $4,049.00

CB 1D 61 98 END 02 02 04 PAGE 3 12/07/98

Consolidated ROA_1539

CB ID 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB ID 61 98
DECLARATIONS
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. 8
PO BOX 2116
MYRTLE BCH, SC 29578
AGENT'S PHONE # 843-449-7405

04/01/98 TO 04/01/99

12/01/98 39-0270

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

****

IT IS UNDERSTOOD AND AGREED TO ADD ADDITIONAL INSURED'S
HERITAGE COMMUNITIES INC, 4728 JENN DR, MYRTLE BEACH SC
29577.

****

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $4,059.00
PREMIUM FOR THIS ENDORSEMENT: SUBJECT TO AUDIT
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $0.00

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE BLDG
PJ0001E	0895	POLICY JACKET	
B07132	1197	SOUTH CAROLINA CHANGES	
B07206	0290	EXCLUSION-ASBESTOS	
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288	LOSS PAYABLE PROVISIONS	
B07191	0190	CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293	PERSONAL PROPERTY OFF-PREMISES	
B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
*B07104	1288	ADDITIONAL INSURED-CONTROLLING INTEREST	
B07201	0190	ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193	EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195	AMENDMENT - LEASED WORKERS	
B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092	LEAD LIABILITY EXCLUSION	
CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

GU1145	0394	HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
ST7115	0196	PREMIUM AUDIT NOTICE

CB ID 61 98 END 03 02 05 PAGE 1 CONTINUED 12/29/98

ST7206	1296	IMPORTANT NOTICE TO POLICYHOLDERS EMPLOYMENT RELATED PRACTICES EXCLUSION
ST7213	0597	IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR

CONTINUE NEXT FRAME
*** MOR ***

PREV FICHE ID 98341002K14
PRIOR TERM ID 98182002G10

****

BILLING METHOD *DIRECT BILLED*

ISSUE DATE 12/29/98

TRANS EFFECTIVE DATE 12/01/98
LAST TRANSACTION ENDORSEMENT
ENDORSEMENT NUM 03
TERM/ACTIVITY 02/05
STATUS ACTIVE-RENEWAL
SUPPL STATUS
PREV STATUS
PREV SUPPL STATUS

COMMISSION RATE
REINSURANCE

GROSS SALES 250,000

FILING INDICATOR
INSPECTION INDICATOR
CREDIT RATING
AUDIT ACTIVITY U

PRIOR POLICY

****

REC ID EA

REC ID EA

REC ID EA

CONTINUE NEXT FRAME
*** M08 ***

INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * * * * * * * * * * * *

** END OF DECLARATIONS **

CB 1D 61 98 END 03 02 05 PAGE 2 12/29/98

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/98 TO 04/01/99 12/01/98 39-0270

*** COVERAGE PART: CONTRACTORS BUSINESS OWNERS GL CLASS CODE: 91340
PRO-RATE FACTOR: 0.332
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		121,965	$1,342.00
17511	PROPERTY	ADDL INS		4	$40.00

LOC 001 BLDG 001 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
17511	CARPENTRY -	LIABILITY	27.270	95,000	$2,600.00

ESTIMATED TOTAL ANNUAL PREMIUM: $4,059.00

CB 1D 61 98 END 03 02 05 PAGE 1 12/29/98

REC ID EA

REC ID EA

This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY

BO-7104
(Ed. 12-88)

ADDITIONAL INSURED-CONTROLLING INTEREST

SCHEDULE*

Name of Person or Organization:

The following is added to Paragraph C. WHO IS AN INSURED in the Business Owners Liability Coverage Form:

4. The person or organization shown in the Schedule or in the Declarations, but only for their liability arising out of:

   a. Their financial control of you; or

   b. Premises they own, maintain or control while you lease or occupy those premises.

This insurance does not apply to structural alterations, new construction and demolition operations performed by or for that person or organization.

*Information required to complete this Schedule, if not shown on this endorsement, will be shown in the Declarations.

's endorsement must be attached to a Change Endorsement when issued after the policy is written.

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CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438
GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

04/01/98 TO 04/01/99

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. 8
PO BOX 2116
MYRTLE BCH, SC 29578
02/24/99 39-0270
AGENT'S PHONE # 843-449-7405

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

****

IT IS UNDERSTOOD AND AGREED TO ADD ADDITIONAL INSURED
JACK L. GREEN, JR. AND PATTY R. VAN WIE.

****

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $4,069.00
PREMIUM FOR THIS ENDORSEMENT: SUBJECT TO AUDIT
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $0.00
**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

		LOC/ STATE BLDG
PJ0001E	0895 POLICY JACKET	
B07132	1197 SOUTH CAROLINA CHANGES	
B07206	0290 EXCLUSION-ASBESTOS	
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288 LOSS PAYABLE PROVISIONS	
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293 PERSONAL PROPERTY OFF PREMISES	
B07102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07104	1288 ADDITIONAL INSURED-CONTROLLING INTEREST	
*B07200	0190 ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS	
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193 EMPLOYMENT-- RELATED PRACTICES EXCLUSION	
B07302	0195 AMENDMENT - LEASED WORKERS	
B07314	0896 AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092 LEAD LIABILITY EXCLUSION	
CG7167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

GU1145	0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
ST7115	0196 PREMIUM AUDIT NOTICE

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CB 1D 61 98 END 04 02 06 PAGE 1 CONTINUED 03/25/99

ST7205	1295 IMPORTANT NOTICE TO POLICYHOLDERS EMPLOYMENT RELATED PRACTICES EXCLUSION
ST7213	0597 IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR

CONTINUE NEXT FRAME
*** DOS ***

PREV FICHE ID 98363003M08
PRIOR TERM ID 98182002G10

****

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	03/25/99
TRANS EFFECTIVE DATE	02/24/99
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	04
TERM/ACTIVITY	02/06
STATUS	RENEWED
SUPPL STATUS	
PREV STATUS	ACTIVE-RENEWAL
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	U

PRIOR POLICY

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Consolidated ROA_1543

INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * * * * * * * * * * * *

** END OF DECLARATIONS **

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CB 1D 61 98 END 04 02 06 PAGE 2 03/25/99

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/98 TO 04/01/99 02/24/99 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS GL CLASS CODE: 91340
PRO-RATE FACTOR: 0.099
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		121,966	$1,342.00
17511	PROPERTY	ADDL INS		5	$50.00

LOC 001 BLDG 001 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
17511	CARPENTRY -	LIABILITY	27.370	95,000	$2,600.00

ESTIMATED TOTAL ANNUAL PREMIUM: $4,069.00

U

CB 1D 61 98 END 04 02 06 PAGE 1 03/25/99

CONTINUE NEXT FRAME
*** EOS ***

This endorsement modifies insurance provided by the following:

CONTRACTORS' BUSINESS OWNERS POLICY

BO-7200
(Ed. 1-90)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

ADDITIONAL INSURED - OWNERS, LESSEES OR CONTRACTORS

SCHEDULE

Name of Person or Organization:

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

WHO IS AN INSURED (Section II) is amended to include as an insured the person or organization shown in the Schedule, but only with respect to liability arising out of "your work" for that insured by or for you.

Copyright, Insurance Services Office, Inc., 1984

Consolidated ROA_1545

CB ID 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB ID 61 98
DECLARATIONS
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/98 TO 04/01/99
02/24/99 39-0270
AGENT'S PHONE # 843-449-7405

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

****

IT IS UNDERSTOOD AND AGREED TO ADD THE FOLLOWING GENERAL
LIABILITY CODE EFFECTIVE 02-24-99 ON AN "IF ANY" BASIS,
SUBJECT TO AUDIT: 07821-LANDSCAPE GARDENING.

****

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $4,070.00
PREMIUM FOR THIS ENDORSEMENT: $0.00
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $0.00

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE BLDG
PJ0001E	0895	POLICY JACKET	
B07132	1197	SOUTH CAROLINA CHANGES	
B07206	0290	EXCLUSION-ASBESTOS	
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288	LOSS PAYABLE PROVISIONS	
B07191	0190	CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293	PERSONAL PROPERTY OFF PREMISES	
B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07104	1288	ADDITIONAL INSURED-CONTROLLING INTEREST	
B07200	0190	ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS	
B07201	0190	ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193	EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195	AMENDMENT - LEASED WORKERS	
B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092	LEAD LIABILITY EXCLUSION	
CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

GU1145	0394	HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED

V

CB ID 61 98 END 05 02 07 PAGE 1 CONTINUED 09/25/99

ST7115	0196	PREMIUM AUDIT NOTICE
ST7206	1296	IMPORTANT NOTICE TO POLICYHOLDERS EMPLOYMENT RELATED PRACTICES EXCLUSION

CONTINUE NEXT FRAME
*** K04 ***

PREV FICHE ID 99084002D05
PRIOR TERM ID 98182002G10

****

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	09/25/99
TRANS EFFECTIVE DATE	02/24/99
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	05
TERM/ACTIVITY	02/07
STATUS	RENEWED
SUPPL STATUS	
PREV STATUS	ACTIVE-RENEWAL
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	V
PRIOR POLICY	

****

REC ID DA

REC ID EA

REC ID EB

POL

REC ID HA

CONTINUOUS FRAME
*** K04 ***

ST7213 0597 IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * * * * * * * * * * *

** END OF DECLARATIONS **

V

CB 1D 61 98 END 05 02 07 PAGE 2 09/25/99

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS PREMIUM INFORMATION SHEET CB 1D 61 98

ENDORSEMENT DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/98 TO 04/01/99 02/24/99 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS
GL CLASS CODE: 91340
PRO-RATE FACTOR: 0.099
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		121,966	$1,342.00
17511	PROPERTY	ADDL INS		5	$50.00

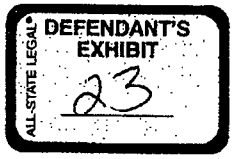
LOC 001 BLDG 001 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
07621	LANDSCAPE GA	LIABILITY	70.610	1	$1.00
17511	CARPENTRY -	LIABILITY	27.370	95,000	$2,600.00

ESTIMATED TOTAL ANNUAL PREMIUM: $4,078.00

V

Consolidated ROA_1546



BUILDSTAR CORP.
CB-1D6198
4/1/99-4/1/00

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS

RENEWAL CERTIFICATE DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/99 TO 04/01/00

39-0270
AGENT'S PHONE # 843-449-7405

LEGAL STATUS: CORPORATION
BUSINESS: CONSTRUCTION COMPANY
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $2,635.00
ESTIMATED TOTAL POLICY PREMIUM: $2,635.00
TOTAL AMOUNT DUE: $2,635.00

THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS DUE AS INDICATED ON THE PREMIUM INVOICE. FAILURE TO REMIT WHEN DUE CAN RESULT IN THE CANCELLATION OF YOUR POLICY. IF YOU REQUEST CANCELLATION, THERE IS A MINIMUM PREMIUM RETENTION FOR THIS POLICY OF $75.
RENEWAL OFFER IS CONTINGENT UPON PAYMENT OF PRIOR POLICY TERM.
THIS POLICY CONTAINS AN AUDIT CONDITION. ALL RATING INFORMATION AND CLASSIFICATIONS ARE SUBJECT TO VERIFICATION AND CHANGE AT AUDIT. PREMIUM WAS BASED ON EXPOSURES YOU ESTIMATED, AND FINAL PREMIUM WILL BE COMPUTED WHEN YOUR ACTUAL EXPOSURES ARE DETERMINED.
INSURANCE IS AFFORDED ONLY WITH RESPECT TO THE COVERAGES LISTED. THE LIMIT OF THE COMPANY'S LIABILITY SHALL BE AS STATED HEREIN SUBJECT TO ALL TERMS OF THE POLICY.
FOR SPECIFIC PROVISIONS AND COVERAGE DEFINITIONS APPLICABLE TO THE FOLLOWING SCHEDULES, REFER TO THE APPROPRIATE ATTACHED FORM OR ENDORSEMENT. A SCHEDULE OF FORMS AND ENDORSEMENTS MADE PART OF THIS POLICY CAN BE FOUND AT THE END OF THIS DECLARATIONS.

**** SCHEDULE OF LOCATIONS ****

LOC NO	LOCATION DESCRIPTION	
001	4728 JENN DR	MYRTLE BEACH SC 29577

**** SCHEDULE OF COVERAGES ****

SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: $250
U

CB 1D 61 98 END 00 03 03 PAGE 1 CONTINUED 03/29/99

DEDUCTIBLE EXCEPTIONS:

CONTRACTORS' EQUIPMENT ENDORSEMENT DEDUCTIBLE
REFER TO THE SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS FOR APPLICABLE DEDUCTIBLE.

LOC 001 BLDG 001

		LIMIT OF INSURANCE
CONSTRUCTION: FRAME	COINSURANCE: 80%	
TERR: 003 PROTECTION: 03		
OCCUPANCY: OFFICE		
BUSINESS PERSONAL PROPERTY		$5,000
ACCOUNTS RECEIVABLE		$10,000
MONEY AND SECURITIES	INSIDE THE PREMISES	$10,000
	OUTSIDE THE PREMISES	$10,000

OTHER COVERAGES AND ENDORSEMENTS -

CONTINUE NEXT FRAME
*** C13 ***

PREV FICHE ID
PRIOR TERM ID 99084002D05

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	03/29/99
TRANS EFFECTIVE DATE	04/01/99
LAST TRANSACTION	RENEWAL
ENDORSEMENT NUM	00
TERM/ACTIVITY	03/03
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	U
PRIOR POLICY	

Consolidated ROA_1548

REPLACEMENT COST
APPLIES TO BUSINESS PERSONAL PROPERTY ONLY

SECTION II: COMPREHENSIVE BUSINESS LIABILITY

BUSINESS LIABILITY AND MEDICAL EXPENSES. EACH OCCURRENCE	$1,000,000
GENERAL AGGREGATE (OTHER THAN PRODUCTS-COMPLETED OPERATIONS)	$2,000,000
PRODUCTS COMPLETED OPERATIONS AGGREGATE	$2,000,000
MEDICAL EXPENSES	$5,000
FIRE LEGAL LIABILITY.	$100,000

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ BLDG	STATE-TERR	DESCRIPTION	CLASS CODE
001/001	39-003	CARPENTRY - NEW CONSTRUCTION	17511
		PAYROLL PREMIUM BASIS	$95,000

**** SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS ****

CONTRACTORS' EQUIPMENT ENDORSEMENT

SCHEDULE FOR CONTRACTORS' EQUIPMENT

ITEM NO	DED AMT	DESCRIPTION	MANUFACTURER	IDENTIFYING MARKS & NOS	AMOUNT OF INSURANCE
1		416C BACKHOE LOADER YEAR BUILT 1997	CATERPILLAR	SYND1896	$60,790
2		M#3204CWH PRESSURE WASHER	HONDA	S#320400022	$1,107
3		SKID STEER LOADER	MUSTANG	6483557	$14,800
4		CUT OFF SAW MODEL S460	STHIL	136512184	$962
5		BACKHOE	CASE	JJG0238290	$44,307

CB 1D 61 98 END 00 03 03 PAGE 2 CONTINUED 03/29/99

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN ($121,966) IN ANY ONE DISASTER, EITHER IN CASE OF PARTIAL OR TOTAL LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES OR ALL COMBINED.

DEDUCTIBLE: $500

DEDUCTIBLE EXCEPTIONS ARE REFLECTED FOR SCHEDULED ITEMS. IN CASE OF "LOSS" INVOLVING MORE THAN ONE SCHEDULED ITEM, THE HIGHEST DEDUCTIBLE AMOUNT SHOWN FOR SCHEDULED COVERED PROPERTY INVOLVED IS THE DEDUCTIBLE AMOUNT.

ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES

PREM NO.	BLDG NO.	
001	001	ADDITIONAL INSURED: DR PATTI R VANWIE 1201 48TH N SUITE C MYRTLE BEACH SC 29577

ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT

CONTINUE NEXT FRAME
*** DI3 ***

Consolidated ROA_1549

001 001 NAME OF PERSON OR ORGANIZATION:
CATERPILLAR FINANCIAL SERVICE CORP. INSURANCE SERV CENTER
PO BOX 1400
CORAOPOLIS PA 15108
ITEM 1

001 001 NAME OF PERSON OR ORGANIZATION:
HERITAGE COMMUNITIES INC
SUITE C 1201 48TH AVE NORTH
MYRTLE BEACH SC 29577
ITEMS #3 AND #4

ADDITIONAL INSURED-CONTROLLING INTEREST
001 001 NAME OF PERSON OR ORGANIZATION:
HERITAGE COMMUNITIES INC
4728 JENN DR
MYRTLE BEACH SC 29577

ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS
001 001 NAME OF PERSON OR ORGANIZATION:
JACK L. GREEN, JR. PATTY R. VAN WIE
4728 JENN DRIVE
MYRTLE BEACH SC 29577
APPLIES TO OFFICE BLDG

V

CB 1D 61 98 END 00 03 03 PAGE 3 CONTINUED 03/29/99
LOSS PAYABLE PROVISIONS

PREM NO. BLDG NO.

001 001 LOSS PAYEE
LOSS PAYABLE PROVISION APPLICABLE
CATERPILLAR FINANCIAL SERVICE CORP. INSURANCE SERV. CENTER
PO BOX 1400
CORAOPOLIS PA 15108
DESCRIPTION OF PROPERTY:
ITEM 1

001 001 LOSS PAYEE
LOSS PAYABLE PROVISION APPLICABLE
CASE CREDIT CORP
PO BOX 371974
PITTSBURGH PA 15250
DESCRIPTION OF PROPERTY:
APPLIES TO ITEM 5

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

		LOC/ STATE BLDG
PJ0001E	0895 POLICY JACKET	
807132	1197 SOUTH CAROLINA CHANGES	
807205	0290 EXCLUSION-ASBESTOS	
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY	
807112	1288 LOSS PAYABLE PROVISIONS	

CONTINUE NEXT FRAME
*** E13 ***

Consolidated ROA_1551

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 B07191      0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
 B07253      0293 PERSONAL PROPERTY OFF PREMISES
*IL7131      0498 EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES
 B07102      1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
 B07104      1288 ADDITIONAL INSURED-CONTROLLING INTEREST
 B07200      0190 ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS
 B07201      0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
 B07233      0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION
 B07302      0195 AMENDMENT - LEASED WORKERS
 B07314      0896 AMENDMENT SECTION II - WHO IS AN INSURED
 CG7149      1092 LEAD LIABILITY EXCLUSION
 CG7167      0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION
                  CONTRACTS
 IL7115      0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS
                  (EIFS)

                     ** IMPORTANT INFORMATION **
          THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
          PLEASE READ CAREFULLY.

 ST7115      0196 PREMIUM AUDIT NOTICE
*ST7223      0498 POLICYHOLDER NOTICE--EXCLUSION: YEAR 2000 COMPUTER
                  -RELATED AND OTHER ELECTRONIC PROBLEMS
*Z887        0198 DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!


                                                          U
CB  1D 61 98 END 00  03 03      PAGE  4  CONTINUED                  03/29/99


   * INDICATES A NEW OR REPLACEMENT FORM.  RETAIN LISTED FORMS NOT REPLACED.
                     * * * * * * * * * * * * * * * *

RENEWAL INSURING AGREEMENT:  IN CONSIDERATION OF PAYMENT OF THE PREMIUM
SPECIFIED ON THE RENEWAL DECLARATIONS, THIS POLICY IS RENEWED FOR THE PERIOD
STATED.  THE RENEWAL IS SUBJECT TO ALL TERMS, CONDITIONS, FORMS AND ENDORSEMENTS
ATTACHED TO THE POLICY OR TO THIS RENEWAL DECLARATIONS.

                     * * * * * * * * * * * * * * * *

** END OF DECLARATIONS **


                                                          U
CB  1D 61 98 END 00  03 03      PAGE  5                             03/29/99

     CB  1D 61 98          CONTRACTORS' BUSINESS OWNERS          CB  1D 61 98
                             PREMIUM INFORMATION SHEET
RENEWAL CERTIFICATE                                             DIRECT BILL
                        HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97             HARLEYSVILLE PA 19438

                                                          GREENSBORO BRANCH

        BUILDSTAR CORPORATION                  ASSOCIATED INSURORS INC
        4728 JENN DR                           1303 AZALEA CT, STE. B
        MYRTLE BEACH SC 29577                  PO BOX 2116
                                               MYRTLE BCH, SC 29578


                                                    CONTINUE NEXT FRAME
                                                       *** F13 ***
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This endorsement applies to all coverages provided by the following including any forms or endorsements attached thereto:

BUSINESS OWNERS POLICY
CONTRACTORS BUSINESS OWNERS POLICY
DELUXE GARAGE OWNERS POLICY

IL-7131
(Ed. 4-98)

EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES

I. The following exclusion applies to SECTION I - Property Coverage:

A. We will not pay for loss ("loss") or damage caused directly or indirectly by the following. Such loss ("loss") or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss ("loss") or damage.

1. The failure, malfunction, inability or inadequacy of:

a. Any of the following, whether belonging to any insured or to others:

(1) Computer hardware, including microprocessors;

(2) Computer application software;

(3) Computer operating systems and related software;

(4) Computer networks;

(5) Microprocessors (computer chips) not part of any computer system;

(6) Telecommunications equipment; or

(7) Any other computerized or electronic equipment or components; or

b. Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph I.A.1.a. of this endorsement;

which is in any way related to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.

2. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph I.A.1. of this endorsement.

B. If your policy includes the following coverages and an excluded loss ("loss") as described in Paragraph I.A. of this endorsement results in a:

1. Covered Cause of Loss as defined under your Systems Breakdown Endorsement, we will pay only for the loss ("loss") or damage caused by such Covered Cause of Loss;

2. Covered Cause of Loss as defined under your Basic Business Owners Policy, we will pay only for the loss ("loss") or damage caused by such Covered Cause of Loss;

3. "Specified Cause of Loss" as defined, or in elevator collision resulting from mechanical breakdown, under your Deluxe Business Owners Policy, Contractors Business Owners Policy or Deluxe Garage Owners Policy, we will pay only for the loss ("loss") or damage caused by such "Specified Cause of Loss" or elevator collision;

we will pay for resulting or ensuing loss ("loss") under Paragraph I.B. of this endorsement only if the resulting or ensuing loss ("loss") is physical injury to tangible property.

C. We will not pay for repair, replacement or modification of any items in Paragraphs I.A.1.a. and I.A.1.b. of this endorsement to correct any deficiencies or change any features.

II. This endorsement applies to all coverages provided by this policy including all forms and endorsements attached thereto.

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ST-7223
(Ed. 4-98)

PLEASE READ THIS NOTICE CAREFULLY

POLICYHOLDER NOTICE

Exclusion: Year 2000 Computer-Related and Other Electronic Problems

THIS POLICYHOLDER NOTICE DOES NOT PROVIDE COVERAGE NOR SHOULD IT BE CONSTRUED TO REPLACE ANY PROVISIONS OF YOUR POLICY. PLEASE READ YOUR POLICY AND REVIEW YOUR DECLARATIONS PAGE FOR COMPLETE INFORMATION ON YOUR COVERAGES. IF THERE IS ANY CONFLICT BETWEEN YOUR POLICY AND THIS SUMMARY, THE PROVISIONS OF YOUR POLICY SHALL PREVAIL.

An endorsement has been attached to your policy stating that coverage is **not** provided for any losses caused by a computer or other electronic equipment's inability to correctly recognize or process a particular date or time (examples are the year 2000 or 9/9/99). This endorsement applies regardless of whether the computer or other electronic product or device, including computer chips, belongs to you or to others, or has been incorporated into your products or the products of others. There may be some limited coverage available. Please refer to the language of the endorsement to determine whether it applies in your situation.

Many computer systems were designed more than a generation ago. At that time, to save money and space, computers were programmed with a six-digit date field (i.e. 10/02/71), with space for only a two-digit year. When a computer "sees" 98, it assumes the year is 1998. As an example, when a computer tries to process the year 2000, it may read "00" to be 1900--not 2000. Your individual business may be affected. Each computer, computer-related system or other electronic product may experience problems. Since each situation is unique, it is not possible to predict all computer-related and other electronic problems that you may experience.

We recommend that you examine and evaluate your situation as soon as possible. It may be necessary for a professional computer consultant to analyze your computers, computer-related systems and other electronic products for year 2000 compliance.

If you have any questions regarding this matter, please contact your insurance agent.

Harleysville
355 Maple Avenue
Harleysville, PA 19438-2297
www.harleysvillegroup.com

...leysville Insurance Company of Ohio
Harleysville-Atlantic Insurance Company
Harleysville-Garden State Insurance Company
Harleysville Insurance Company of New Jersey
Harleysville Mutual Insurance Company
Harleysville Preferred Insurance Company
Harleysville Lake States Insurance Company
Harleysville Worcester Insurance Company
Harleysville Insurance Company
Harleysville Insurance Company of New York
Harleysville Pennland Insurance Company
Harleysville Life Insurance Company

DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!

One call does it all...
1-800-892-8877

Our company's direct reporting services help you make the best of an unfortunate situation. While we hope you never suffer a loss, when you call us directly, you can rest assured that your claim will get immediate and professional attention. At the same time, our telephone services will save you time and money.

Call 1-800-892-8877 to report damage, theft and injuries related to:

- Your vehicle
- Your home
- Your personal belongings
- Your boat
- Your business
- Glass breakage

Our courteous professional reporting staff will start all the necessary paperwork as soon as you call. We'll ask you for your policy number and other essential information to help determine the extent of your loss. (A worksheet is enclosed to help you organize the facts before you call.)

Within minutes, we'll assign a claim number to your loss and refer your claim to the local office that will handle the processing. And, we'll inform your independent insurance agent of your loss -- so you won't have to.

Direct reporting benefits you directly

- **24-hour service**
  To make it easy for you to report your loss promptly, we're available every day of the year – day and night.

- **Immediate, personal assistance**
  When you call us directly, you'll talk to a knowledgeable person who understands your situation.

- **You save time and bother**
  When you phone in your claim, there's no need to complete a written report. We'll handle the paperwork for you.

- **You save money**
  No phone toll charges. No postage, either.

- **Your satisfaction is guaranteed**
  If your vehicle has been damaged, we can offer you participation in our Preferred Repair Program. If you choose one of the quality repair shops offered, you won't have to wait for an appraiser's inspection or for your check. Repairs are fully guaranteed and we pay for the repairs directly, but only after you tell us *you're completely satisfied*.

- **You get free mobile service for windshield repair**
  If you report a broken windshield or other auto glass damage, we'll arrange for one of our glass specialists to assess your vehicle. You may have the repairs or replacement performed at one of hundreds of conveniently located glass shops or, if you prefer, our mobile service will come to your driveway, office parking lot, or any other place you designate to do the work on the spot. It couldn't be simpler and, except for any deductibles that may apply, there's no charge to you.

- **We'll help you prevent further damage**
  Whether you've suffered a loss to your vehicle, boat or home, we can advise you of the proper steps to minimize your loss and protect your property from further damage.

- **We'll assure quality medical care**
  If you're reporting a workers compensation claim, our early intervention program helps ensure that your employee is treated by a physician committed to quality care *and* to getting your employee back to work as soon as possible.

TO HELP YOU KEEP OUR TOLL-FREE CLAIMS NUMBER WITHIN EASY REACH, WE'VE ENCLOSED TWO WALLET CARDS AND TWO STICKERS FOR YOUR IMMEDIATE USE. (SIMPLY DETACH THE CARDS AND PEEL OFF THE LABELS.)

1-800-892-8877

Direct Claims Reporting
24 hours a day, 7 days a week

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY
DECLARATIONS
CB 1D 61 98

ENDORSEMENT DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578
04/09/98 39-0270
AGENT'S PHONE # 843-449-7405

04/01/99 TO 04/01/00

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

****

IT IS UNDERSTOOD AND AGREED TO ADD JACK L GREEN & PATTI R VANWIE AS ADDITIONAL INSUREDS.

****

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $2,645.00
PREMIUM FOR THIS ENDORSEMENT: SUBJECT TO AUDIT
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $0.00

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE BLDG
PJ0001E	0895	POLICY JACKET	
B07132	1197	SOUTH CAROLINA CHANGES	
B07206	0290	EXCLUSION-ASBESTOS	
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288	LOSS PAYABLE PROVISIONS	
B07191	0190	CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293	PERSONAL PROPERTY OFF PREMISES	
IL7131	0498	EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES	
B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07104	1288	ADDITIONAL INSURED-CONTROLLING INTEREST	
B07200	0190	ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS	
B07201	0190	ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193	EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195	AMENDMENT - LEASED WORKERS	
B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092	LEAD LIABILITY EXCLUSION	
CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

ST7115	0195	PREMIUM AUDIT NOTICE

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CB 1D 61 98 END 01 03 04 PAGE 1 CONTINUED 05/17/99

ST7223	0498	POLICYHOLDER NOTICE--EXCLUSION: YEAR 2000 COMPUTER -RELATED AND OTHER ELECTRONIC PROBLEMS
Z887	0198	DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!

CONTINUE NEXT FRAME
*** M16 ***

PREV FICHE ID 99088002C13
PRIOR TERM ID 99084002D05

****

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	05/17/99
TRANS EFFECTIVE DATE	04/09/99
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	01
TERM/ACTIVITY	03/04
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	-
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	U
PRIOR POLICY	

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Consolidated ROA_1557

CONTINUE NEXT FRAME
*** N16 ***

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * * * * * * * * * * * *

** END OF DECLARATIONS **

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CB 1D 61 98 END 01 03 04 PAGE 2 05/17/99

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET

ENDORSEMENT DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/99 TO 04/01/00 04/09/99 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS GL CLASS CODE: 91340
PRO-RATE FACTOR: 0.978
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		121,966	$1,342.00
17511	PROPERTY	ADDL INS		6	$60.00

LOC 001 BLDG 001 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
17511	CARPENTRY -	LIABILITY	12.270	95,000	$1,166.00

ESTIMATED TOTAL ANNUAL PREMIUM: $2,645.00

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CB 1D 61 98 END 01 03 04 PAGE 1 05/17/99

****

CONTINUE NEXT FRAME
*** N16 ***

REC ID BA

REC ID EA

REC ID XE

NAM

POLI

REC ID HA

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

04/01/99 TO 04/01/00

GREENSBORO BRANCH
ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578
09/13/99 39-0270
AGENT'S PHONE # 843-449-7405

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

****

IT IS UNDERSTOOD AND AGREED THAT ITEM #1 IS DELETED FROM
THE CONTRACTORS EQUIPMENT SCHEDULE.

****

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $1,966.00
RETURN PREMIUM FOR THIS ENDORSEMENT: $372.00
TOTAL RETURN DUE FOR THIS ENDORSEMENT: $372.00

IF THERE IS AN OUTSTANDING POLICY BALANCE, A PREMIUM INVOICE WILL FOLLOW.

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE BLDG
PJ0001E	0895	POLICY JACKET	
B07132	1197	SOUTH CAROLINA CHANGES	
B07206	0290	EXCLUSION-ASBESTOS	
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288	LOSS PAYABLE PROVISIONS	
B07191	0190	CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293	PERSONAL PROPERTY OFF PREMISES	
IL7131	0498	EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES	
B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07104	1288	ADDITIONAL INSURED-CONTROLLING INTEREST	
B07200	0190	ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS	
B07201	0190	ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193	EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195	AMENDMENT - LEASED WORKERS	
B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092	LEAD LIABILITY EXCLUSION	
CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

V

CB 1D 61 98 END 02 03 05 PAGE 1 CONTINUED 09/29/99

** IMPORTANT INFORMATION **

THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

ST7115	0196	PREMIUM AUDIT NOTICE
ST7223	0498	POLICYHOLDER NOTICE--EXCLUSION: YEAR 2000 COMPUTER -RELATED AND OTHER ELECTRONIC PROBLEMS
Z887	0198	DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!

* INDICATES A NEW OR REPLACEMENT FORM.

CONTINUE NEXT FRAME
*** 01 ***

PREV FICHE ID 99137002M16
PRIOR TERM ID 99270002K12

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	09/29/99
TRANS EFFECTIVE DATE	09/13/99
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	02
TERM/ACTIVITY	03/05
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	V
PRIOR POLICY	

Consolidated ROA_1559

* * * * * * * * * * * * * * *

** END OF DECLARATIONS **

V

CB 1D 61 98 END 02 03 05 PAGE 2 09/29/99

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET

ENDORSEMENT DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/99 TO 04/01/00 09/13/99 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS

GL CLASS CODE: 91340
PRO-RATE FACTOR: 0.548
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		61,176	$673.00
17511	PROPERTY	ADDL INS		5	$50.00

LOC 001 BLDG 001 STATE 39 TERR 003

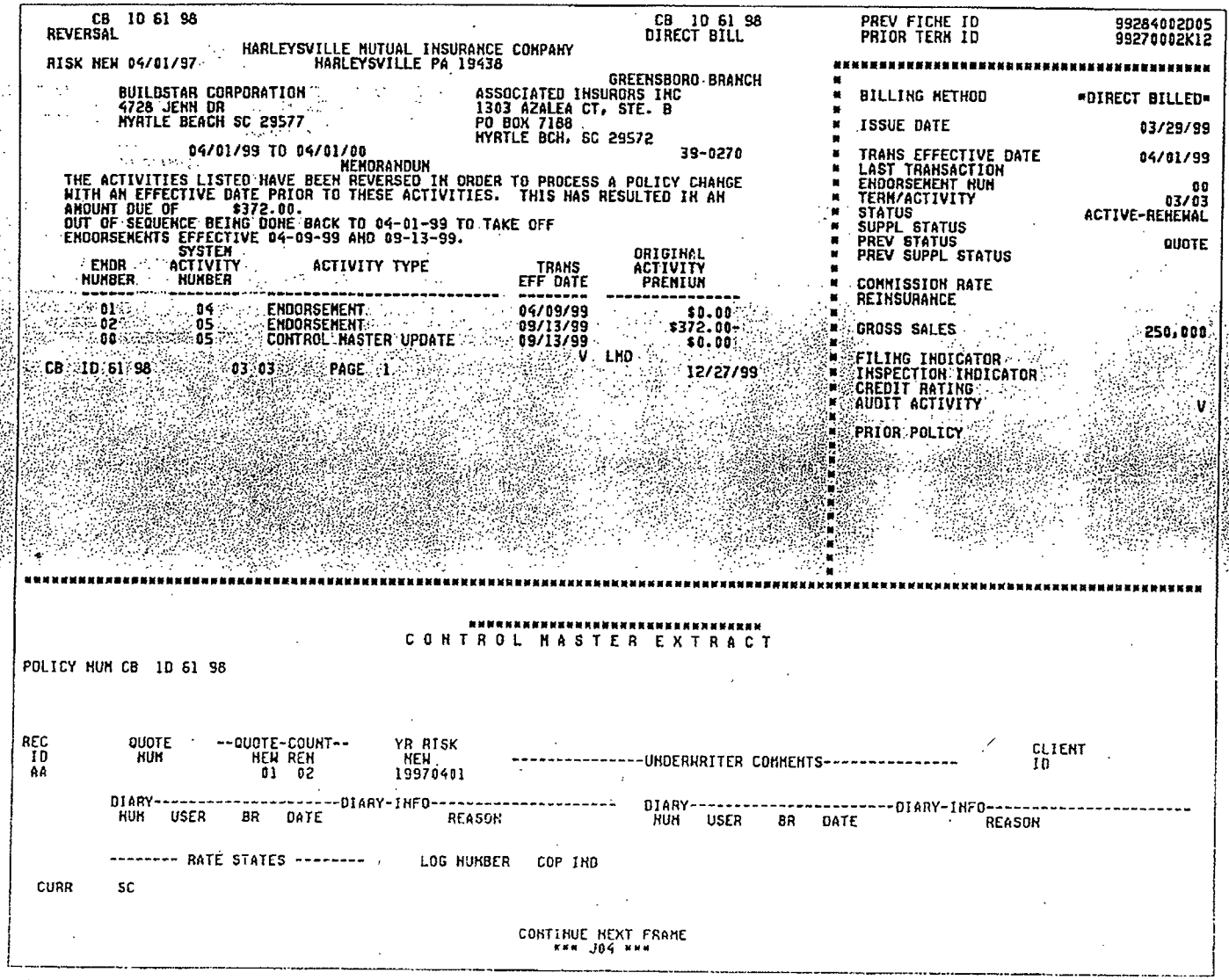
CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
17511	CARPENTRY -	LIABILITY	12.270	95,000	$1,166.00

ESTIMATED TOTAL ANNUAL PREMIUM: $1,966.00

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CB 1D 61 98 END 02 03 05 PAGE 1 09/29/99

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*** 104 ***

CB  ID 61 98                                              CB  ID 61 98          PREV FICHE ID          99284002D05
REVERSAL                                                  DIRECT BILL           PRIOR TERM ID          99270002K12
                    HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97          HARLEYSVILLE PA 19438
                                                                  GREENSBORO BRANCH
      BUILDSTAR CORPORATION                       ASSOCIATED INSURORS INC
      4728 JENN DR                                1303 AZALEA CT, STE. B
      MYRTLE BEACH SC 29577                       PO BOX 7188
                                                  MYRTLE BCH, SC 29572
            04/01/99 TO 04/01/00                                        39-0270
                              MEMORANDUM
  THE ACTIVITIES LISTED HAVE BEEN REVERSED IN ORDER TO PROCESS A POLICY CHANGE
  WITH AN EFFECTIVE DATE PRIOR TO THESE ACTIVITIES.  THIS HAS RESULTED IN AN
  AMOUNT DUE OF       $372.00.
  OUT OF SEQUENCE BEING DONE BACK TO 04-01-99 TO TAKE OFF
  ENDORSEMENTS EFFECTIVE 04-09-99 AND 09-13-99.
                SYSTEM                                                ORIGINAL
    ENDR      ACTIVITY                                  TRANS         ACTIVITY
    NUMBER    NUMBER          ACTIVITY TYPE           EFF DATE        PREMIUM
    ------    --------  ------------------------------  --------  --------------
      01         04     ENDORSEMENT                     04/09/99          $0.00
      02         05     ENDORSEMENT                     09/13/99       $372.00-
      00         05     CONTROL MASTER UPDATE           09/13/99          $0.00
                                                                V  LMD
CB  ID 61 98        03 03       PAGE  1                                 12/27/99

                                                          BILLING METHOD          *DIRECT BILLED*
                                                          ISSUE DATE                      03/29/99
                                                          TRANS EFFECTIVE DATE            04/01/99
                                                          LAST TRANSACTION
                                                          ENDORSEMENT NUM                    00
                                                          TERM/ACTIVITY                   03/03
                                                          STATUS                 ACTIVE-RENEWAL
                                                          SUPPL STATUS
                                                          PREV STATUS                     QUOTE
                                                          PREV SUPPL STATUS
                                                          COMMISSION RATE
                                                          REINSURANCE
                                                          GROSS SALES                   250,000
                                                          FILING INDICATOR
                                                          INSPECTION INDICATOR
                                                          CREDIT RATING
                                                          AUDIT ACTIVITY                      V
                                                          PRIOR POLICY

                          CONTROL MASTER EXTRACT

POLICY NUM CB  ID 61 98


REC          QUOTE      --QUOTE-COUNT--     YR RISK                                                CLIENT
 ID           NUM          NEW REN           NEW          ----------UNDERWRITER COMMENTS----------    ID
 AA                        01  02           19970401

        DIARY----------DIARY-INFO----------   DIARY----------DIARY-INFO----------
         NUM   USER   BR   DATE     REASON     NUM   USER   BR   DATE     REASON

        -------- RATE STATES --------    LOG NUMBER   COP IND

 CURR    SC

                                CONTINUE NEXT FRAME
                                *** J04 ***
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Consolidated ROA_1561

CB ID 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB ID 61 98
DECLARATIONS
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438
GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572

04/01/99 TO 04/01/00

04/01/99 39-0270
AGENT'S PHONE # 843-449-7405

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

****

PAYROLL FOR CLASS 07821 IS HEREBY ADDED WITH LIMIT OF $176,470. PAYROLL FOR CLASS 17511 IS HEREBY AMENDED TO $874,773 IN LIEU OF $95,000.

****

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $14,373.00
PREMIUM FOR THIS ENDORSEMENT: $11,738.00
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $11,738.00

IF THERE IS AN OUTSTANDING POLICY BALANCE, A PREMIUM INVOICE WILL FOLLOW.

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

			LOC/ STATE BLOG
PJ0001E	0895	POLICY JACKET	
B07132	1197	SOUTH CAROLINA CHANGES	
B07206	0290	EXCLUSION-ASBESTOS	
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288	LOSS PAYABLE PROVISIONS	
B07191	0190	CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293	PERSONAL PROPERTY OFF PREMISES	
IL7131	0498	EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES	
B07102	1288	ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07104	1288	ADDITIONAL INSURED-CONTROLLING INTEREST	
B07200	0190	ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS	
B07201	0190	ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193	EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195	AMENDMENT - LEASED WORKERS	
B07314	0896	AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092	LEAD LIABILITY EXCLUSION	
CG7167	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

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CB ID 61 98 END 03 03 04 PAGE 1 CONTINUED 12/26/99

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

ST7115	0196	PREMIUM AUDIT NOTICE
ST7223	0498	POLICYHOLDER NOTICE--EXCLUSION: YEAR 2000 COMPUTER -RELATED AND OTHER ELECTRONIC PROBLEMS
2867	0196	DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!

CONTINUE NEXT FRAME
*** IOS ***

PREV FICHE ID 99361002J04
PRIOR TERM ID 99270002K12

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	12/28/99
TRANS EFFECTIVE DATE	04/01/99
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	03
TERM/ACTIVITY	03/04
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	QUOTE
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	V
PRIOR POLICY	

* INDICATES A NEW OR REPLACEMENT FORM.

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** END OF DECLARATIONS **

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CB 10 61 98 END 03 03 04 PAGE 2 12/28/99

CB 10 61 98 CONTRACTORS' BUSINESS OWNERS PREMIUM INFORMATION SHEET CB 10 61 98

ENDORSEMENT DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572

04/01/99 TO 04/01/00 04/01/99 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS
GL CLASS CODE: 91340
PRO-RATE FACTOR: 1.000
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		121,966	$1,342.00
17511	PROPERTY	ADDL INS		5	$50.00

LOC 001 BLDG 001 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
07621	LANDSCAPE GA	LIABILITY	12.300	176,470	$2,171.00
17511	CARPENTRY -	LIABILITY	12.270	874,773	$10,733.00

ESTIMATED TOTAL ANNUAL PREMIUM: $14,373.00

V LMD

CB 10 61 98 END 03 03 04 PAGE 1 12/28/99

CONTINUE NEXT FRAME

Consolidated ROA_1563

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572
04/09/99 39-0270
AGENT'S PHONE # 843-449-7405

04/01/99 TO 04/01/00

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

****

ADDITIONAL INSURED (01-01-08) JACK L GREEN, PATTIE R VANWIE,
1201 48TH N STE C, MYRTLE BEACH, SC, 29577, IS HEREBY ADDED

****

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $14,383.00
PREMIUM FOR THIS ENDORSEMENT: SUBJECT TO AUDIT
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $0.00

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

		LOC/ STATE BLDG
PJ0001E	0895 POLICY JACKET	
B07132	1197 SOUTH CAROLINA CHANGES	
B07206	0290 EXCLUSION-ASBESTOS	
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288 LOSS PAYABLE PROVISIONS	
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293 PERSONAL PROPERTY OFF PREMISES	
IL7131	0498 EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES	
B07102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07104	1288 ADDITIONAL INSURED-CONTROLLING INTEREST	
B07200	0190 ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS	
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195 AMENDMENT - LEASED WORKERS	
B07314	0896 AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092 LEAD LIABILITY EXCLUSION	
CG7167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

ST7115	0195 PREMIUM AUDIT NOTICE

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ST7223	0498 POLICYHOLDER NOTICE--EXCLUSION: YEAR 2000 COMPUTER -RELATED AND OTHER ELECTRONIC PROBLEMS
Z667	0198 DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!

CONTINUE NEXT FRAME
*** DIG ***

PREV FICHE ID	99362002I09
PRIOR TERM ID	99270002K12
BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	12/28/99
TRANS EFFECTIVE DATE	04/09/99
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	04
TERM/ACTIVITY	03/05
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	QUOTE
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	V
PRIOR POLICY	

CONTINUE FRAME
*** ***

INDICATES A NEW OR REPLACEMENT FORM.

* * * * * * * * * * * * * *

** END OF DECLARATIONS **

V LMD

CB 1D 61 98 END 04 03 05 PAGE 2 12/28/99

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET

ENDORSEMENT DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572

04/01/99 TO 04/01/00 04/09/99 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS
GL CLASS CODE: 91340
PRO-RATE FACTOR: 0.978
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		121,966	$1,342.00
17511	PROPERTY	ADDL INS		6	$60.00

LOC 001 BLDG 001 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$77.00
07621	LANDSCAPE GA	LIABILITY	12.300	176,470	$2,171.00
17511	CARPENTRY -	LIABILITY	12.270	874,773	$10,733.00

ESTIMATED TOTAL ANNUAL PREMIUM: $14,383.00

V LMD

CB 1D 61 98 END 04 03 05 PAGE 1 12/28/99

CONTINUE NEXT FRAME

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 1D 61 98
DECLARATIONS
ENDORSEMENT DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438
GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572

04/01/99 TO 04/01/00
09/13/99 39-0270
AGENT'S PHONE # 843-449-7405

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

****

CONTRACTORS' EQUIPMENT ITEM #1-1997 CATERPILLAR 416C BACKHOE LOADER IS HEREBY DELETED. LOSS PAYEE (01-01-02) AND ADDITIONAL INSURED (01-01-03) CATERPILLAR FINANCIAL SERVICE IS HEREBY DELETED.

****

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $13,704.00
RETURN PREMIUM FOR THIS ENDORSEMENT: $372.00
TOTAL RETURN DUE FOR THIS ENDORSEMENT: $372.00

IF THERE IS AN OUTSTANDING POLICY BALANCE, A PREMIUM INVOICE WILL FOLLOW.

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

		LOC/ STATE BLDG
PJ0001E	0895 POLICY JACKET	
B07132	1197 SOUTH CAROLINA CHANGES	
B07206	0290 EXCLUSION-ASBESTOS	
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY	
B07112	1288 LOSS PAYABLE PROVISIONS	
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
B07253	0293 PERSONAL PROPERTY OFF PREMISES	
IL7131	0498 EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES	
B07102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
B07104	1288 ADDITIONAL INSURED-CONTROLLING INTEREST	
B07200	0190 ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS	
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
B07233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION	
B07302	0195 AMENDMENT - LEASED WORKERS	
B07314	0896 AMENDMENT SECTION II - WHO IS AN INSURED	
CG7149	1092 LEAD LIABILITY EXCLUSION	
CG7167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS	
IL7115	0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)	

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CB 1D 61 98 END 05 03 06 PAGE 1 CONTINUED 12/28/99

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

ST7115	0196 PREMIUM AUDIT NOTICE
ST7223	0498 POLICYHOLDER NOTICE--EXCLUSION: YEAR 2000 COMPUTER -RELATED AND OTHER ELECTRONIC PROBLEMS

CONTINUE NEXT FRAME
*** HIO ***

PREV FICHE ID 99362002010
PRIOR TERM ID 99270002K12

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CONTINUE ME FRAME
***

Z887 0198 DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * * * * * * * * * * *

** END OF DECLARATIONS **

V LMD

CB 1D 61 98 END 05 03 06 PAGE 2 12/28/99

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS CB 1D 61 98
PREMIUM INFORMATION SHEET

ENDORSEMENT DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572

04/01/99 TO 04/01/00 09/13/99 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS
GL CLASS CODE: 91340
PRO-RATE FACTOR: 0.548
SUBJECT TO AUDIT

(TIP /COMM /OTHER) * (SCH PROP/COMM /OTHER) * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000
(TIP /COMM /OTHER) * (SCH LIAB/COMM /OTHER) * EXP * SEC = RMF
1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000 1.000

LOC 000 BLDG 000 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	ANNUAL PREMIUM
17511	PROPERTY	CONTR EQP		61,176	$673.00
17511	PROPERTY	ADDL INS		5	$50.00

LOC 001 BLDG 001 STATE 39 TERR 003

CLASS CODE	DESCRIPTION	COVERAGE	RATE	PREM BASE	
17511	PROPERTY	BPP OFF		5,000	$27.00
07321	LANDSCAPE GA	LIABILITY	12.200	176,470	$2,171.00
17511	CARPENTRY -	LIABILITY	12.270	874,773	$10,733.60

ESTIMATED TOTAL ANNUAL PREMIUM: $13,704.60

V LMD

CONTINUE NEXT FRAME
*** 010 ***

RE
ID.
EA



BUILDSTAR CORP.
CB-1D6198
4/1/00-8/1/00

CB 10 61 98 CONTRACTORS' BUSINESS OWNERS POLICY CB 10 61 98
DECLARATIONS
RENEWAL CERTIFICATE DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438
GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572
39-0270
AGENT'S PHONE # 843-449-7405

04/01/00 TO 04/01/01

LEGAL STATUS: CORPORATION
BUSINESS: CONSTRUCTION COMPANY
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $16,301.00
ESTIMATED TOTAL POLICY PREMIUM: $16,301.00
TOTAL AMOUNT DUE: $16,301.00

THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS DUE AS INDICATED ON THE PREMIUM INVOICE. FAILURE TO REMIT WHEN DUE CAN RESULT IN THE CANCELLATION OF YOUR POLICY. IF YOU REQUEST CANCELLATION, THERE IS A MINIMUM PREMIUM RETENTION FOR THIS POLICY OF $75.
RENEWAL OFFER IS CONTINGENT UPON PAYMENT OF PRIOR POLICY TERM.
THIS POLICY CONTAINS AN AUDIT CONDITION. ALL RATING INFORMATION AND CLASSIFICATIONS ARE SUBJECT TO VERIFICATION AND CHANGE AT AUDIT. PREMIUM WAS BASED ON EXPOSURES YOU ESTIMATED, AND FINAL PREMIUM WILL BE COMPUTED WHEN YOUR ACTUAL EXPOSURES ARE DETERMINED.
INSURANCE IS AFFORDED ONLY WITH RESPECT TO THE COVERAGES LISTED. THE LIMIT OF THE COMPANY'S LIABILITY SHALL BE AS STATED HEREIN SUBJECT TO ALL TERMS OF THE POLICY.
FOR SPECIFIC PROVISIONS AND COVERAGE DEFINITIONS APPLICABLE TO THE FOLLOWING SCHEDULES, REFER TO THE APPROPRIATE ATTACHED FORM OR ENDORSEMENT. A SCHEDULE OF FORMS AND ENDORSEMENTS MADE PART OF THIS POLICY CAN BE FOUND AT THE END OF THIS DECLARATIONS.

**** SCHEDULE OF LOCATIONS ****

LOC NO	LOCATION DESCRIPTION	
001	4728 JENN DR	MYRTLE BEACH SC 29577

**** SCHEDULE OF COVERAGES ****

SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: $1000
V

CB 10 61 98 END 00 04 05 PAGE 1 CONTINUED 03/24/00
DEDUCTIBLE EXCEPTIONS:

CONTRACTORS' EQUIPMENT ENDORSEMENT DEDUCTIBLE
REFER TO THE SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS FOR APPLICABLE DEDUCTIBLE.

LOC 001 BLDG 001 LIMIT OF INSURANCE

CONSTRUCTION: FRAME COINSURANCE: 80%
TERR: 003 PROTECTION: 03
OCCUPANCY: OFFICE

BUSINESS PERSONAL PROPERTY		$5,000
ACCOUNTS RECEIVABLE		$10,000
MONEY AND SECURITIES	INSIDE THE PREMISES	$10,000
	OUTSIDE THE PREMISES	$10,000

OTHER COVERAGES AND ENDORSEMENTS -

CONTINUE NEXT FRAME
*** G05 ***

PREV FICHE ID
PRIOR TERM ID 99362002N10

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	03/24/00
TRANS EFFECTIVE DATE	04/01/00
LAST TRANSACTION	RENEWAL
ENDORSEMENT NUM	00
TERM/ACTIVITY	04/05
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	V
PRIOR POLICY	

Consolidated ROA_1568

REPLACEMENT COST
APPLIES TO BUSINESS PERSONAL PROPERTY ONLY

SECTION II: COMPREHENSIVE BUSINESS LIABILITY

BUSINESS LIABILITY AND MEDICAL EXPENSES. EACH OCCURRENCE	$1,000,000
GENERAL AGGREGATE (OTHER THAN PRODUCTS-COMPLETED OPERATIONS)	$2,000,000
PRODUCTS COMPLETED OPERATIONS AGGREGATE	$2,000,000
MEDICAL EXPENSES	$5,000
FIRE LEGAL LIABILITY.	$100,000

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ BLDG	STATE-TERR	DESCRIPTION	CLASS CODE	
001/001	39-003	LANDSCAPE GARDENING - INCLUDING EXPLOSION, COLLAPSE AND UNDERGROUND	07821	
		PAYROLL PREMIUM BASIS		$176,470
001/001	39-003	CARPENTRY - NEW CONSTRUCTION	17511	
		PAYROLL PREMIUM BASIS		$874,773

**** SCHEDULE OF OTHER COVERAGES AND ENDORSEMENTS ****

CONTRACTORS' EQUIPMENT ENDORSEMENT

SCHEDULE FOR CONTRACTORS' EQUIPMENT

ITEM NO	DED AMT	DESCRIPTION	MANUFACTURER	IDENTIFYING MARKS & NOS	AMOUNT OF INSURANCE
2		HB3204CWH PRESSURE WASHER	HONDA	SB320400022	$1,107
3		SKID STEER LOADER	MUSTANG	6483557	$14,800
4		CUT OFF SAW MODEL S460	STHIL	136512184	$962
5		BACKHOE	CASE	JJG0238290	$44,307

CB 1D 61 98 END 00 04 05 PAGE 2 CONTINUED 03/24/00

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN ($61,176)
IN ANY ONE DISASTER, EITHER IN CASE OF PARTIAL OR TOTAL
LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES OR ALL COMBINED.

DEDUCTIBLE: $500

DEDUCTIBLE EXCEPTIONS ARE REFLECTED FOR SCHEDULED ITEMS.
IN CASE OF "LOSS" INVOLVING MORE THAN ONE SCHEDULED ITEM,
THE HIGHEST DEDUCTIBLE AMOUNT SHOWN FOR SCHEDULED COVERED
PROPERTY INVOLVED IS THE DEDUCTIBLE AMOUNT.

ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES

PREM NO.	BLDG NO.	
001	001	ADDITIONAL INSURED: DR PATTI A VANNIE 1201 48TH N SUITE C MYRTLE BEACH SC 29577

CONTINUE NEXT FRAME
*** 1105 ***

Consolidated ROA_1569

ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
001 001 NAME OF PERSON OR ORGANIZATION:
HERITAGE COMMUNITIES INC
SUITE C 1201 48TH AVE NORTH
MYRTLE BEACH SC 29577
ITEMS #3 AND #4

ADDITIONAL INSURED-CONTROLLING INTEREST
001 001 NAME OF PERSON OR ORGANIZATION:
HERITAGE COMMUNITIES INC
4728 JENN DR
MYRTLE BEACH SC 29577

ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS
001 001 NAME OF PERSON OR ORGANIZATION:
JACK L. GREEN, JR. PATTY R. VAN WIE
4728 JENN DRIVE
MYRTLE BEACH SC 29577
APPLIES TO OFFICE BLDG

001 001 NAME OF PERSON OR ORGANIZATION:
JACK L GREEN PATTI R VANWIE
1201 48TH N STE C
MYRTLE BEACH SC 29577
OFFICE BUILDING

V

CB 1D 61.98 END 00 04 05 PAGE 3 CONTINUED 03/24/00
LOSS PAYABLE PROVISIONS

PREM NO. BLDG NO.

001 001 LOSS PAYEE
LOSS PAYABLE PROVISION APPLICABLE
CASE CREDIT CORP
PO BOX 371974
PITTSBURGH PA 15250
DESCRIPTION OF PROPERTY:
APPLIES TO ITEM 5

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

		LOC/ STATE BLDG
PJ0001E	0895 POLICY JACKET	
807132	1197 SOUTH CAROLINA CHANGES	
807206	0290 EXCLUSION-ASBESTOS	
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY	
807112	1288 LOSS PAYABLE PROVISIONS	
807191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	
807253	0293 PERSONAL PROPERTY OFF PREMISES	
IL7131	0498 EXCLUSION OF CERTAIN COMPUTER-RELATED LOSSES	
807102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES	
807104	1288 ADDITIONAL INSURED-CONTROLLING INTEREST	
807200	0190 ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS	
807201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	
807233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION	

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REC ID AB

REC ID AE

REC ID AE

REC ID BA

REC ID EA

Consolidated ROA_1571

B07302 0195 AMENDMENT - LEASED WORKERS
B07314 0896 AMENDMENT SECTION II - WHO IS AN INSURED
CG7149 1092 LEAD LIABILITY EXCLUSION
CG7167 0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS
IL7115 0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)

** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

ST7115 0196 PREMIUM AUDIT NOTICE
*Z887 1299 DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!

* INDICATES A NEW OR REPLACEMENT FORM. RETAIN LISTED FORMS NOT REPLACED.

* * * * * * * * * * * * * * *

RENEWAL INSURING AGREEMENT: IN CONSIDERATION OF PAYMENT OF THE PREMIUM SPECIFIED ON THE RENEWAL DECLARATIONS, THIS POLICY IS RENEWED FOR THE PERIOD STATED. THE RENEWAL IS SUBJECT TO ALL TERMS, CONDITIONS, FORMS AND ENDORSEMENTS ATTACHED TO THE POLICY OR TO THIS RENEWAL DECLARATIONS.

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CB 1D 61 98 END 00 04 05 PAGE 4 CONTINUED 03/24/00

** END OF DECLARATIONS **

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CB 1D 61 98 END 00 04 05 PAGE 5 03/24/00

CB 1D 61 98 CONTRACTORS' BUSINESS OWNERS PREMIUM INFORMATION SHEET CB 1D 61 98

RENEWAL CERTIFICATE DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438

RISK NEW 04/01/97

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572

04/01/00 TO 04/01/01 39-0270

*** COVERAGE PART: CONTRACTORS' BUSINESS OWNERS

GL CLASS CODE: 91340
PRO-RATE FACTOR: 1.000
SUBJECT TO AUDIT

(TIP /COMM /OTHER)	*	(SCH PROP/COMM /OTHER)	*	SEC	=	RMF
1.200 1.000 1.000		1.000 1.000 1.000		1.000		1.200
(TIP /COMM /OTHER)	*	(SCH LIAB/COMM /OTHER)	*	EXP	* SEC	= RMF
1.200 1.000 1.000		1.000 1.000 1.000		1.000	1.000	1.200

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*** J05 ***

REC ID E8

POL

REC ID HA

0001 123

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1CB
2CB
ECB
2CB
ECB
8CB
8CB

Harleysville

Harleysville Insurance
355 Maple Avenue
Harleysville, PA 19438-2297
www.harleysvillegroup.com

New Reporting Options:

Direct Claims Reporting Saves You Time

1-800-892-8877

Call us to report a claim 24 hours a day – 7 days a week

While we hope you never suffer a loss, you can rest assured that your claim will get immediate and professional attention. With our 24-hour service, you can file your claims directly with us any time, including after normal business hours and holidays.

Whether your loss involves your home, your vehicle, your personal belongings, your boat, your business or glass breakage, just call 1-800-892-8877 to report the claim. Our courteous, professional staff will start all the necessary paperwork as soon as you call. We will ask you for essential information to help determine the extent of your loss, and within minutes, we can assign a claim number to your loss and advise you on the handling process.

Direct reporting benefits you directly

24-hour service
To make it easy for you to report your loss promptly, we're available every day of the year – day and night.

Immediate, personal assistance
With direct reporting, you will be immediately connected to a knowledgeable person who understands your situation.

You save time
When you phone in your claim, there's no need to complete a written report. We'll handle the paperwork for you.

Your satisfaction guaranteed
If your vehicle has been damaged, we can offer your participation in our Preferred Repair Program. If you choose one of the quality repair shops offered, you won't have to wait for an appraiser's inspection or for your check. Repairs are fully guaranteed and we pay for the repairs directly, but only after you tell us you're completely satisfied.

If your home or business has been damaged, we can offer you participation in our Approved Contractor Program. Not only will the quality contractor promptly prepare an estimate of damages for your review, but, at your option, will perform the repairs for the amount agreed upon in the estimate. These repairs are fully guaranteed for a period of one year.

Harleysville-Atlantic Insurance Company | Harleysville Insurance Company of New York | Harleysville Mutual Insurance Company
Harleysville-Garden State Insurance Company | Harleysville Insurance Company of Ohio | Harleysville Pennland Insurance Company
Harleysville Insurance Company | Harleysville Lake States Insurance Company | Harleysville Preferred Insurance Company
Harleysville Insurance Company of New Jersey | Harleysville Life Insurance Company | Harleysville Worcester Insurance Company

You get free mobile service for windshield repair
If you report a broken windshield or other auto glass damage, we'll arrange for one of our glass specialists to assess your vehicle. You may have the repairs or replacement performed at one or our hundreds of conveniently located glass shops or, if you prefer, our mobile service will come to your driveway, office parking lot, or any other place you designate to do the work on the spot. It couldn't be simpler and, except for any deductibles that may apply, there's no charge to you.

We'll help you prevent further damage
Whether you've suffered a loss to your vehicle, home, business or boat, we can advise you of the proper steps to minimize your loss and protect your property from further damage.

We'll assure quality medical care
If you're reporting a workers compensation claim, our early intervention program helps ensure that your employee is treated by a physician committed to quality care and to getting your employee back to work as soon as possible.

TO HELP YOU KEEP OUR CLAIMS NUMBERS WITHIN EASY REACH, WE'VE ENCLOSED TWO WALLET CARDS AND TWO STICKERS FOR YOUR IMMEDIATE USE. (SIMPLY DETACH THE CARDS AND PEEL OFF THE LABELS.)

Direct Claims Reporting:
1-800-892-8877
24 hours a day, 7 days a week

or

If you do not wish to utilize our Direct Claims Reporting, you may call your professional independent agent.

CB 1D 61 98 CB 1D 61 98
DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
PO BOX 7188
MYRTLE BEACH SC
29572

04/01/00 TO 04/01/01 08/01/00 39-0270
AGENT'S PHONE # 843-449-7405

CANCELLATION MEMORANDUM
THIS POLICY HAS BEEN CANCELLED PRO RATA
FOR THE FOLLOWING REASON:
NON-PAYMENT
THE ESTIMATED UNEARNED PREMIUM IS: $10,856.00
ESTIMATED RETURN DUE FOR THIS CANCELLATION: $10,856.00
MAY BE SUBJECT TO FURTHER ADJUSTMENT ON FINAL AUDIT
E

CB 1D 61 98 END 01 04 06 PAGE 1 08/09/00

PREV FICHE ID	00084002G05
PRIOR TERM ID	99362002M10
BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	08/09/00
TRANS EFFECTIVE DATE	08/01/00
LAST TRANSACTION	CANCELLATION
ENDORSEMENT NUM	01
TERM/ACTIVITY	04/06
STATUS	CANCELLED
SUPPL STATUS	NON PAY
PREV STATUS	ACTIVE-RENEWAL
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	250,000
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	E
PRIOR POLICY	

CONTROL MASTER EXTRACT

POLICY NUM CB 1D 61 98

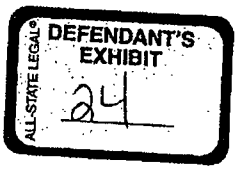
REC ID	QUOTE NUM	--QUOTE-COUNT-- NEW REN	YR RISK NEW	UNDERWRITER COMMENTS	CLIENT ID
AA		01 04	19970401		

DIARY NUM	USER	BR	DATE	DIARY-INFO REASON	DIARY NUM	USER	BR	DATE	DIARY-INFO REASON

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*** L14 ***



BUILDSTAR CORP.
BEC-1D6198
4/1/97-4/1/98

POLICY NO: BEC-1D6198 DATE: 10/17/08

CERTIFIED POLICY REQUEST

ALL CERTIFIED COPIES OF POLICIES WILL INCLUDE ONE COPY OF THE DECLARATIONS AND ALL FORMS AND ENDORSEMENTS. THE CERTIFICATION WILL BE COMPLETED BY THE PROFIT CENTER THAT ISSUED THE POLICY. PREPARATION TIME IS APPROXIMATELY 15 BUSINESS DAYS.

PLEASE NOTE: AUTOMATED POLICIES WITH EXPIRATION TERMS MORE THAN SEVEN YEARS AGO MAY HAVE BEEN DESTROYED. MANUAL POLICIES WITH EXPIRATION TERMS MORE THAN 20 YEARS AGO HAVE BEEN DESTROYED.

PLEASE COMPLETE ALL FIELDS

LOSS DATE: 10/31/96 CLAIM NO: H0-511838

INSURED: Buildstar Corp. POLICY TERM/S: All

POLICY IS (check one): ☒AUTOMATED ☐MANUAL
POLICY IS (check one): ☐PERSONAL ☒COMMERCIAL

CLAIM IS (Check one) : ☐OPEN ☒IN LITIGATION ☐CLOSED

REQUESTED BY: John D. Young PHONE NO/EXT: 888-549-9876 ex. 1247

MAIL TO (address or office): SECSC, 2885 Elm Hill Pike, Nashville, TN. 37241

REASON FOR REQUEST: In Discovery process, Coverage attorney has requested copies of all policies issued to the insured for response to request for production of documents.

FOR AUTOMATED POLICIES, EMAILTHIS FORM TO :
ARCP@harleysvillegroup.com

FOR MANUAL POLICIES, EMAIL THIS FORM TO:
MRCP@harleysvillegroup.com

Home Office Use Only	
Date Request Received 10/22/08	Date Request Completed and Mailed TO Profit Center 10/23/08
Profit Center Use	
Date Request Received 10/24/08	Date Certification Sent to Requestor: 10/28/08
Claims Use	Cindy Butler 11/3/08

C-2950 (11/05 Edition)

cc: Linda Berger cl

- [x] Harleysville Mutual Insurance Company
- [ ] Harleysville Insurance Company of Ohio*
- [ ] Harleysville-Atlantic Insurance Company
- [ ] Harleysville Insurance Company of New Jersey
- [ ] Harleysville Preferred Insurance Company*
- [ ] Harleysville Lake States Insurance Company*
- [ ] Harleysville Insurance Company*
- [ ] Harleysville Insurance Company of New York*
- [ ] Harleysville Pennland Insurance Company*
- [ ] Harleysville Worcester Insurance Company*

LETTER OF CERTIFICATION

October 23, 2008

John D Young
Southeast Claims Service Center

This is to certify that the attached is a true and correct copy of:

BEC 1D6198, all policy terms from 4/1/97 to 4/1/01,

insofar as it relates to the insurance afforded hereunder at the following location:

728 Jenn Drive, Myrtle Beach, SC, 29577, to the Named Insured: Buildstar Corporation,

the date of loss 10/31/96, and purchased in South Carolina.

Dane Pickard
CL Underwriting Manager

companies changed their name effective July 1, 2001: Harleysville Insurance Company of Ohio f/k/a Great Oaks Insurance Company; Harleysville Preferred Insurance Company f/k/a Huron Insurance Company; Harleysville Lake States Insurance Company f/k/a Lake States Insurance Company; Harleysville Insurance Company f/k/a Minnesota Fire and Casualty Company; Harleysville Insurance Company of New York f/k/a New York Casualty Insurance Company; Harleysville Pennland Insurance Company f/k/a Pennland Insurance Company; and Harleysville Worcester Insurance Company f/k/a Worcester Insurance Company.

**Penn Mutual obligations have been assumed by Harleysville Mutual Insurance Company.

U-523 (Ed. 10-05)

BEC 1D 61 98 COMMERCIAL BLANKET EXCESS LIABILITY POLIC — BEC 1D 61 98

DECLARATIONS

NEW BUSINESS — DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY — 215-256-5000

RISK NEW 04/01/97 — HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
1201 4TH AVE N SUITE C
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577

04/01/97 TO 04/01/98

39-0270

AGENT'S PHONE # 803-449-7405

FORM OF BUSINESS: CORPORATION
BUSINESS DESCRIPTION: CONSTRUCTION OFFICE
IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $750.00
TOTAL AMOUNT DUE: $750.00

LIMITS OF INSURANCE:

PRODUCTS-COMPLETED OPERATIONS AGGREGATE LIMIT	$1,000,000
GENERAL AGGREGATE LIMIT	$1,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	$1,000,000
EACH OCCURRENCE LIMIT	$1,000,000

RETAINED LIMIT: $10,000

**** SCHEDULE OF UNDERLYING INSURANCE ****

POLICY # BA 1D6198 — POLICY PERIOD: 04/01/97 TO 04/01/98
INSURER: HARLEYSVILLE INSURANCE COMPANY
TYPE OF INSURANCE: AUTO LIABILITY
LIMITS OF INSURANCE: $1,000,000 EACH ACCIDENT

POLICY # CB 1D6198 — POLICY PERIOD: 04/01/97 TO 04/01/98
INSURER: HARLEYSVILLE INSURANCE COMPANY
TYPE OF INSURANCE: GENERAL LIABILITY
LIMITS OF INSURANCE: $2,000,000 GENERAL AGGREGATE
$2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGR
$1,000,000 PERSONAL INJURY & ADVERTISING INJURY
$1,000,000 EACH OCCURRENCE

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

LOC

BEC 1D 61 98 END 00 01 01 PAGE 1 CONTINUED 04/15/97

*PJ0001E 0895 HARLEYSVILLE MUTUAL INSURANCE COMPANY - POLICY JACKET
*PT0401 0887 COMMERCIAL BLANKET EXCESS LIABILITY POLICY
*BC7107 0591 CONTRACTORS LIMITATION ENDORSEMENT
*BC7136 0892 SOUTH CAROLINA CHANGES
*EC7189 0591 EMPLOYER'S LIABILITY EXCLUSION
*BC7237 0492 EMPLOYMENT DISCRIMINATION AND EMPLOYMENT-RELATED PRACTICES EXCLUSION
*BC7240 0993 LEAD LIABILITY EXCLUSION

* ALL FORMS ARE ATTACHED. RETAIN UNLESS DELETED OR REPLACED.

* * * * * * * * * * * * * * *

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*** A04 ***

PREV FICHE ID
PRIOR TERM ID

BILLING METHOD	*DIRECT BILLED*
DEPOSIT AMOUNT	
ISSUE DATE	04/15/97
TRANS EFFECTIVE DATE	04/01/97
LAST TRANSACTION	NEW BUSINESS
ENDORSEMENT NUM	00
TERM/ACTIVITY	01/01
STATUS	ACTIVE-NEW BUS
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	
PRIOR POLICY	

BEC 1D 61 98 END 00 01 01 PAGE 2 04/15/97

CONTROL MASTER EXTRACT

Harleysville Mutual Insurance Company

355 Maple Avenue
Harleysville, Pennsylvania 19438



COMMERCIAL BLANKET EXCESS LIABILITY POLICY

This policy has been issued in reliance upon the ements in the Declarations and in the application nitted for this insurance. Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

The word "insured" means any person or organization qualifying as such under SECTION II - WHO IS AN INSURED.

Words and phrases in this policy that appear in quotation marks have special meanings. Refer to SECTION V - DEFINITIONS when such meanings are not defined when used.

SECTION I - COVERAGE A AND COVERAGE B

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY.

COVERAGE B. PERSONAL INJURY AND ADVERTISING INJURY LIABILITY

1. **Insuring Agreement**

   'e will pay on behalf of the insured the "ultimate net loss" in excess of the "applicable underlying limit" which the insured becomes legally obligated to pay as damages because of "bodily injury," "property damage," "personal injury" or "advertising injury" to which this insurance applies caused by an "occurrence" happening anywhere in the world.

2. **Exclusions**

   This insurance does not apply to:

   a. "Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

   b. Any obligation imposed by law under any automobile no-fault, uninsured motorist, underinsured motorist, workers compensation, disability benefits or unemployment compensation law or any similar law.

   c. Any liability arising from discrimination:

      (1) Suffered or allegedly suffered by employees or former employees of an insured or applicants for employment by an insured, or

      (2) Due to unfair trade practices.

   d. "Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

   e. Any violation or alleged violation of the Employee Retirement Income Security Act of 1974 or any amendment or addition thereto or similar provisions of any federal, state or local law.

   f. "Bodily injury," "property damage," "personal injury" or "advertising injury" for which the insured assumed liability under a contract or agreement if the damage or injury occurred prior to the effective date of the contract or agreement.

   g. "Bodily injury" or "property damage" arising out of the ownership, maintenance, operation, use, including loading or unloading or entrustment to others of watercraft over 50 feet in length or any aircraft:

      (1) Owned by any insured;

      (2) Chartered without crew by or on behalf of any insured; or

      (3) Owned and operated by an employee of any insured.

      This exclusion does not apply to:

      (1) A watercraft while ashore on premises you own or rent; or

      (2) Liability assumed under any contract or agreement.

   h. "Advertising injury" arising out of:

      (1) Breach of contract, other than misappropriation of advertising ideas under an implied contract;

      (2) The failure of goods, products or services to conform with advertised quality or performance;

      (3) The wrong description of the price of goods, products or services; or

      (4) An "offense" committed by an insured whose business is advertising, broadcasting, publishing or telecasting.

   i. "Personal injury" or "advertising injury:"

      (1) Arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity;

(2) Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period. All "personal injury" or "advertising injury" arising out of publication of the same or similar material subsequent to the beginning of the policy period is also execluded; or

(3) Arising out of the willful violation of a penal statute or ordinance committed by or with the consent of the insured.

j. "Property damage" to property:

(1) Owned or occupied by or rented to an insured,

(2) Used by an insured, or

(3) In the care, custody or control of an insured or as to which an insured is for any purpose exercising physical control.

k. "Property damage" to "your product" arising out of it or any part of it.

l. "Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

m. "Property damage" to "impaired property" or property that has not been physically injured arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

n. Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product;"

(2) "Your work;" or

(3) "Impaired property;"

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

o. "Bodily injury," "personal injury" or "property damage" arising out of the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminents or pollutants.

We shall have no obligation under this policy:

(1) To investigate, settle or defend any claim or suit against any insured alleging actual or threatened injury or damage of any nature or kind to persons or property which arises out of or would not have occurred but for the "polution hazard;" or

(2) To pay any damages, judgments, settlements, loss, costs or expenses that may be awarded or incurred by reason of any such claim or suit or any such injury or damage, or in complying with any action authorized by law and relating to such injury or damage.

As used in this exclusion:

"Pollution hazard" means an actual exposure or threat of exposure to the corrosive, toxic or other harmful properties of any solid, liquid, gaseous or thermal pollutants, contaminants, irritants or toxic substances, including smoke, vapors, soot, fumes, acids or alkalis and waste materials consisting of or containing any of the foregoing.

p. "Bodily injury," "personal injury" or "property damage" arising out of the "asbestos hazard."

We shall have no obligation under this policy:

(1) To investigate, settle or defend any claim or suit against any insured alleging actual or threatened injury or damage of any nature or kind to persons of property which arises out of or would not have occurred but for the "asbestos hazard;" or

(2) To pay, contribute to or indemnify another for damages, judgments, settlements, loss, costs or expenses that may be awarded or incurred by reason of any such claim or suit or any injury or damage, or in complying with any action authorized by law and relating to such injury or damage.

As used in this exclusion:

"Asbestos hazard" means:

(1) An actual exposure or threat of exposure to the harmful properties of "asbestos," or

(2) The presence of "asbestos" in any place, whether or not within a building or structure.

"Asbestos" means the mineral in any form, including but not limited to fibers or dust.

q. Any obligation to reimburse an insurer as provided by the terms of the "Endorsement For Motor Carrier Policies of Insurance For Public Liability Under Sections 29 and 30 of the Motor Carrier Act of 1980" or under the terms of any similar endorsement required by federal or state statute.

r. "Bodily injury" or "property damage" for which any insured may be held liable by reason of:

(1) Causing or contributing to the intoxication of any person;

(2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or

(3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

s. Injury, sickness, disease, death or destruction:

(1) With respect to which an insured under this policy is also an insured under a nuclear energy liability policy issued by the Nuclear Energy Liability Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under such policy but for its termination upon exhaustion of its limit of liability; or

(2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which (i) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (ii) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization; or

(3) Resulting from the "hazardous properties" of "nuclear material," if (i) the "nuclear material" is at any "nuclear facility" owned by or operated by or on behalf of an insured or has been discharged or dispersed therefrom; (ii) the "nuclear material" if contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or (iii) the injury, sickness, disease, death or destruction arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation of use of any "nuclear facility," but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (s.3 iii) applies only to injury to or destruction of property at such "nuclear facility."

As used in or applicable to this exclusion, the following are defined terms having special meaning:

"Hazardous properties" include radioactive, toxic or explosive properties;

"Source material," "special nuclear material," and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor;"

"Waste" means any waste material (a) containing "byproduct material," and (b) resulting from the operation by any person or organization of any "nuclear facility" included under paragraph (a) or (b) of the definition of "nuclear facility."

"Nuclear facility" means:

(1) Any "nuclear reactor;"

(2) Any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing "spent fuel," or (3) handling, processing or packaging "waste;"

(3) Any equipment or device used for processing, fabricating or alloying of "special nuclear material" if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

(4) Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste;"

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.

"Nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

With respect to injury to or destruction of property, the word "injury" or "destruction" includes all forms of radioactive contamination of property.

3. Defense of Claims or Suits

a. We will have no duty to defend any claim or "suit" that any other insurer has a duty to defend. If we elect to join in the defense of such a claims or "suits," we will pay all expenses we incur.

b. We will have the right and duty to defend any "suit" for damages which are payable under Coverages A or B (including damages wholly or partly within the "retained limit") but which are not payable by a policy of "underlying insurance," or any other available insurance, because;

(1) Such damages are not covered; or

(2) The "underlying insurance" has been exhausted by the payment of claims.

c. We may investigate and settle any claim or "suit" in b. above at our discretion.

d. Our right and duty in b. above end when we have used up the "applicable limit of insurance" in the payment of judgements or settlements.

e. We will pay with respect to any claim or "suit" we defend in b. above:

(1) All expenses we incur.

(2) The cost of appeal bonds and bonds to release attachments, but only for bond amounts within the "applicable limit of insurance." We do not have to furnish these bonds.

(3) All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings up to $100 a day because of time off from work.

(4) All costs taxed against the insured in the "suit."

(5) Pre-judgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the "applicable limit of insurance," we will not pay any pre-judgment interest based on that period of time after the offer.

(6) All interest on the full amount of any judgment that accrues after entry of the judgment and before we have:

(a) paid, or offered to pay; or

(b) deposited in court;

the part of the judgment that is within the "applicable limit of insurance."

These payments will not reduce the limits of insurance.

In any jurisdiction outside the United States of America (including its territories and possessions), Puerto Rico or Canada where we may be prevented by law or otherwise from carrying out this agreement:

1. You must arrange to investigate, defend or settle any claim or "suit."

2. You will not make any settlement without our consent.

3. We will pay expenses incurred with our consent.

SECTION II - WHO IS AN INSURED

1. If you are designated in the Declarations as:

a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.

b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.

c. An organization other than a partnership or joint venture, you are an insured.

2. Each of the following is also an insured:

a. As respects the "auto hazard:"

(1) Anyone using an "auto" you own, hire or borrow including any person or organization legally responsible for such use provided it is with your permission; and

(2) Any of your executive officers, directors, partners, employees or stockholders, operating an "auto" you do not own, hire or borrow while it is being used in your business.

None of the following is an insured under (1) or (2) above:

(1) Any person employed by or engaged in the duties of an auto sales agency, repair shop, service station, storage garage or public parking place that you do not operate;

(2) The owner or lessee of an "auto" hired by or for you or loaned to you, and any agency or employee of such owner or lessee.

b. As respects aircraft:

Anyone using an aircraft chartered with crew by you or on your behalf and anyone legally responsible for its use except:

(1) The owner or crew of the aircraft or any person operating such aircraft;

(2) Any manufacturer of the aircraft or any of its parts;

(3) Any sales, service or repair company;

(4) Any airport or hanger operator; or

(5) Any employee of (2), (3) or (4) above.

c. Except as respects aircraft and the "auto hazard:"

(1) Your executive officers, employees, directors or stockholders while acting within the scope of their duties; and

(2) Any person or organization while acting as real estate manager for you.

d. Any organization you newly acquire or form, other than a partnership or joint venture, and over which you maintain ownership or majority interest will be deemed to be a Named Insured. However, coverage does not apply:

(1) For a period greater than 90 days from the date of such acquisition or formation or the end of the policy period, whichever is earlier;

(2) To "bodily injury" or "property damage" that occurred before you acquired or formed the organization; and

(3) "Personal injury" or "advertising injury" arising out of an "offense" committed before you acquired or formed the organization.

e. Any person or organization having proper temporary custody of your property if you die, but only:

(1) With respect to liability arising out of the maintenance or use of that property; and

(2) Until your legal representative has been appointed.

f. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this insurance.

g. Any person or organization for whom you agreed in writing to provide this insurance for operations you perform or facilities you own or use. This insurance is subject to your "applicable underlying limits" for such operations or facilities.

h. Any other person or organization insured under any policy of the "underlying insurance." This grant is subject to all the limitations upon coverage under such policy other than the limits of the "underlying insurers" liability.

No person or organization is an insured with respect to the conduct of any current or past partnership or joint venture that is not shown as a Named Insured in the Declarations.

No person is an insured as respects "bodily injury" to a fellow employee unless insurance, for such liability is afforded by the "underlying insurance."

SECTION III - LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

a. Insureds;

b. Claims made or "suits" brought; or

c. Persons or organizations making claims or bringing "suits."

2. The Products-Completed Operations Aggregate Limit is the most we will pay under Coverage A for damage because of injury and damage included in the "products-completed operations hazard."

3. The General Aggergate Limit is the most we will pay for damages under Coverage A and Coverage B, except;

a. Damages because of injury and damage included in the "products-completed operations hazard;" and

b. Damages because of injury and damage included in the "auto hazard."

4. Subject to 3. above, the Personal and Advertising Injury Limit is the most we will pay under Coverage B for the sum of all damages because of all "personal injury" and all "advertising injury" sustained by any one person or organization.

5. Subject to 2. or 3. above, whichever applies, the Each Occurrence Limit is the most we will pay for the sum of damages under Coverage A because of all "bodily injury" and "property damage" arising out of any one "occurrence."

To determine the limit of our liability, all "bodily injury" and "property damage" arising out of continuous or repeated exposure tot he same general conditions shall be considered one "occurrence."

The limits of this insurance apply separately to each consecutive annual period and to any remaining period of less than 12 months. The policy period begins with the effective date shown in the Declarations. If the policy period is extended after issuance for an additional period of less than 12 months, the additional period will be deemed part of the last preceding period.

SECTION IV - CONDITIONS

1. APPEALS

a. If the insured or the insured's "underlying insurer" elects not to appeal a judgment which exceeds the "applicable underlying limit," we may do so.

b. If we do, we will pay all costs of the appeal. We will also pay all costs on appeals related to the defense of the insured as provided in SECTION I item 3. Defense of Claims or Suits. These sums are in addition to the "applicable limit of insurance." In no event shall our liability for "ultimate net loss" exceed the "applicable limit of insurance."

2. BANKRUPTCY

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this insurance.

3. CANCELLATION

a. The first Named Insured may cancel this insurance by mailing or delivering to us advance written notice of cancellation.

b. We may cancel this insurance by mailing or delivering to the first Named Insured written notice of cancellation at least:

(1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or

(2) 30 days before the effective date of cancellation if we cancel for any other reason.

c. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.

d. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.

e. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels the refund will be pro rata less 10% of the pro rata unearned premium. The cancellation will be effective even if we have not made or offered a refund.

f. If notice is mailed, proof of mailing will be sufficient proof of notice.

4. CHANGES

This policy contains all the agreements between you and us concerning the insurance afforded. No change can be made in the terms of this insurance except with our consent. The terms of this insurance can be amended or waived only by endorsement issued by us and made a part of this insurance.

5. DUTIES IN THE EVENT OF OCCURRENCE OR OFFENSE, CLAIM OR SUIT

a. You must see to it that we are notified promptly of an "occurrence" or an "offense" which may result in a claim under this insurance. Notice should include:

(1) How, when and where the "occurrence" or "offense" took place;

(2) The name and address of any injured persons or witnesses; and

(3) The nature and location of any injury or damage arising out of the "occurrence."

b. If a claim is made or "suit" is brought against any insured which may result in a claim against this insurance, you must see to it that we receive prompt written notice of the claim or "suit."

c. The insured must:

(1) Cooperate with the "underlying insurers;"

(2) Comply with the terms of the "underlying insurance;" and

(3) Pursue all rights of contribution or indemnity against any person or organization who may be liable to the insured because of "bodily injury," "property damage," "personal injury" or "advertising injury" with respect to which insurance is provided under this or any policy of "underlying insurance."

d. When we believe that a claim may exceed the "underlying insurance," we may join with the insured and the "underlying insurer" in the investigation, settlement and defense of all claims and "suits" in connection with such "occurrence" or "offense." In such event, the insured must cooperate with us.

6. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this insurance:

a. At any time during the policy period;

b. Up to three years afterward; or

c. Within one year after final settlement of all claims under this insurance.

7. INSPECTIONS AND SURVEYS

We have the right but are not obligated to:

a. Make inspections and surveys at any time;

b. Give you reports on the conditions we find; and

c. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. We do not warrant that conditions:

a. Are safe or healthful; or

b. Comply with laws, regulations, codes or standards.

8. LEGAL ACTION AGAINST US

No person or organization has a right under this insurance:

a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or

b. To sue us on this insurance unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an "agreed settlement" or on a final judgement against an insured obtained after an actual trial. We will not be liable for damages that:

a. Are not payable under the terms of this insurance; or

b. Are in excess of the "applicable limit of insurance."

An "agreed settlement" means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

9. MAINTENANCE OF UNDERLYING INSURANCE

The insurance afforded by each policy listed in the Schedule of Underlying Insurance in the Declarations will be maintained for the full term of this insurance. This provision does not apply to the reduction of the aggregate limit or limits due to payment of claims for "bodily injury," "personal injury," "property damage" or "advertising injury." As these policies expire you will renew them at limits at least equal to the expiring limits of insurance.

If you fail to comply with the above, this insurance is not invalidated. However, in the event of a loss, we will pay only to the extent that we would have paid had you so complied.

You must give us a written notice of any change in the "underlying insurance" as respects:

a. Coverage;

b. Limits of insurance;

c. Termination of any coverage; or

d. Exhaustion of aggregate limits.

10. OTHER INSURANCE

This insurance is excess over any other valid and collectible insurance whether such other insurance is stated to be primary, contributing, excess, contingent or otherwise. This provision does not apply to a policy bought specifically to apply in excess of this insurance.

11. OUR RIGHT TO RECOVER FROM OTHERS

If we make a payment under this Insurance, the insured will assist us and the "underlying insurer" in recovering what we paid by using the insured's right of recovery. Reimbursement will be made in the following order:

a. First, to any interest (including the insured) who has paid any amount in excess of the limits of this insurance;

b. Next, to us; and

c. Then to any interest (including the insured and the "underlying insurer") as are entitled to claim the remainder, if any.

A different order may apply if agreed upon by all interests. Expenses incurred in the process of recovery will be divided among all interests according to the ratio of their respective recoveries.

12. PREMIUM

The first Named Insured is responsible for the payment of all premiums and will be the payee for any return premium.

13. PREMIUM AUDIT

When this insurance is written on an adjustable premium basis the following items apply:

a. You must keep records of the information we need for premium computation, and send us copies at such times as we may request.

b. At the close of each audit period we will compute the earned premium for that period.

c. Audit premiums are due and payable on notice to the first Named Insured.

14. REPRESENTATION

By accepting this insurance you agree:

a. The statements in the Declarations and any subsequent notice relating to "underlying insurance" are accurate and complete;

b. Those statements are based upon representations you made to us; and

c. We have issued this insurance in reliance upon your representation.

15. SEPARATION OF INSUREDS

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned to you in this insurance, this insurance applies:

a. As if each Named Insured were the only Named Insured; and

b. Separately to each insured against whom claim is made or "suit" is brought.

16. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS INSURANCE

Your rights and duties under this insurance may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

SECTION V - DEFINITIONS

1. "Advertising injury" means injury arising out of one or more of the following "offenses:"

a. Oral or written publication of material that slanders or libels a person or organization's goods, products or services;

b. Oral or written publication of material that vilates a person's right to privacy;

c. Misappropriation of advertising ideas or style of doing business; or

d. Infringement of copyright, title or slogan;

committed during the policy period.

Such "offenses" must be committed in the course of advertising your goods or products.

2. "Applicable limit of insurance" means the maximum amount we will pay as damages in accordance with SECTION III - LIMITS OF INSURANCE.

3. "Applicable underlying limit" means:

a. If the policies of "underlying insurance" apply to the "occurrence" or "offense," the greater of:

(1) The amount of insurance stated in the policies of "underlying insurance" in the Declarations or any other available insurance less the amount by which any aggregate limit so stated has been reduced solely due to payment of claims; or

(2) The "retained limit" shown in the Declarations; or

b. If the policies of "underlying insurance" do not apply to the "occurrence" or "offense," the amount stated in the Declarations as the "retained limit."

The limits of insurance in any policy of "underlying insurance" will apply even if:

a. The "underlying insurer" claims the insured failed to comply with any condition of the policy; or

b. The "underlying insurer" becomes bankrupt or insolvent.

4. "Auto" means a land motor vehicle, trailer or semitrailer.

5. "Auto hazard" means all "bodily injury" and "property damage" for which liability insurance is afforded under the terms, other than limits of insurance, of the auto policy of "underlying insurance."

6. "Bodily injury" means bodily injury, sickenss, or disease sustained by a person, including death resulting from any of these at any time, which occurs luring the policy period.

7. "Impaired property" means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:

   a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

   b. You have failed to fulfill the terms of a contact or agreement;

   if such property can be restored to use by:

   a. The repair, replacement, adjustment or removal of "your product" or "your work;" or

   b. Your fulfilling the terms of the contract or agreement.

8. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

9. "Offense" means any of the offenses listed in the definition of "personal injury" or "advertising injury."

   "Personal injury" means injury, other than "bodily injury," arising out of one or more of the following offenses:

   a. False arrest, detention or imprisonment;

   b. Malicious prosecution;

   c. Wrongful entry into, or eviction of a person from a room, dwelling or premises that the person occupies;

   d. Oral or written publication of material that slanders or libels a person or organization or disparages of a person's or organization's goods, products or services; or

   e. Oral or written publication of material that violates a person's right of privacy; or

   f. Discrimination because of race, religion, age, sex or physical disability. This does not apply:

      (1) To "offenses" committed by or at the direction of the insured; or

      (2) If insurance for such "offense" is prohibited by law;

   committed during the policy period.

   Such "offenses" must arise out of the conduct of your business, exclusing advertising, publishing, broadcasting or telecasting done by or for you.

11. a. "Products-completed operations hazard" includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

      (1) Products that are still in your physical possession; or

      (2) Work that has not yet been completed or abandoned.

   b. "Your work" will be deemed completed at the earliest of the following times:

      (1) When all of the work called for in your contract has been completed.

      (2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site.

      (3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

   Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

12. "Property damage" means:

   a. Physical injury to tangible property, including all resulting loss of use of that property; and

   b. Loss of use of tangible property that is not physically injured;

   which occurs during the policy period.

13. "Retained limit" is the sum stated in the Declarations as such. If the policies of "underlying insurance" do not apply to the "occurrence" or "offense," the insured shall retain this amount as self inusrance with respect to:

   a. "Bodily injury" or "property damage" caused by each "occurrence;" or

   b. "Personal injury" or "advertising injury" sustained by any one person or organization and caused by an "offense."

14. "Suit" means a civil proceeding in which damages because of "bodily injury," "property damage," "personal injury" or "advertising injury" to which this insurance applies are alleged. "Suit" includes an arbitration proceeding alleging such damages to which you must submit or submit with our consent.

15. "Ultimate net loss" means the sum actually paid or payable due to a claim for which the insured is liable either by a settlement to which we agreed or a final judgement. Such sum will include proper adjustments for recoveries and salvage.

16. "Underlying insurance" means the policies listed in the Schedule of Underlying insurance and includes:

    a. Any renewal or replacement of such policies; and

    b. Any other insurance available to the insured.

17. "Underlying insurer" means any insurer which provides a policy listed in the Schedule of Underlying Insurance or any other insurance available to the insured.

18. "Your product" means:

    a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

        (1) You;

        (2) Others trading under your name; or

        (3) A person or organization whose business or assets you have acquired; and

    b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

    "Your product" includes warranties or representations made at any time with respect to the fitness, quality, durability, performance of any of the items included in a. and b. above.

    "Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

19. "Your work" means:

    a. Work or operations performed by you or on your behalf; and

    b. Materials, parts or equipment furnished in connection with such work or operations.

    "Your work" includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any of the items included in a. or b. above.

BC-7107
(Ed. 5-91)

CONTRACTORS LIMITATION ENDORSEMENT

This insurance is modified by the following provisions:

A. This insurance does not apply to any liability arising out of:

1. Any project insured under a "wrap-up" or similar rating plan; or

2. The rendering or failure to render any professional services by or for you including the preparing, approving, or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications, and any supervisory, inspection or engineering services.

B. Except insofar as coverage is available to you in valid and collectible "underlying insurance" as listed in the Schedule of Underlying Insurance for the full limit shown, and then only for such liability for which coverage is afforded under the "underlying insurance," this insurance shall not apply to:

1. Any "property damage" arising out of:

(a) blasting or explosion other than the explosion of air or steam vessels, piping under pressure, prime movers, machinery or power transmitting equipment; or

(b) the collapse of or structural injury to any building or structure due to (i) grading of land, excavation, borrowing, filling or back-filling, tunneling, pile driving, cofferdam work or caisson work, or (ii) moving, shoring underpinning, raising or demolition of any building or structure, or remo or rebuilding of any structural support thereof; or

(c) injury to or destruction of wires, conduits, pipes, mains, sewers, tanks, tunnels, any similar property and any apparatus in connection therewith, beneath the surface of the ground or water caused by and occurring during the use of mechanical equipment for the purpose of grading land, excavating, drilling, borrowing, filling, back-filling or pile drivi

C. The following additional definition applies:

"Wrap-up" means any agreement or arrangement under which all the contractors working on a specified project are insured under one or more policies issued by a specified insurer for liability arising out of the project.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

This endorsement modifies insurance provided by the following:

COMMERCIAL BLANKET EXCESS LIABILITY POLICY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BC-7136
(Ed. 8-92)

SOUTH CAROLINA CHANGES

1. Paragraphs b. and c. under Item 3. **CANCELLATION** of **SECTION IV - CONDITIONS** is replaced by the following:

   b. We may cancel this policy by mailing or delivering to the first Named Insured and the agent, if any, written notice of cancellation at least:

      (a) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or

      (b) 30 days before the effective date of cancellation if we cancel for any other reason.

   c. We will mail or deliver our notice to the first Named Insured's and agent's last known addresses.

   Paragraph g. is added under Item 3. **CANCELLATION** of **SECTION IV - CONDITIONS** and supercedes any other provisions to the contrary:

   g. If this policy has been in effect for 90 days or more, or is a renewal or continuation of a policy we issued, we may cancel this policy only for one or more of the following reasons:

      (a) Nonpayment of premium;

      (b) Material misrepresentation of fact which, if known to us, would have caused us not to issue the policy;

      (c) Substantial change in the risk assumed, except to the extent that we should reasonably have forseen the change or contemplated the risk in writing the policy;

      (d) Substantial breaches of contractual duties, conditions or warranties; or

      (e) Loss of our reinsurance covering all or a significant portion of the particular policy insured, or where continuation of the policy would imperil our solvency or place us in violation of the insurance laws of South Carolina.

      Prior to cancellation for reasons permitted in this item e., we will notify the Commissioner, in writing, at least sixty days prior to such cancellation and the Commissioner will, within thirty days of such notification, approve or disapprove such action.

   Any notice of cancellation will state the precise reason for cancellation.

3. The following is added under **SECTION IV - CONDITIONS** and supercedes any other provisions to the contrary:

   NONRENEWAL

   a. If we decide not to renew this policy, we will mail or deliver written notice of nonrenewal to the first Named Insured and agent, if any, at least 30 days before:

      (a) The expiration date of this policy, if the policy is written for a term of one year or less; or

      (b) An anniversary date of this policy, if the policy is written for a term of more than one year or for an indefinite term.

      However, we will not refuse to renew a policy issued for a term of more than one year, until expiration of its full term, if anniversary renewal has been guaranteed by additional premium consideration.

   b. Any notice of nonrenewal will be mailed or delivered to the first Named Insured's and agent's last known addresses. If notice is mailed, proof of mailing will be sufficient proof of notice.

   c. Any notice of nonrenewal will state the precise reason for nonrenewal.

This endorsement modifies insurance provided by the following:

COMMERCIAL BLANKET EXCESS LIABILITY POLICY

BC-7189
(Ed. 5-91)

EMPLOYER'S LIABILITY EXCLUSION

This insurance does not apply to any liability for bodily injury, sickness, disease, disability or shock, including death at any time resulting therefrom, and, if arising out of the foregoing mental anguish or mental injury sustained by:

1. An employee of yours arising out of and in the course of employment by you; or
2. The spouse, child, parent, brother or sister of that employee as a consequence of (1) above.

This exclusion applies:

1. Whether you may be liable as an employer or in any other capacity; and
2. To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

This endorsement modifies insurance provided by the following:

COMMERCIAL BLANKET EXCESS LIABILITY POLICY

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

BC-7237
(Ed. 4-92)

EMPLOYMENT DISCRIMINATION AND EMPLOYMENT-RELATED PRACTICES EXCLUSION

Exclusion c. under Section I - Coverage A and Coverage B is replaced by the following:

c. Any liability, defense costs, fines or damages arising out of any:

1. Refusal to employ;
2. Termination of employment;
3. Coercion, demotion, evaluation, reassignment, discipline, defamation, harassment, humiliation, discrimination, or other employment-related practices, policies, acts or omissions; or
4. Consequential bodily injury or personal injury as a result of 1 through 3 above.

This exclusion applies whether the insured may be held liable as an employer or in any other capacity and to any obligation of the insured to share damages with or to repay someone else who must pay damages because of the injury.

BC-7240
(Ed. 9-93)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LEAD LIABILITY EXCLUSION

This insurance does not apply to:

(1) "Bodily injury," "property damage" or "personal injury" arising out of or caused by the actual or alleged:

(a) exposure to or existence of lead, paint containing lead, or any other material or substance containing lead; or

(b) manufacture, distribution, sale, resale, rebranding, installation, repair, removal, encapsulation, abatement, replacement or handling of lead, paint containing lead, or any other material or substance containing lead

whether or not the lead is or was at any time airborne as a particle contained in a product ingested, inhaled, transmitted in any fashion, or found in any form whatsoever;

(2) Any legal obligation of any insured for indemnification or contribution due to damages arising out of "bodily injury," "property damage" or "personal injury" caused by lead, paint containing lead, or any other substance or material containing lead;

(3) Any loss, cost, expense or damages, whether direct or consequential, arising out of any:

a) request, demand or order that any insured or others test for, monitor, clean up, remove, abate, contain, treat, or neutralize lead, paint containing lead, or any other substance or material containing lead, or in any way respond to, or assess the effects of lead; or

(b) claim or suit relating to, testing for, monitoring, cleaning up, removing, abating, containing, treating, or neutralizing lead, paint containing lead, or any other substance or material containing lead or in any way responding to or assessing the effects of lead.

BEC 1D 61 98 COMMERCIAL BLANKET EXCESS LIABILITY POLICY BEC 1D 61 98
DECLARATIONS

NEW BUSINESS — DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY 215-256-5000
RISK NEW 04/01/97 HARLEYSVILLE PA 19438 REISSUE
GREENSBORO BRANCH

BUILDSTAR CORPORATION
1201 48TH AVENUE
N SUITE C
MYRTLE BEACH SC 29577
04/01/97 TO 04/01/98

ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577
39-0270
AGENT'S PHONE # 803-449-7405

****
MESSAGE: REISSUED POLICY TO AMENDED INSURED'S MAILING ADDRESS.
****
FORM OF BUSINESS: CORPORATION
BUSINESS DESCRIPTION: CONSTRUCTION OFFICE
IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $750.00
TOTAL AMOUNT DUE: $0.00

LIMITS OF INSURANCE:

PRODUCTS-COMPLETED OPERATIONS AGGREGATE LIMIT	$1,000,000
GENERAL AGGREGATE LIMIT	$1,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	$1,000,000
EACH OCCURRENCE LIMIT	$1,000,000

RETAINED LIMIT: $10,000

**** SCHEDULE OF UNDERLYING INSURANCE ****

POLICY # BA 1D6198 POLICY PERIOD: 04/01/97 TO 04/01/98
INSURER: HARLEYSVILLE INSURANCE COMPANY
TYPE OF INSURANCE: AUTO LIABILITY
LIMITS OF INSURANCE: $1,000,000 EACH ACCIDENT

POLICY # CB 1D6198 POLICY PERIOD: 04/01/97 TO 04/01/98
INSURER: HARLEYSVILLE INSURANCE COMPANY
TYPE OF INSURANCE: GENERAL LIABILITY
LIMITS OF INSURANCE: $2,000,000 GENERAL AGGREGATE
$2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGR
$1,000,000 PERSONAL INJURY & ADVERTISING INJURY
$1,000,000 EACH OCCURRENCE

BEC 1D 61 98 END 01 01 02 PAGE 1 CONTINUED 05/06/97

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

		LOC
*PJ0001E	0895 HARLEYSVILLE MUTUAL INSURANCE COMPANY - POLICY JACKET	
*PT0401	0887 COMMERCIAL BLANKET EXCESS LIABILITY POLICY	
*BC7107	0591 CONTRACTORS LIMITATION ENDORSEMENT	
*BC7136	0892 SOUTH CAROLINA CHANGES	
*BC7189	0591 EMPLOYER'S LIABILITY EXCLUSION	
*BC7237	0492 EMPLOYMENT DISCRIMINATION AND EMPLOYMENT-	

CONTINUE NEXT FRAME

*** 603 ***

PREV FICHE ID 97105002A04
PRIOR TERM ID

****
* BILLING METHOD *DIRECT BILLED*
* DEPOSIT AMOUNT
* ISSUE DATE 05/06/97
*
* TRANS EFFECTIVE DATE 04/01/97
* LAST TRANSACTION NB REISSUE
* ENDORSEMENT NUM 01
* TERM/ACTIVITY 01/02
* STATUS ACTIVE-NEW BUS
* SUPPL STATUS
* PREV STATUS
* PREV SUPPL STATUS
*
* COMMISSION RATE
* REINSURANCE
*
*
*
* FILING INDICATOR
* INSPECTION INDICATOR
* CREDIT RATING
* AUDIT ACTIVITY
*
* PRIOR POLICY
*
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CONTIN XT FRAME

*** 603 ***

RELATED PRACTICES EXCLUSION
*BC7240 0993 LEAD LIABILITY EXCLUSION

* ALL FORMS ARE ATTACHED. RETAIN UNLESS DELETED OR REPLACED.

* * * * * * * * * * * * * * *

BEC 1D 61 98 END 01 01 02 PAGE 2 05/06/97

****

CONTROL MASTER EXTRACT

POLICY NUM BEC 1D 61 98

REC ID	RATE STATES	YR RISK NEW	QUOTE NUM	QUOTE COUNT NEW REN
AA	SC	040197	1D61988EC	02 00

UNDERWRITER COMMENTS — BILLING ACCT NUM

DIARY INFO

NUM	USER	BR	DATE	REASON

	INSURED NAME 1	INSURED NAME 2	UND INFO
CURR TERM	$BUILDSTAR CORPORATION		

	CO	BR	AGENT CODE	CONTR STATE	BILL MTHD	PAY PLAN	POLICY TYPES	ANNL RERT
CURR TERM	04	28	390270	SC	0		BE	

	EXP DATES	EFF DATES	END EFF DATES	ACTY	TERM SEQ	ACTY NUM	TRNS CODE	TRNS EFF DT
CURR TERM	040198	040197		050697	01	02	116	040197

	CURR STATUS	SUPPL PREV STATUS	SUPPL	POLICY CHARGE TO DATE	TOT TRANS CHARGE	RENEWAL DATES QUOTE	RENEWAL DATES ISSUE
CURR TERM	A			750.00	.00		

MANUAL RENEWAL HOLD DATA — AUTOMATIC RENEWAL HOLD DATA

	HOLD ID	HOLD DATE	HOLD OPER	RELEASE DATE	RELEASE OPER	HOLD ID	HOLD DATE	RELEASE DATE	RELEASE OPER
CURR TERM									

	LAPSE IND	CANC NON PAY	UNVERIFIED AUD CR	PREM	AUD APL IND	MAN PROC	REN BILL TYPE	OS TRANS COUNT	API UNV IND	AUD
CURR TERM		0		.00				0		Y

NUM AUDIT TRAILS 04

AUDIT NO	ACTY DATE	-T/A-	TRNS NUM	--A/S-- IND	NUM	TRANS CODE	TRANS ALPHA	TRANS EFF DT	UND REF	STATUS P	A	S	CO	USER ID
01	050697E	01	02 0001	N	01	116	NBRE1	040197		P	A		04	4658
02	041597	01	01 0998	N	00	114	NBQIS	040197		P	A		04	P828
03	041497A	01	02 0001			113	NBREQ	040197		P	Q		04	28TV

CONTINUE NEXT FRAME

*** 603 ***

Consolidated ROA_1597

C 1D 61 98 COMMERCIAL BLANKET EXCESS LIABILITY POLICY C 1D 61 98
DECLARATIONS

NEW INESS

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

DIRECT BILL
215-256-5000
REISSUE
GREENSBORO BRANCH

BUILDSTAR CORPORATION
1201 48TH AVENUE
N SUITE C
MYRTLE BEACH SC 29577
04/01/97 TO 04/01/98

ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577
39-0270
AGENT'S PHONE # 803-449-7405

FORM OF BUSINESS: CORPORATION
BUSINESS DESCRIPTION: CONSTRUCTION OFFICE
IN RETURN FOR THE PAYMENT OF THE PREMIUM, AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $750.00
TOTAL AMOUNT DUE: $0.00

LIMITS OF INSURANCE:

PRODUCTS-COMPLETED OPERATIONS AGGREGATE LIMIT	$1,000,000
GENERAL AGGREGATE LIMIT	$1,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	$1,000,000
EACH OCCURRENCE LIMIT	$1,000,000

RETAINED LIMIT: $10,000

**** SCHEDULE OF UNDERLYING INSURANCE ****

POLICY # BA 1D6198 POLICY PERIOD: 04/01/97 TO 04/01/98
INSURER: HARLEYSVILLE INSURANCE COMPANY
TYPE OF INSURANCE: AUTO LIABILITY
LIMITS OF INSURANCE: $1,000,000 EACH ACCIDENT

POLICY # CB 1D6198 POLICY PERIOD: 04/01/97 TO 04/01/98
INSURER: HARLEYSVILLE INSURANCE COMPANY
TYPE OF INSURANCE: GENERAL LIABILITY
LIMITS OF INSURANCE: $2,000,000 GENERAL AGGREGATE
$2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGR
$1,000,000 PERSONAL INJURY & ADVERTISING INJURY
$1,000,000 EACH OCCURRENCE

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

LOC

BEC 1D 61 98 END 02 01 03 PAGE 1 CONTINUED 09/08/97
*PJ0001E 0895 HARLEYSVILLE MUTUAL INSURANCE COMPANY - POLICY JACKET
*PT0401 0887 COMMERCIAL BLANKET EXCESS LIABILITY POLICY
*BC7107 0591 CONTRACTORS LIMITATION ENDORSEMENT
*BC7136 0892 SOUTH CAROLINA CHANGES
*BC7189 0591 EMPLOYER'S LIABILITY EXCLUSION
*BC7237 0492 EMPLOYMENT DISCRIMINATION AND EMPLOYMENT-RELATED PRACTICES EXCLUSION
*BC7240 0993 LEAD LIABILITY EXCLUSION

* ALL FORMS ARE ATTACHED. RETAIN UNLESS DELETED OR REPLACED.

* * * * * * * * * * * * * * *

CONTINUE NEXT FRAME

*** MOS ***

PREV FICHE ID 97126002603
PRIOR TERM ID

BILLING METHOD	*DIRECT BILLED*
DEPOSIT AMOUNT	
ISSUE DATE	09/08/97
TRANS EFFECTIVE DATE	04/01/97
LAST TRANSACTION	NB REISSUE
ENDORSEMENT NUM	02
TERM/ACTIVITY	01/03
STATUS	ACTIVE-NEW BUS
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	
PRIOR POLICY	

REC
ID
EB

BEC 1D 61 98 END 02 01 03 PAGE 2 09/08/97

CONTROL MASTER FILE ACT

BEC 1D 61 98 COMMERCIAL BLANKET EXCESS LIABILITY POLICY BEC 1D 61 98
DECLARATIONS

AMENDED DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY 215-256-5000
RISK NEW 04/01/97 HARLEYSVILLE PA 19438
GREENSBORO BRANCH

BUILDSTAR CORPORATION ASSOCIATED INSURORS INC
4728 JENN DR 1303 AZALEA CT, STE. B
N SUITE C PO BOX 2116
MYRTLE BEACH SC 29577 MYRTLE BCH, SC 29578
04/01/97 TO 04/01/98 04/01/97 39-0270
AGENT'S PHONE # 803-449-7405

THIS AMENDMENT CHANGED YOUR POLICY. PLEASE READ IT CAREFULLY.

****

MESSAGE: IT IS UNDERSTOOD AND AGREED EFFECTIVE: 12/23/97 INSURED'S MAILING AND LOCATION ADDRESS IS AMENDED TO 4728 JENN DR., MYRTLE BEACH SC 29577.

****

FORM OF BUSINESS: CORPORATION
BUSINESS DESCRIPTION: CONSTRUCTION OFFICE
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $750.00
PREMIUM FOR THIS AMENDMENT: $0.00
TOTAL AMOUNT DUE FOR THIS AMENDMENT: $0.00

LIMITS OF INSURANCE:

PRODUCTS-COMPLETED OPERATIONS AGGREGATE LIMIT	$1,000,000
GENERAL AGGREGATE LIMIT	$1,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	$1,000,000
EACH OCCURRENCE LIMIT	$1,000,000

RETAINED LIMIT: $10,000

**** SCHEDULE OF UNDERLYING INSURANCE ****

POLICY # BR 1D6198 POLICY PERIOD: 04/01/97 TO 04/01/98
INSURER: HARLEYSVILLE INSURANCE COMPANY
TYPE OF INSURANCE: AUTO LIABILITY
LIMITS OF INSURANCE: $1,000,000 EACH ACCIDENT

POLICY # CB 1D6198 POLICY PERIOD: 04/01/97 TO 04/01/98
INSURER: HARLEYSVILLE INSURANCE COMPANY
TYPE OF INSURANCE: GENERAL LIABILITY
LIMITS OF INSURANCE: $2,000,000 GENERAL AGGREGATE
$2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGR
$1,000,000 PERSONAL INJURY & ADVERTISING INJURY
$1,000,000 EACH OCCURRENCE

BEC 1D 61 98 END 03 01 04 PAGE 1 CONTINUED 12/31/97

**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

		LOC
PJ0001E	0895 HARLEYSVILLE MUTUAL INSURANCE COMPANY - POLICY JACKET	
PI0401	0887 COMMERCIAL BLANKET EXCESS LIABILITY POLICY	
BC7107	0591 CONTRACTORS LIMITATION ENDORSEMENT	
BC7136	0893 SOUTH CAROLINA CHANGES	

CONTINUE NEXT FRAME

*** 101 ***

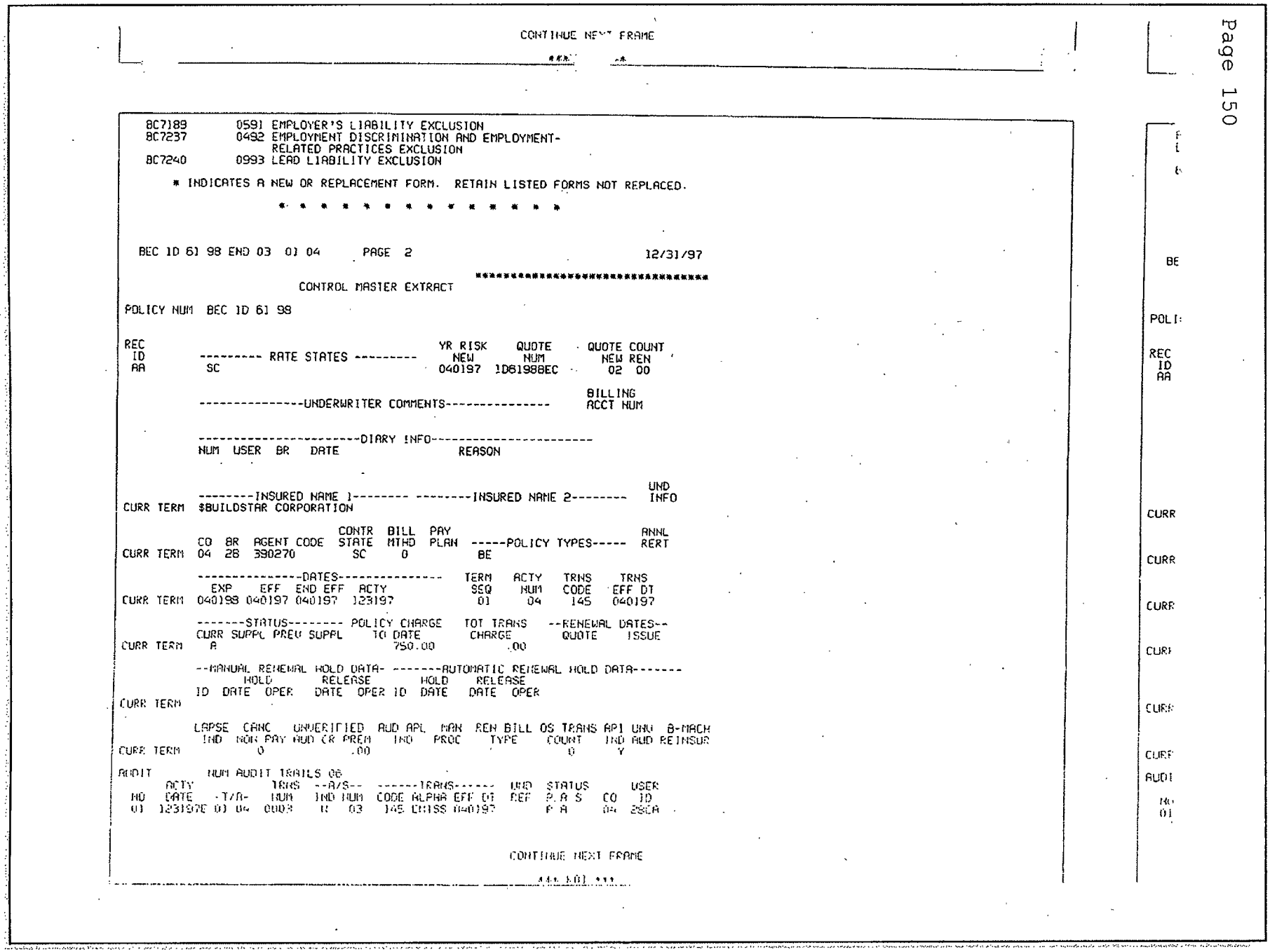
PREV FICHE ID 97251002M05
PRIOR TERM ID

****

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	12/31/97
TRANS EFFECTIVE DATE	04/01/97
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	03
TERM/ACTIVITY	01/04
STATUS	ACTIVE-NEW BUS
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	
PRIOR POLICY	

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Consolidated ROA_1598



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   8C7189       0591 EMPLOYER'S LIABILITY EXCLUSION
   8C7237       0492 EMPLOYMENT DISCRIMINATION AND EMPLOYMENT-
                     RELATED PRACTICES EXCLUSION
   8C7240       0993 LEAD LIABILITY EXCLUSION

      * INDICATES A NEW OR REPLACEMENT FORM.  RETAIN LISTED FORMS NOT REPLACED.

                  * * * * * * * * * * * * * * *


 BEC ID 61 98 END 03  01 04      PAGE  2                              12/31/97

                                                 **********************************
                        CONTROL MASTER EXTRACT

POLICY NUM  BEC ID 61 98

REC                                                YR RISK     QUOTE      QUOTE COUNT
 ID          --------- RATE STATES ---------         NEW        NUM        NEW REN
 AA           SC                                   040197  1D6198BEC       02  00

                                                                          BILLING
             ---------------UNDERWRITER COMMENTS---------------           ACCT NUM


             -----------------------DIARY INFO-----------------------
             NUM  USER  BR   DATE                    REASON


                                                                                  UND
             --------INSURED NAME 1-------- --------INSURED NAME 2--------        INFO
CURR TERM    $BUILDSTAR CORPORATION

                                  CONTR  BILL  PAY                                ANNL
             CO  BR  AGENT CODE   STATE  MTHD  PLAN  -----POLICY TYPES-----      RERT
CURR TERM    04  28  390270        SC     0          BE

             --------------DATES---------------    TERM   ACTY   TRNS    TRNS
               EXP     EFF  END EFF  ACTY           SEQ    NUM   CODE   EFF DT
CURR TERM    040198 040197 040197  123197          01     04    145    040197

             -------STATUS-------- POLICY CHARGE   TOT TRANS   --RENEWAL DATES--
             CURR SUPPL PREV SUPPL     TO DATE      CHARGE       QUOTE     ISSUE
CURR TERM      A                        750.00         .00

             --MANUAL RENEWAL HOLD DATA- -------AUTOMATIC RENEWAL HOLD DATA-------
                   HOLD      RELEASE        HOLD     RELEASE
             ID  DATE  OPER   DATE  OPER ID  DATE     DATE  OPER
CURR TERM

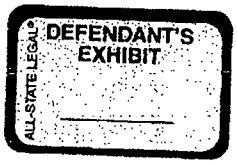
            LAPSE  CANC    UNVERIFIED  AUD APL  MAN  REN BILL OS TRANS API UNV  B-MACH
              IND  NON PAY AUD CR PREM    IND   PROC     TYPE    COUNT   IND AUD REINSUR
CURR TERM            0          .00                                 0     Y

AUDIT        NUM AUDIT TRAILS 06
       ACTY            TRNS  --A/S--  ------TRANS------  UND  STATUS      USER
 NO    DATE   -T/A-    NUM   IND NUM  CODE ALPHA EFF DT  REF  P A S  CO    ID
 01  123197E 01 04   0003     N   03   145 CNISS 040197        P A    04  2SCA


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                                                      *** 1.01 ***
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BUILDSTAR CORP.
BEC-1D6198
4/1/98-4/1/99



*** 006 ***

BEC ID 61 98 COMMERCIAL UMBRELLA LIABILITY POLICY BEC ID 61 98
DECLARATIONS

RENEWAL CERTIFICATE DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
N SUITE C
MYRTLE BEACH SC 29577
04/01/98 TO 04/01/99

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578
39-0270
AGENT'S PHONE # 803-449-7405

FORM OF BUSINESS: CORPORATION
BUSINESS DESCRIPTION: CONSTRUCTION OFFICE

IN RETURN FOR THE PAYMENT OF THE PREMIUM AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.
ANNUAL PREMIUM: $750.00

LIMITS OF INSURANCE:

AGGREGATE LIMIT	$1,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	$1,000,000
EACH OCCURRENCE LIMIT	$1,000,000

RETAINED LIMIT: $0

SCHEDULE OF UNDERLYING INSURANCE

POLICY # BA 1D6198 POLICY PERIOD: 04/01/98 TO 04/01/99

INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: AUTO LIABILITY
LIMITS OF INSURANCE: $1,000,000 EACH ACCIDENT

POLICY # CB 1D6198 POLICY PERIOD: 04/01/98 TO 04/01/99

INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: GENERAL LIABILITY
LIMITS OF INSURANCE: $2,000,000 GENERAL AGGREGATE
$1,000,000 PERSONAL INJURY & ADVERTISING INJURY
$1,000,000 EACH OCCURRENCE

BEC ID 61 98 END 00 02 02 PAGE 1 CONTINUED 03/02/98

SCHEDULE OF FORMS AND ENDORSEMENTS

NUMBER	EDITION	TITLE
PJ0001E	0895	HARLEYSVILLE MUTUAL INSURANCE COMPANY - POLICY JACKET
*PT0410	0997	COMMERCIAL UMBRELLA LIABILITY POLICY
BC7107	0591	CONTRACTORS LIMITATION ENDORSEMENT

CONTINUE NEXT FRAME

*** E06 ***

PREV FICHE ID
PRIOR TERM ID 97365002J01

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	03/02/98
TRANS EFFECTIVE DATE	04/01/98
LAST TRANSACTION	RENEWAL
ENDORSEMENT NUM	00
TERM/ACTIVITY	02/02
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	
PRIOR POLICY	

CO(4EXT FRAME

*** E05 ***

*BC7136	0997	SOUTH CAROLINA CHANGES
*BC7189	0997	EMPLOYER'S LIABILITY EXCLUSION
BC7240	0993	LEAD LIABILITY EXCLUSION
*IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)
*ST7213	0597	IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

RENEWAL INSURING AGREEMENT

WE RENEW THIS POLICY FOR THE PERIOD STATED ON THE RENEWAL DECLARATIONS IN RETURN FOR YOUR PAYMENT OF THE PREMIUM. THE RENEWAL IS SUBJECT TO ALL TERMS, CONDITIONS, FORMS AND ENDORSEMENTS ATTACHED TO THE POLICY OR TO THIS RENEWAL DECLARATION.

RENEWAL OFFER REQUIRES PAYMENT FOR PRIOR POLICY TERM.

BEC 1D 61 98 END 00 02 02 PAGE 2 03/02/98

CONTROL MASTER EXTRACT

POLICY NUM BEC 1D 61 98

REC ID	RATE STATES	RISK NEW DT	QUOTE NUMBER	LOG NUMBER	QTE CNT NEW/REN
AR	SC	040197			02 01

UNDERWRITER COMMENTS — BILLING ACCT NUM

DIARY INFO

NUM	USER	BR	DATE	REASON

	INSURED NAME 1	INSURED NAME 2	UMD INFO
CURR TERM	$BUILDSTAR CORPORATION		
PREV TERM	$BUILDSTAR CORPORATION		

	CO	BR	AGENT CODE	CONTR STATE	BILL MTHD	PAY PLAN	POLICY TYPES	ANNL RERT
CURR TERM	04	28	390270	SC	0		BE	
PREV TERM	04	28	390270	SC	0		BE	

CONTINUE NEXT FRAME

COMMERCIAL UMBRELLA LIABILITY POLICY

s policy has been issued in reliance upon the statements in the Declarations and in the application ...omitted for this insurance. Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

The word "insured" means any person or organization qualifying as such under SECTION II - WHO IS AN INSURED.

Words and phrases in this policy that appear in quotation marks have special meanings. Refer to SECTION V - DEFINITIONS when such meanings are not defined when used.

SECTION I - COVERAGE A AND COVERAGE B

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY.

COVERAGE B. PERSONAL INJURY AND ADVERTISING INJURY LIABILITY

1. INSURING AGREEMENT

We will pay on behalf of the insured the "ultimate net loss" in excess of the "applicable underlying limit" which the insured becomes legally obligated to pay as damages because of:

a. "Bodily injury" or "property damage" covered by this policy and caused by an "occurrence" which occurs during the policy period; or

b. "Personal injury" or "advertising injury" covered by this policy and caused by an "offense" committed during the policy period.

This insurance applies anywhere in the world.

2. DEFENSE AND SUPPLEMENTARY PAYMENTS

a. We will have no duty to defend any claim or "suit" that any other insurer has a duty to defend. If we elect to join in the defense of such claims or "suits," we will pay all expenses we incur.

b. We will have the right and duty to defend any "suit" for damages which are payable under Coverages A or B (including damages wholly or partly within the "retained limit") but which are not payable by a policy of "underlying insurance," or any other available insurance, because;

(1) Such damages are not covered; or

(2) The "underlying insurance" has been exhausted by the payment of claims.

c. We may investigate and settle any claim or "suit" in b. above at our discretion.

d. Our right and duty in b. above end when we have used up the "applicable limit of insurance" in the payment of judgments or settlements.

e. We will pay with respect to any claim or "suit" we defend in b. above:

(1) All expenses we incur.

(2) The cost of appeal bonds and bonds to release attachments, but only for bond amounts within the "applicable limit of insurance." We do not have to furnish these bonds.

(3) The cost of bail bonds up to $3,000. We do not have to furnish these bonds.

(4) All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings because of time off from work.

(5) All costs taxed against the insured in the "suit."

(6) Pre-judgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the "applicable limit of insurance," we will not pay any pre-judgment interest based on that period of time after the offer.

(7) All interest on the full amount of any judgment that accrues after entry of the judgment and before we have:

(a) paid, or offered to pay; or

(b) deposited in court;

the part of the judgment that is within the "applicable limit of insurance."

These payments will not reduce the limits of insurance.

In any jurisdiction outside the United States of America (including its territories and possessions), Puerto Rico or Canada where we may be prevented by law or otherwise from carrying out this agreement:

(1) You must arrange to investigate, defend or settle any claim or "suit."

(2) You will not make any settlement without our consent.

(3) We will pay expenses incurred with our consent.

1. **EXCLUSIONS**

This insurance does not apply to:

a. **Expected or Intended Injury**

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect persons or property.

b. **Laws**

Any liability or obligation of the insured under any of the following laws:

(1) Any workers' compensation or similar law, however, this exclusion does not apply to liability of others assumed by you under any valid contract in existence at the time of "occurrence";

(2) Any unemployment compensation, disability benefits, or similar law;

(3) Any unfair trade practices or similar law; or

(4) Any uninsured motorist, underinsured motorist, automobile no-fault or first party personal injury law.

c. **Employment Related Practices**

Any liability, defense costs, fines or damages arising out of any employment related practices, policies, acts or omissions, including but not limited to:

(1) Refusal to employ;

(2) Termination of employment;

(3) Coercion, demotion, evaluation, reassignment, discipline, defamation, harrassment, humiliation or discrimination; or

(4) Consequential "bodily injury" or "personal injury" as a result of any of the above.

This exclusion applies whether the insured may be held liable as an employer or in any other capacity and to any obligation of the insured to share damages with or to repay someone else who must pay damages because of the injury.

d. War

"Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

e. **Contractual Liability**

"Bodily injury," "property damage," "personal injury" or "advertising injury" for which the insured assumed liability under a contract or agreement if the damage or injury occurred prior to the effective date of the contract or agreement.

f. **Aircraft or Watercraft**

"Bodily injury" or "property damage" arising out of the ownership, maintenance, operation, use, including loading or unloading or entrustment to others of watercraft over 50 feet in length or any aircraft:

(1) Owned by any insured;

(2) Chartered without crew by or on behalf of any insured; or

(3) Owned and operated by an "employee" of any insured.

This exclusion does not apply to:

(1) A watercraft while ashore on premises you own or rent;

(2) Liability assumed under any contract or agreement; or

(3) Liability covered by valid and collectible "underlying insurance" for the full limits shown, and then only for such liability for which coverage is afforded under the "underlying insurance."

g. **Advertising Injury**

"Advertising injury" arising out of:

(1) Breach of contract, other than misappropriation of advertising ideas under an implied contract;

(2) The failure of goods, products or services to conform with advertised quality or performance;

(3) The wrong description of the price of goods, products or services; or

(4) An "offense" committed by an insured whose business is advertising, broadcasting, publishing or telecasting.

h. **Falsity, Prior Publication, Willful Violation**

Personal injury" or "advertising injury":

(1) Arising out of oral, written, televised or videotaped publication of material, if done by or at the direction of the insured with knowledge of its falsity;

(2) Arising out of oral, written, televised or videotaped publication of material whose first publication took place before the beginning of the policy period. All "personal injury" or "advertising injury" arising out of publication of the same or similar material subsequent to the beginning of the policy period is also excluded; or

(3) Arising out of the willful violation of a penal statute or ordinance committed by or with the consent of the insured.

i. **Damage to Property**

"Property damage" to property:

(1) Owned or occupied by or rented to any insured;

(2) Used by any insured; or

(3) In the care, custody or control of any insured or as to which any insured is for any purpose exercising physical control.

Paragraph (1) of this exclusion does not apply to damage to premises rented to you arising out of fire, lightning, explosion, smoke or leakage from fire protection systems which occurs during the first thirty (30) days after the date such premises were first rented to you.

j. **Damage to Your Product**

"Property damage" to "your product" arising out of it or any part of it.

k. **Damage to Your work**

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

l. **Damage to Impaired Property or Property Not Physically Injured**

"Property damage" to "impaired property" or property that has not been physically injured arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

m. **Recall of Products, Work or Impaired Property**

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product";

(2) "Your work"; or

(3) "Impaired property";

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

n. **Pollution**

(1) Any liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:

(a) That are, or that are contained in any property that is:

(i) Being transported or towed by, handled, or handled for movement into, onto or from, the "auto";

(ii) Otherwise in the course of transit by or on behalf of the insured; or

(iii) Being stored, disposed of, treated or processed in or upon the "auto";

(b) Before the pollutants or any property in which the pollutants are contained are moved from the place where they are accepted by the insured for movement into or onto the "auto"; or

(c) After the pollutants or any property in which the pollutants are contained are moved from the "auto" to the place where they are finally delivered, disposed of or abandoned by the insured.

Paragraph (1)(a) above does not apply to fuels, lubricants, fluids, exhaust gases or other similar pollutants that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the "auto" or its parts, if the pollutants escape, seep, migrate, or are discharged, dispersed or released directly from an "auto" part designed by its manufacturer to hold, store, receive or dispose of such pollutants.

Paragraphs (1)(b) and (1)(c) above do not apply to an "occurrence" that occurs away from premises owned by or rented to an insured with respect to pollutants not in or upon an "auto" if:

(i) The pollutants or any property in which the pollutants are contained are upset, overturned or damaged as a result of the maintenance or use of an "auto"; and

(ii) The discharge, dispersal, seepage, migration, release or escape of the pollutants is caused directly by such upset, overturn, or damage.

(2) Any liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:

(a) At or from any premises, site or location which is or was at any time owned or occupied by, or rented or loaned to, any insured; however, this does not apply to "bodily injury" if sustained within a building and caused by smoke, fumes, vapor or soot from equipment used to heat that building.

(b) At or from any premises, site or location which is or was at any time used by or for any insured or others for the handling, storage, disposal, processing or treatment of waste;

(c) Which are or were at any time transported, handled, stored, treated, disposed of, or processed as waste by or for any insured or any person or organization for whom you may be legally responsible; or

(d) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations:

(i) If the pollutants are brought on or to the premises, site or location in connection with such operations by such insured, contractor or subcontractor; or

(ii) If the operations are to test for, monitor, clean up, remove, contain, treat detoxify or neutralize, or in any way respond to, or assess the effects of pollutants.

Paragraphs 2(a) and 2(d)(i) do not apply to "bodily injury" or "property damage" arising out of heat, smoke or fumes from a hostile fire.

As used in this exclusion, a hostile fire means one which becomes uncontrollable or breaks out from where it was intended to be.

(3) Any loss, cost or expense arising out of any:

(a) Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or

(b) Claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants.

(4) Any liability caused by pollutants excluded by "underlying insurance." This exclusion applies in addition to items n.(1) through n.(3) above and it also overrides the exceptions in items n.(1) and n.(2).

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned, or reclaimed. Pollutants include but are not limited to substances which are generally recognized in industry or government to be harmful or toxic to persons, property or the environment.

o. **Asbestos**

"Bodily injury," "personal injury" or "property damage" arising out of the "asbestos hazard."

We shall have no obligation under this policy:

(1) To investigate, settle or defend any claim or suit against any insured alleging actual or threatened injury or damage of any nature or kind to persons or property which arises out of or would not have occurred but for the "asbestos hazard"; or

(2) To pay, contribute to or indemnify another for damages, judgments, settlements, loss, costs or expenses that may be awarded or incurred by reason of any such claim or suit or any injury or damage, or in complying with any action authorized by law and relating to such injury or damage.

As used in this exclusion:

"Asbestos hazard" means:

(1) An actual exposure or threat of exposure to the harmful properties of "asbestos," or

(2) The presence of "asbestos" in any place, whether or not within a building or structure.

"Asbestos" means the mineral in any form, including but not limited to fibers or dust.

p. **Liquor Liability**

"Bodily injury" or "property damage" for which any insured may be held liable by reason of:

(1) Causing or contributing to the intoxication of any person;

(2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or

(3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

q. **Nuclear Energy Liability**

Injury, sickness, disease, death or destruction:

(1) With respect to which an insured under this policy is also an insured under a nuclear energy liability policy issued by the Nuclear Energy Liability Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under such policy but for its termination upon exhaustion of its limit of liability; or

(2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which (i) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (ii) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization; or

(3) Resulting from the "hazardous properties" of "nuclear material," if (i) the "nuclear material" is at any "nuclear facility" owned by or operated by or on behalf of an insured or has been discharged or dispersed therefrom; (ii) the "nuclear material" if contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or (iii) the injury, sickness, disease, death or destruction arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility," but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (q.3 iii) applies only to injury to or destruction of property at such "nuclear facility."

As used in or applicable to this exclusion, the following are defined terms having special meaning:

"Hazardous properties" include radioactive, toxic or explosive properties;

"Source material," "special nuclear material," and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor;"

"Waste" means any waste material (a) containing "byproduct material," and (b) resulting from the operation by any person or organization of any "nuclear facility" included under paragraph (a) or (b) of the definition of "nuclear facility."

"Nuclear facility" means:

(1) Any "nuclear reactor";

(2) Any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing "spent fuel," or (3) handling, processing or packaging "waste";

(3) Any equipment or device used for processing, fabricating or alloying of "special nuclear material" if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25

grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

(4) Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste";

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.

"Nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

With respect to injury to or destruction of property, the word "injury" or "destruction" includes all forms of radioactive contamination of property.

SECTION II - WHO IS AN INSURED

1. If you are designated in the Declarations as:

   a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.

   b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.

   c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.

   d. An organization other than a partnership, joint venture or limited liability company, you are an insured and each of the following is also an insured:

      (1) Any subsidiary corporation of such organization, including any subsidiary corporation thereof:

         (a) Existing at the effective date of this policy; or

         (b) Acquired or newly formed during the policy period.

      (2) Any other corporation controlled and actively managed by such organization or any such subsidiary:

         (a) At the effective date of this policy; or

         (b) If the control and active management thereof was acquired during the policy period.

      However, coverage under d.(1) and (2) above does not appy to:

         (i) "Bodily injury" or "property damage" that occurred before you acquired or formed the organization; or

         (ii) "Personal injury" or "advertising injury" arising out of an "offense" committed before you acquired or formed the organization.

2. Each of the following is also an insured:

   a. As respects the "auto hazard:"

      (1) Anyone using an "auto" you own, hire or borrow including any person or organization legally responsible for such use provided it is with your permission; and

      (2) Any of your executive officers, directors, partners, "employees" or stockholders, operating an "auto" you do not own, hire or borrow while it is being used in your business.

None of the following is an insured under (1) or (2) above:

(1) Any person employed by or engaged in the duties of an auto sales agency, repair shop, service station, storage garage or public parking place that you do not operate;

(2) The owner or lessee of an "auto" hired by or for you or loaned to you, and any agency or employee of such owner or lessee.

b. As respects aircraft:

Anyone using an aircraft chartered with crew by you or on your behalf and anyone legally responsible for its use except:

(1) The owner or crew of the aircraft or any person operating such aircraft;

(2) Any manufacturer of the aircraft or any of its parts;

(3) Any sales, service or repair company;

(4) Any airport or hanger operator; or

(5) Any employee of (2), (3) or (4) above.

c. Except as respects aircraft and the "auto hazard":

(1) Your executive officers, "employees," directors or stockholders while acting within the scope of their duties; and

(2) Any person or organization while acting as real estate manager for you.

d. Any person or organization having proper temporary custody of your property if you die, but only:

(1) With respect to liability arising out of the maintenance or use of that property; and

(2) Until your legal representative has been appointed.

e. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this insurance.

f. Any person or organization for whom you agreed in writing to provide this insurance for operations you perform or facilities you own or use. This insurance is subject to your "applicable underlying limits" for such operations or facilities.

g. Any other person or organization insured under any policy of the "underlying insurance." This grant is subject to all the limitations upon coverage under such policy other than the limits of the "underlying insurers" liability.

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

No person is an insured as respects "bodily injury" to a fellow "employee" unless insurance for such liability is afforded by the "underlying insurance."

SECTION III - LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

a. Insureds;

b. Claims made or "suits" brought; or

c. Persons or organizations making claims or bringing "suits."

2. The Aggregate Limit is the most we will pay for all damages:

a. Included in the "products-completed operations hazard";

b. Because of "bodily injury" by disease sustained by your "employees" arising out of and in the course of their employment by you and not covered by any workers' compensation or similar law; or

c. Arising out of the rendering or failure to render any professional services which are covered under this policy.

The Aggregate Limit applies separately to a., b. and c.

3. The Personal and Advertising Injury Limit is the most we will pay under Coverage B for the sum of all damages because of all "personal injury" and all "advertising injury" sustained by any one person or organization.

4. Subject to 2. above, the Each Occurrence Limit is the most we will pay for the sum of damages under Coverage A because of all "bodily injury" and "property damage" arising out of any one "occurrence."

The limits of this insurance apply separately to each consecutive annual period and to any remaining period of less than 12 months. The policy period begins with the effective date shown in the Declarations. If the policy period is extended after issuance for an additional period of less than 12 months, the additional period will be deemed part of the last preceding period.

SECTION IV - CONDITIONS

1. APPEALS

a. If the insured or the insured's "underlying insurer" elects not to appeal a judgment which exceeds the "applicable underlying limit," we may do so.

b. If we do, we will pay all costs of the appeal. We will also pay all costs on appeals related to the defense of the insured as provided in SECTION I item 2. DEFENSE AND SUPPLEMENTARY PAYMENTS. These sums are in addition to the "applicable limit of insurance." In no event shall our liability for "ultimate net loss" exceed the "applicable limit of insurance."

2. BANKRUPTCY

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this insurance.

3. CANCELLATION

a. The first Named Insured may cancel this insurance by mailing or delivering to us advance written notice of cancellation.

b. We may cancel this insurance by mailing or delivering to the first Named Insured written notice of cancellation at least:

(1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or

(2) 60 days before the effective date of cancellation if we cancel for any other reason.

c. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.

d. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.

e. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels the refund will be pro rata less 10% of the pro rata unearned premium. The cancellation will be effective even if we have not made or offered a refund.

f. If notice is mailed, proof of mailing will be sufficient proof of notice.

4. CHANGES

This policy contains all the agreements between you and us concerning the insurance afforded. No change can be made in the terms of this insurance except with our consent. The terms of this insurance can be amended or waived only by endorsement issued by us and made a part of this insurance.

5. DUTIES IN THE EVENT OF OCCURRENCE, OFFENSE, CLAIM OR SUIT

a. You must see to it that we are notified promptly of an "occurrence" or an "offense" which may result in a claim under this insurance. Notice should include:

(1) How, when and where the "occurrence" or "offense" took place;

(2) The name and address of any injured persons or witnesses; and

(3) The nature and location of any injury or damage arising out of the "occurrence" or "offense."

This requirement applies only when the "occurrence" or "offense" is known to:

(1) You, if you are an individual;

(2) A partner, if you are a partnership;

(3) A member, if you are a joint venture;

(4) A member or manager, if you are a limited liability company; or

(5) An executive officer or insurance manager, if you are an organization other than a partnership, joint venture or limited liability company.

b. If a claim is made or "suit" is brought against any insured which may result in a claim against this insurance, you must:

(1) Immediately record the specifics of the claim or "suit" and the date received; and

(2) Notify us as soon as practicable.

This requirement will not be considered breached unless the breach occurs after such claim or "suit" is known to:

(1) You, if you are an individual;

(2) A partner, if you are a partnership;

(3) A member, if you are a joint venture;

(4) A member, if you are a limited liability company; or

(5) An executive officer or insurance manager, if you are an organization other than a partnership, joint venture or limited liability company.

c. You and any other involved insured must:

(1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";

(2) Authorize us to obtain records and other information;

(3) Cooperate with us in the investigation, settlement or defense of the claim or "suit";

(4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance or any "underlying insurance" may apply;

(5) Cooperate with the "underlying insurers"; and

(6) Comply with the terms of the "underlying insurance."

d. When we believe that a claim may exceed the "underlying insurance," we may join with the insured and the "underlying insurer" in the investigation, settlement and defense of all claims and "suits" in connection with such "occurrence" or "offense." In such event, the insured must cooperate with us.

e. No insured will, except at their own cost, voluntarily make a payment, assume any obligation or incur any expense, other than first aid, without our consent.

6. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this insurance:

a. At any time during the policy period;

b. Up to three years afterward; or

c. Within one year after final settlement of all claims under this insurance.

7. INSPECTIONS AND SURVEYS

We have the right but are not obligated to:

a. Make inspections and surveys at any time;

b. Give you reports on the conditions we find; and

c. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. We do not warrant that conditions:

a. Are safe or healthful; or

b. Comply with laws, regulations, codes or standards.

8. LEGAL ACTION AGAINST US

No person or organization has a right under this insurance:

a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or

b. To sue us on this insurance unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an "agreed settlement" or on a final judgement against an insured obtained after an actual trial. We will not be liable for damages that:

a. Are not payable under the terms of this insurance; or

b. Are in excess of the "applicable limit of insurance."

An "agreed settlement" means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

9. MAINTENANCE OF UNDERLYING INSURANCE

You shall maintain in force the insurance afforded by each policy listed in the Schedule of Underlying Insurance in the Declarations for the full term of this insurance. The terms, conditions and endorsements of "underlying insurance" will not materially change and renewals or replacements of "underlying insurance" will not be more restrictive in coverage. Limits of "underlying insurance" will not be reduced except for any reduction or exhaustion of the aggregate limit(s) of insurance due to the payment of claims or defense.

If you fail to comply with the above, this insurance is not invalidated. However, in the event of a loss, we will pay only to the extent that we would have paid had you so complied.

10. OTHER INSURANCE

This insurance is excess over any other valid and collectible insurance whether such other insurance is stated to be primary, contributing, excess, contingent or otherwise. This provision does not apply to a policy bought specifically to apply in excess of this insurance.

11. OUR RIGHT TO RECOVER FROM OTHERS

If we make a payment under this insurance, the insured will assist us and the "underlying insurer" in recovering what we paid by using the insured's right of recovery. Reimbursement will be made in the following order:

a. First, to any interest (including the insured) who has paid any amount in excess of the limits of this insurance;

b. Next, to us; and

c. Then to any interest (including the insured and the "underlying insurer") as are entitled to claim the remainder, if any.

A different order may apply if agreed upon by all interests. Expenses incurred in the process of recovery will be divided among all interests according to the ratio of their respective recoveries.

12. PREMIUM

The first Named Insured is responsible for the payment of all premiums and will be the payee for any return premium.

13. PREMIUM AUDIT

When this insurance is written on an adjustable premium basis the following items apply:

a. You must keep records of the information we need for premium computation, and send us copies at such times as we may request.

b. At the close of each audit period we will compute the earned premium for that period.

c. Audit premiums are due and payable on notice to the first Named Insured.

14. REPRESENTATION

By accepting this insurance you agree:

a. The statements in the Declarations and any subsequent notice relating to "underlying insurance" are accurate and complete;

b. Those statements are based upon representations you made to us;

c. We have issued this insurance in reliance upon your representation; and

d. Your failure to disclose all hazards existing as of the inception date of the policy shall not in itself prejudice the coverage otherwise afforded by this policy, provided such failure to disclose all hazards is not intentional.

SEPARATION OF INSUREDS

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned to you in this insurance, this insurance applies:

a. As if each Named Insured were the only Named Insured; and

b. Separately to each insured against whom claim is made or "suit" is brought.

16. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS INSURANCE

Your rights and duties under this insurance may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

17. WHEN LOSS IS PAYABLE

If we are liable under this insurance, we will pay for "ultimate net loss" after:

a. (1) The insured's liability is established by court decision and all appeals are exhausted; or

(2) There is a written agreement between the claimant, the insured, any "underlying insurer" and us; and

b. The amount of the "applicable underlying limit" is paid by or on behalf of the insured.

We will pay all claims expeditiously provided all terms of this insurance are met.

The insured will reimburse us for any payment we make for damages which are within the "retained limit."

18. FIRST NAMED INSURED

The person or organization first named in the Declarations will act on behalf of all other insureds where indicated in this policy.

19. LIBERALIZATION

If we revise this policy form to provide more coverage without additional premium charge, your policy will automatically provide the additional coverage as of the day the revision is effective in your state.

20. TWO OR MORE POLICIES ISSUED BY US

If this policy or any other blanket excess or umbrella policy issued to you by us or any company affiliated with us apply to the same "occurrence" or "offense," the maximum Limit of Insurance under all these policies shall not exceed the highest applicable Limit of Insurance under any one policy.

SECTION V - DEFINITIONS

1. "Advertising injury" means injury arising out of one or more of the following "offenses" committed during the policy period:

a. Oral, written, televised or videotaped publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;

b. Oral, written, televised or videotaped publication of material that violates a person's right of privacy;

c. Misappropriation of advertising ideas or style of doing business; or

d. Infringement of copyright, title or slogan.

Such "offenses" must be committed in the course of advertising your goods or products.

2. "Applicable limit of insurance" means the maximum amount we will pay as damages in accordance with SECTION III - LIMITS OF INSURANCE.

3. "Applicable underlying limit" means:

a. If the policies of "underlying insurance" apply to the "occurrence" or "offense," the greater of:

(1) The amount of insurance stated in the policies of "underlying insurance" in the Declarations or any other available insurance less the amount by which any aggregate limit so stated has been reduced by payment of claims or defense; or

(2) The "retained limit" shown in the Declarations; or

b. If the policies of "underlying insurance" do not apply to the "occurrence" or "offense," the amount stated in the Declarations as the "retained limit."

The limits of insurance in any policy of "underlying insurance" will apply even if:

a. The "underlying insurer" claims the insured failed to comply with any condition of the policy; or

b. The "underlying insurer" becomes bankrupt or insolvent.

"Auto" means a land motor vehicle, trailer or semi-trailer.

5. "Auto hazard" means all "bodily injury" and "property damage" for which liability insurance is afforded under the terms, other than limits of insurance, of the auto policy of "underlying insurance."

6. "Bodily injury" means bodily injury, sickness, or disease sustained by a person, including any resulting disability, humiliation, shock, fright, mental anguish, mental injury, care, loss of services or death.

7. "Employee" includes a "leased worker." "Employee" does not include a "temporary worker."

8. "Impaired property" means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:

a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

b. You have failed to fulfill the terms of a contact or agreement;

if such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work;" or

b. Your fulfilling the terms of the contract or agreement.

9. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker."

10. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

All damages arising from continuous or repeated exposure to substantially the same general conditions shall be deemed one "occurrence."

"Offense" means any of the offenses listed in the definition of "personal injury" or "advertising injury."

All damages that arise from the same act, publication or general conditions shall be deemed to arise from one "offense" regardless of:

a. The frequency of repetition;

b. The number or kind of media used; or

c. The number of claimants.

12. "Personal injury" means injury, other than "bodily injury," arising out of one or more of the following offenses:

a. False arrest, detention or imprisonment;

b. Malicious prosecution or abuse of process;

c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies by or on behalf of its owner, landlord or lessor;

d. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;

e. Oral or written publication of material that violates a person's right of privacy; or

f. Discrimination. This does not apply:

(1) To "offenses" committed by or at the direction of the insured; or

(2) If insurance for such "offense" is prohibited by law.

Such "offenses" must arise out of the conduct of your business, excluding advertising, publishing, broadcasting or telecasting done by or for you.

13. "Products-completed operations hazard" includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not yet been completed or abandoned.

"Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

14. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property; and

b. Loss of use of tangible property that is not physically injured.

All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

15. "Retained limit" is the sum stated in the Declarations as such. If the policies of "underlying insurance" do not apply to the "occurrence" or "offense," the insured shall retain this amount as self insurance with respect to:

a. "Bodily injury" or "property damage" caused by each "occurrence"; or

b. "Personal injury" or "advertising injury" sustained by any one person or organization and caused by an "offense."

16. "Suit" means a civil proceeding in which damages because of "bodily injury," "property damage," "personal injury" or "advertising injury" to which this insurance applies are alleged. "Suit" includes:

a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit without our consent; or

b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits without our consent.

17. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

18. "Ultimate net loss" means the sum actually paid or payable due to a claim for which the insured is liable either by a settlement to which we agreed or a final judgement. Such sum will include proper adjustments for recoveries and salvage.

19. "Underlying insurance" means the policies listed in the Schedule of Underlying Insurance and includes:

a. Any renewal or replacement of such policies; and

b. Any other insurance available to the insured.

20. "Underlying insurer" means any insurer which provides a policy listed in the Schedule of Underlying Insurance or any other insurance available to the insured.

21. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product" and

b. The providing of or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

"Your work" means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work"; and

b. The providing of or failure to provide warnings or instructions.

This endorsement modifies insurance provided by the following:

COMMERCIAL UMBRELLA LIABILITY POLICY

BC-7136
(Ed. 9-97)

SOUTH CAROLINA CHANGES

1. Paragraphs b. and c. under Item 3. **CANCELLATION** of **SECTION IV - CONDITIONS** is replaced by the following:

   b. We may cancel this policy by mailing or delivering to the first Named Insured and the agent, if any, written notice of cancellation at least:

      (a) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or

      (b) 60 days before the effective date of cancellation if we cancel for any other reason.

   c. We will mail or deliver our notice to the first Named Insured's and agent's last known addresses.

   Paragraph g. is added under Item 3. **CANCELLATION** of **SECTION IV - CONDITIONS** and supercedes any other provisions to the contrary:

   g. If this policy has been in effect for 90 days or more, or is a renewal or continuation of a policy we issued, we may cancel this policy only for one or more of the following reasons:

      (a) Nonpayment of premium;

      (b) Material misrepresentation of fact which, if known to us, would have caused us not to issue the policy;

      (c) Substantial change in the risk assumed, except to the extent that we should reasonably have forseen the change or contemplated the risk in writing the policy;

      (d) Substantial breaches of contractual duties, conditions or warranties; or

      (e) Loss of our reinsurance covering all or a significant portion of the particular policy insured, or where continuation of the policy would imperil our solvency or place us in violation of the insurance laws of South Carolina.

      Prior to cancellation for reasons permitted in this item e., we will notify the Commissioner, in writing, at least sixty days prior to such cancellation and the Commissioner will, within thirty days of such notification, approve or disapprove such action.

   Any notice of cancellation will state the precise reason for cancellation.

3. The following is added under **SECTION IV - CONDITIONS** and supercedes any other provisions to the contrary:

   NONRENEWAL

   a. If we decide not to renew this policy, we will mail or deliver written notice of nonrenewal to the first Named Insured and agent, if any, at least 30 days before:

      (a) The expiration date of this policy, if the policy is written for a term of one year or less; or

      (b) An anniversary date of this policy, if the policy is written for a term of more than one year or for an indefinite term.

      However, we will not refuse to renew a policy issued for a term of more than one year, until expiration of its full term, if anniversary renewal has been guaranteed by additional premium consideration.

   b. Any notice of nonrenewal will be mailed or delivered to the first Named Insured's and agent's last known addresses. If notice is mailed, proof of mailing will be sufficient proof of notice.

   c. Any notice of nonrenewal will state the precise reason for nonrenewal.

This endorsement modifies insurance provided by the following:

COMMERCIAL UMBRELLA LIABILITY POLICY

BC-7189
(Ed. 9-97)

EMPLOYER'S LIABILITY EXCLUSION

This insurance does not apply to any liability for "bodily injury" sustained by:

1. An "employee" of yours arising out of and in the course of employment by you; or
2. The spouse, child, parent, brother or sister of that "employee" as a consequence of 1. above.

This exclusion applies:

1. Whether you may be liable as an employer or in any other capacity; and
2. To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.

This endorsement modifies insurance provided under the following:

COMMERCIAL GENERAL LIABILITY COVERAGE PART
CONTRACTORS BUSINESS OWNERS POLICY
COMMERCIAL BLANKET EXCESS LIABILITY POLICY
COMMERCIAL UMBRELLA LIABILITY POLICY

IL-7115
(Ed. 5-97)

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)

This insurance does not apply to "bodily injury" or "property damage" included in the "products - completed operations hazard" and arising out of "your work" involving the manufacture, application, use or sale of Exterior Insulation and Finish Systems (EIFS) or any part thereof, or any substantially similar system, including any exterior component, fixture or feature of any structure if an Exterior Insulation Finish System (EIFS) is used on any part of that structure.

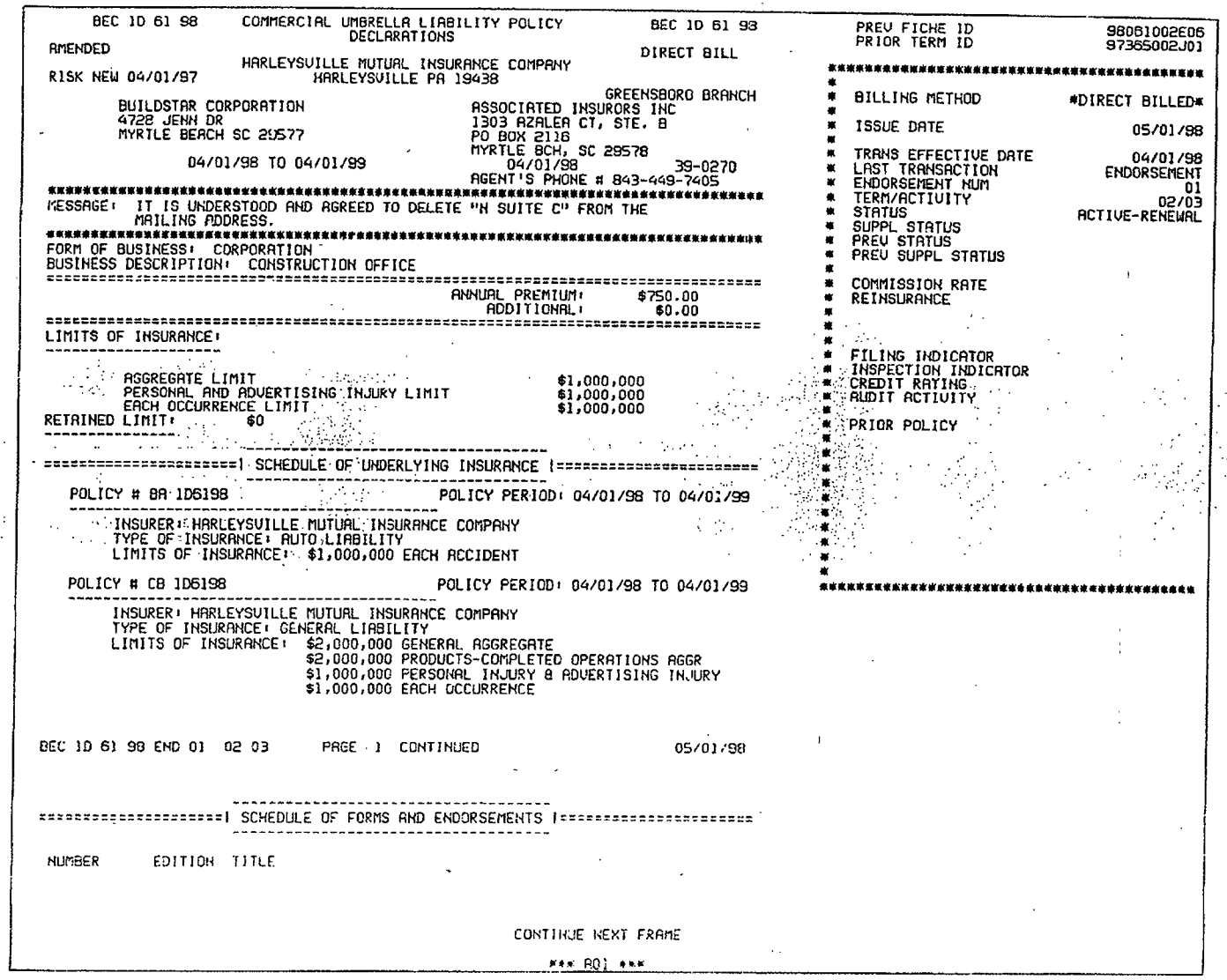
ST-7213
(Ed. 5-97)

IMPORTANT NOTICE TO POLICYHOLDERS

EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

This policy contains the Exterior Insulation and Finish Systems (EIFS) exclusion endorsement. This endorsement excludes coverage for "bodily injury" or "property damage" included in the "products - completed operations hazard" and arising out of "your work" involving the manufacture, application, use or sale of Exterior Insulation and Finish Systems (EIFS). Also excluded is any exterior component, fixture or feature of any structure if an EIFS is used on any part of that structure.

READ YOUR POLICY CAREFULLY to determine rights, duties and what is and is not covered.



BEC 1D 61 98 COMMERCIAL UMBRELLA LIABILITY POLICY BEC 1D 61 98
DECLARATIONS
AMENDED DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

04/01/98 TO 04/01/99

GREENSBORO BRANCH
ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578
04/01/98 39-0270
AGENT'S PHONE # 843-449-7405

MESSAGE: IT IS UNDERSTOOD AND AGREED TO DELETE "N SUITE C" FROM THE MAILING ADDRESS.

FORM OF BUSINESS: CORPORATION
BUSINESS DESCRIPTION: CONSTRUCTION OFFICE

ANNUAL PREMIUM: $750.00
ADDITIONAL: $0.00

LIMITS OF INSURANCE:

AGGREGATE LIMIT	$1,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	$1,000,000
EACH OCCURRENCE LIMIT	$1,000,000

RETAINED LIMIT: $0

SCHEDULE OF UNDERLYING INSURANCE

POLICY # BA 1D6198 POLICY PERIOD: 04/01/98 TO 04/01/99
INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: AUTO LIABILITY
LIMITS OF INSURANCE: $1,000,000 EACH ACCIDENT

POLICY # CB 1D6198 POLICY PERIOD: 04/01/98 TO 04/01/99
INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: GENERAL LIABILITY
LIMITS OF INSURANCE: $2,000,000 GENERAL AGGREGATE
$2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGR
$1,000,000 PERSONAL INJURY & ADVERTISING INJURY
$1,000,000 EACH OCCURRENCE

BEC 1D 61 98 END 01 02 03 PAGE 1 CONTINUED 05/01/98

SCHEDULE OF FORMS AND ENDORSEMENTS

NUMBER EDITION TITLE

CONTINUE NEXT FRAME

*** RQ] ***

PREV FICHE ID 98061002E06
PRIOR TERM ID 97365002J01

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	05/01/98
TRANS EFFECTIVE DATE	04/01/98
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	01
TERM/ACTIVITY	02/03
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	
PRIOR POLICY	

PJ0001E	0895	HARLEYSVILLE MUTUAL INSURANCE COMPANY - POLICY JACKET
PT0410	0997	COMMERCIAL UMBRELLA LIABILITY POLICY
BC7107	0591	CONTRACTORS LIMITATION ENDORSEMENT
BC7136	0997	SOUTH CAROLINA CHANGES
BC7189	0997	EMPLOYER'S LIABILITY EXCLUSION
BC7240	0993	LEAD LIABILITY EXCLUSION
IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)

* INDICATES A NEW OR REPLACEMENT FORM.

BEC 1D 61 98 END 01 02 03 PAGE 2 05/01/98

CONTROL MASTER EXTRACT

POLICY NUM BEC 1D 61 98

REC ID	RATE STATES	RISK NEW DT	QUOTE NUMBER	LOG NUMBER	DTE CNT NEW/REN
AA	SC	040197			02 01

UNDERWRITER COMMENTS — BILLING ACCT NUM

DIARY INFO

NUM	USER	BR	DATE	REASON

	INSURED NAME 1	INSURED NAME 2	UND INFO
CURR TERM	$BUILDSTAR CORPORATION		
PREV TERM	$BUILDSTAR CORPORATION		

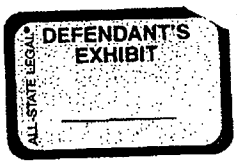
	CO	BR	AGENT CODE	CONTR STATE	BILL MTHD	PAY PLAN	POLICY TYPES	ANNL RERT
CURR TERM	04	28	390270	SC	0		BE	
PREV TERM	04	28	390270	SC	0		BE	

	DATES EXP	EFF	END EFF	ACTY	TERM SEQ	ACTY NUM	TRNS CODE	TRNS EFF DT
CURR TERM	040199	040198	040198	050198	02	03	145	050198
PREV TERM	040198	040197	040197	123197	01	04	145	040197

CURR SUPPL	PREV SUPPL	POLICY CHARGE TO DATE	TOT TRANS CHARGE	RENEWAL DATES QUOTE	RENEWAL DATES ISSUE

CONTINUE NEXT FRAME

REC ID EB



BUILDSTAR CORP.
BEC-1D6198
4/1/99-4/1/00

*** GOS ***

BEC 1D 61 98 COMMERCIAL UMBRELLA LIABILITY POLICY BEC 1D 61 98
DECLARATIONS
RENEWAL CERTIFICATE DIRECT BILL
HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

04/01/99 TO 04/01/00

39-0270
AGENT'S PHONE # 843-449-7405

FORM OF BUSINESS: CORPORATION
BUSINESS DESCRIPTION: CONSTRUCTION OFFICE

IN RETURN FOR THE PAYMENT OF THE PREMIUM AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.
ANNUAL PREMIUM: $750.00

LIMITS OF INSURANCE:

AGGREGATE LIMIT	$1,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	$1,000,000
EACH OCCURRENCE LIMIT	$1,000,000

RETAINED LIMIT: $0

SCHEDULE OF UNDERLYING INSURANCE

POLICY # BA 1D6198 POLICY PERIOD: 04/01/99 TO 04/01/00
INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: AUTO LIABILITY
LIMITS OF INSURANCE: $1,000,000 EACH ACCIDENT

POLICY # CB 1D6198 POLICY PERIOD: 04/01/99 TO 04/01/00
INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: GENERAL LIABILITY
LIMITS OF INSURANCE: $2,000,000 GENERAL AGGREGATE
$2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGR
$1,000,000 PERSONAL INJURY & ADVERTISING INJURY
$1,000,000 EACH OCCURRENCE

BEC 1D 61 98 END 00 03 03 PAGE 1 CONTINUED 03/29/99

SCHEDULE OF FORMS AND ENDORSEMENTS

NUMBER	EDITION	TITLE
PJ0001E	0895	HARLEYSVILLE MUTUAL INSURANCE COMPANY - POLICY JACKET
PT0410	0997	COMMERCIAL UMBRELLA LIABILITY POLICY

CONTINUE NEXT FRAME

*** HOS ***

PREV FICHE ID
PRIOR TERM ID 98121002A01

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	03/29/99
TRANS EFFECTIVE DATE	04/01/99
LAST TRANSACTION	RENEWAL
ENDORSEMENT NUM	00
TERM/ACTIVITY	03/03
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	
PRIOR POLICY	

BC7107	0591	CONTRACTORS LIMITATION ENDORSEMENT
BC7136	0997	SOUTH CAROLINA CHANGES
BC7189	0997	EMPLOYER'S LIABILITY EXCLUSION
BC7240	0993	LEAD LIABILITY EXCLUSION
*BC7258	0498	EXCLUSION - YEAR 2000 COMPUTER-RELATED AND OTHER ELECTRONIC PROBLEMS
IL7115	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)

THE FOLLOWING MATERIAL CONTAINS IMPORTANT INFORMATION. PLEASE READ IT CAREFULLY.

*ST7223	0498	POLICYHOLDER NOTICE--EXCLUSION; YEAR 2000 COMPUTER-RELATED AND OTHER ELECTRONIC PROBLEMS

* INDICATES A NEW OR REPLACEMENT FORM.

RENEWAL INSURING AGREEMENT

WE RENEW THIS POLICY FOR THE PERIOD STATED ON THE RENEWAL DECLARATIONS IN RETURN FOR YOUR PAYMENT OF THE PREMIUM. THE RENEWAL IS SUBJECT TO ALL TERMS, CONDITIONS, FORMS AND ENDORSEMENTS ATTACHED TO THE POLICY OR TO THIS RENEWAL DECLARATION.

RENEWAL OFFER REQUIRES PAYMENT FOR PRIOR POLICY TERM.

BEC ID 61 98 END 00 03 03 PAGE 2 03/29/99

CONTROL MASTER EXTRACT

POLICY NUM BEC ID 61 98

REC ID	RATE STATES	RISK NEW DT	QUOTE NUMBER	LOG NUMBER	QTE CNT NEW/REN
AR CURR	SC	19970401			02 02
AR PREV	SC	19970401			02 02

UNDERWRITER COMMENTS

BILLING ACCT NUM

DIARY INFO

NUM	USER	BR	DATE	REASON

	INSURED NAME 1	INSURED NAME 2	UND INFO
CURR TERM	$BUILDSTAR CORPORATION		
PREV TERM	$BUILDSTAR CORPORATION		

Consolidated ROA_1629

This endorsement applies to all coverages provided by the following including any forms or endorsements attached thereto:

COMMERCIAL UMBRELLA LIABILITY POLICY
COMMERCIAL BLANKET EXCESS LIABILITY POLICY

BC-7258
(Ed. 4-98)

EXCLUSION - YEAR 2000 COMPUTER-RELATED AND OTHER ELECTRONIC PROBLEMS

The following exclusion is added:

1. This insurance does not apply to "bodily injury," "property damage," "personal injury," "advertising injury" or any other injury, damage, loss or expense arising directly or indirectly out of:

   a. Any actual or alleged failure, malfunction, inability or inadequacy of:

      (1) Any of the following, whether belonging to any insured or to others:

         (a) Computer hardware, including microprocessors;

         (b) Computer application software;

         (c) Computer operating systems and related software;

         (d) Computer networks;

         (e) Microprocessors (computer chips) not part of any computer system;

         (f) Telecommunications equipment; or

         (g) Any other computerized or electronic equipment or components; or

      (2) Any other products, and any services, data or functions that directly or indirectly use or rely upon, in any manner, any of the items listed in Paragraph 1.a.(1) of this endorsement;

   which is in any way related to the inability to correctly recognize, process, distinguish, interpret or accept one or more dates or times. An example is the inability of computer software to recognize the year 2000.

   B. Any advice, consultation, design, evaluation, inspection, installation, maintenance, repair, replacement or supervision provided or done by you or for you to determine, rectify or test for, any potential or actual problems described in Paragraph 1.a. of this endorsement.

   C. Any other act or failure to act by you or for you which is in any way related to any potential or actual problems described in Paragraph 1.a. of this endorsement.

This endorsement applies to all coverages provided by this policy including all forms and endorsements attached thereto, however this exclusion does not apply to an "auto" that is covered by valid and collectible "underlying insurance."

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ST-7223
(Ed. 4-98)

PLEASE READ THIS NOTICE CAREFULLY

POLICYHOLDER NOTICE

Exclusion: Year 2000 Computer-Related and Other Electronic Problems

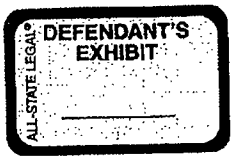
THIS POLICYHOLDER NOTICE DOES NOT PROVIDE COVERAGE NOR SHOULD IT BE CONSTRUED TO REPLACE ANY PROVISIONS OF YOUR POLICY. PLEASE READ YOUR POLICY AND REVIEW YOUR DECLARATIONS PAGE FOR COMPLETE INFORMATION ON YOUR COVERAGES. IF THERE IS ANY CONFLICT BETWEEN YOUR POLICY AND THIS SUMMARY, THE PROVISIONS OF YOUR POLICY SHALL PREVAIL.

An endorsement has been attached to your policy stating that coverage is **not** provided for any losses caused by a computer or other electronic equipment's inability to correctly recognize or process a particular date or time (examples are the year 2000 or 9/9/99). This endorsement applies regardless of whether the computer or other electronic product or device, including computer chips, belongs to you or to others, or has been incorporated into your products or the products of others. There may be some limited coverage available. Please refer to the language of the endorsement to determine whether it applies in your situation.

Many computer systems were designed more than a generation ago. At that time, to save money and space, computers were programmed with a six-digit date field (i.e. 10/02/71), with space for only a two-digit year. When a computer "sees" 98, it assumes the year is 1998. As an example, when a computer tries to process the year 2000, it may read "00" to be 1900--not 2000. Your individual business may be affected. Each computer, computer-related system or other electronic product may experience problems. Since each situation is unique, it is not possible to predict all computer-related and other electronic problems that you may experience.

We recommend that you examine and evaluate your situation as soon as possible. It may be necessary for a professional computer consultant to analyze your computers, computer-related systems and other electronic products for year 2000 compliance.

If you have any questions regarding this matter, please contact your insurance agent.



BUILDSTAR CORP.
BEC-1D6198
4/1/00-8/1/00

Consolidated ROA_1633

BEC ID 61 98 COMMERCIAL UMBRELLA LIABILITY POLICY BEC ID 61 98
DECLARATIONS

RENEWAL CERTIFICATE DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

04/01/00 TO 04/01/01

GREENSBORO BRANCH
ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572
39-0270
AGENT'S PHONE # 843-449-7405

FORM OF BUSINESS: CORPORATION
BUSINESS DESCRIPTION: CONSTRUCTION OFFICE

IN RETURN FOR THE PAYMENT OF THE PREMIUM AND SUBJECT TO ALL THE TERMS OF THIS POLICY, WE AGREE WITH YOU TO PROVIDE THE INSURANCE AS STATED IN THIS POLICY.
ANNUAL PREMIUM: $1,335.00

LIMITS OF INSURANCE:

AGGREGATE LIMIT	$1,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	$1,000,000
EACH OCCURRENCE LIMIT	$1,000,000

RETAINED LIMIT: $0

SCHEDULE OF UNDERLYING INSURANCE

POLICY # BA 1D6198 POLICY PERIOD: 04/01/00 TO 04/01/01
INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: AUTO LIABILITY
LIMITS OF INSURANCE: $1,000,000 EACH ACCIDENT

POLICY # CB 1D6198 POLICY PERIOD: 04/01/00 TO 04/01/01
INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: GENERAL LIABILITY
LIMITS OF INSURANCE: $2,000,000 GENERAL AGGREGATE
$2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGR
$1,000,000 PERSONAL INJURY & ADVERTISING INJURY
$1,000,000 EACH OCCURRENCE

BEC 10 61 98 END 00 04 02 PAGE 1 CONTINUED 03/24/00

SCHEDULE OF FORMS AND ENDORSEMENTS

NUMBER	EDITION	TITLE
PJ0001E	0695	HARLEYSVILLE MUTUAL INSURANCE COMPANY - POLICY JACKET
PT0410	0997	COMMERCIAL UMBRELLA LIABILITY POLICY

CONTINUE NEXT FRAME

*** 002 ***

PREV FICHE ID
PRIOR TERM ID 99088001H05

BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	03/24/00
TRANS EFFECTIVE DATE	04/01/00
LAST TRANSACTION	RENEWAL
ENDORSEMENT NUM	00
TERM/ACTIVITY	04/02
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	
PRIOR POLICY	

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  BC7107        0591    CONTRACTORS LIMITATION ENDORSEMENT
  BC7136        0997    SOUTH CAROLINA CHANGES
  BC7189        0997    EMPLOYER'S LIABILITY EXCLUSION
  BC7240        0993    LEAD LIABILITY EXCLUSION
 *BC7258        0498    EXCLUSION - YEAR 2000 COMPUTER-RELATED AND OTHER
                         ELECTRONIC PROBLEMS
                ------------------------------------------------

  * INDICATES A NEW OR REPLACEMENT FORM.

                          ----------------------------
  ========================| RENEWAL INSURING AGREEMENT |========================
                          ----------------------------

  WE RENEW THIS POLICY FOR THE PERIOD STATED ON THE RENEWAL DECLARATIONS IN
  RETURN FOR YOUR PAYMENT OF THE PREMIUM.  THE RENEWAL IS SUBJECT TO ALL TERMS,
  CONDITIONS, FORMS AND ENDORSEMENTS ATTACHED TO THE POLICY OR TO THIS RENEWAL
  DECLARATION.

  RENEWAL OFFER REQUIRES PAYMENT FOR PRIOR POLICY TERM.

  ================================================================================


  BEC 1D 61 98 END 00  04 02      PAGE  2                              03/24/00

                                                  ********************************
                          CONTROL MASTER EXTRACT

POLICY NUM  BEC 1D 61 98


REC                                                  RISK     QUOTE                  QTE CNT
 ID        ---------- RATE STATES --------          NEW DT   NUMBER     LOG NUMBER  NEW/REN
 AA CURR   SC                                      19970401                          02 01
 AA PREV   SC                                      19970401                          02 01

                                                                                BILLING
           ---------------UNDERWRITER COMMENTS---------------                  ACCT NUM


           ------------------------DIARY INFO-----------------------
           NUM  USER  BR   DATE                 REASON


                                                                                  UND
           --------INSURED NAME 1-------- --------INSURED NAME 2--------        INFO
CURR TERM  $BUILDSTAR CORPORATION

PREV TERM  $BUILDSTAR CORPORATION

                                 CONTR  BILL  PAY                                ANNL
           CO  BR  AGENT CODE    STATE  MTHD  PLAN  -----POLICY TYPES-----      RERT
CURR TERM  04  28  390270          SC     0          BE

PREV TERM  04  28  390270          SC     0          BE

        -----------------DATES----------------   TERM   ACTY   TRNS     TRNS
```

BEC ID 61 98 COMMERCIAL UMBRELLA LIABILITY POLICY BEC ID 61 98
DECLARATIONS

AMENDED DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
RISK NEW 04/01/97 HARLEYSVILLE PA 19438

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 7188
MYRTLE BCH, SC 29572

04/01/00 TO 04/01/01

04/01/00 39-0270

AGENT'S PHONE # 843-449-7405

****

MESSAGE: EFFECTIVE 4-10-00 UNDERLYING WORKERS COMP WITH PREFERRED EMPLOYERS GROUP IS ADDED TO POLICY.

****

FORM OF BUSINESS: CORPORATION
BUSINESS DESCRIPTION: CONSTRUCTION OFFICE

==========

ANNUAL PREMIUM: $1,335.00
ADDITIONAL: $0.00

IF THERE IS AN OUTSTANDING POLICY BALANCE, A PREMIUM INVOICE WILL FOLLOW

==========

LIMITS OF INSURANCE:

AGGREGATE LIMIT	$1,000,000
PERSONAL AND ADVERTISING INJURY LIMIT	$1,000,000
EACH OCCURRENCE LIMIT	$1,000,000

RETAINED LIMIT: $0

SCHEDULE OF UNDERLYING INSURANCE

POLICY # BA 1D6198 POLICY PERIOD: 04/01/00 TO 04/01/01

INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: AUTO LIABILITY
LIMITS OF INSURANCE: $1,000,000 EACH ACCIDENT

POLICY # TBD POLICY PERIOD: 04/10/00 TO 04/10/01

INSURER: PREFERRED EMPLOYERS GROUP
TYPE OF INSURANCE: EMPLOYERS LIABILITY
LIMITS OF INSURANCE: $100,000 BODILY INJURY - ACCIDENT - EACH ACCIDENT
$100,000 BODILY INJURY - DISEASE - EACH EMPLOYEE
$500,000 BODILY INJURY - DISEASE - POLICY LIMIT

BEC ID 61 98 END 01 04 03 PAGE 1 CONTINUED 05/05/00

POLICY # CB 1DE198 POLICY PERIOD: 04/01/00 TO 04/01/01

INSURER: HARLEYSVILLE MUTUAL INSURANCE COMPANY
TYPE OF INSURANCE: GENERAL LIABILITY

CONTINUE NEXT FRAME

PREV FICHE ID 00084002002
PRIOR TERM ID 99088001H05

****

BILLING METHOD *DIRECT BILLED*

ISSUE DATE 05/05/00

TRANS EFFECTIVE DATE 04/01/00
LAST TRANSACTION ENDORSEMENT
ENDORSEMENT NUM 01
TERM/ACTIVITY 04/03
STATUS ACTIVE-RENEWAL
SUPPL STATUS
PREV STATUS
PREV SUPPL STATUS

COMMISSION RATE
REINSURANCE

FILING INDICATOR
INSPECTION INDICATOR
CREDIT RATING
AUDIT ACTIVITY

PRIOR POLICY

****

R I A

R I B

R I B

R I B

Consolidated ROA_1635

CONTINUE NEXT FRAME

LIMITS OF INSURANCE: $2,000,000 GENERAL AGGREGATE
$2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGR
$1,000,000 PERSONAL INJURY & ADVERTISING INJURY
$1,000,000 EACH OCCURRENCE

SCHEDULE OF FORMS AND ENDORSEMENTS

NUMBER	EDITION	TITLE
PJ0001E	0895	HARLEYSVILLE MUTUAL INSURANCE COMPANY - POLICY JACKET
PT0410	0997	COMMERCIAL UMBRELLA LIABILITY POLICY
BC7107	0591	CONTRACTORS LIMITATION ENDORSEMENT
BC7136	0997	SOUTH CAROLINA CHANGES
BC7240	0993	LEAD LIABILITY EXCLUSION
*BC7254	0997	EMPLOYER'S LIABILITY LIMITATION
BC7258	0498	EXCLUSION - YEAR 2000 COMPUTER-RELATED AND OTHER ELECTRONIC PROBLEMS

* INDICATES A NEW OR REPLACEMENT FORM.

BEC ID 61 98 END 01 04 03 PAGE 2 05/05/00

CONTROL MASTER EXTRACT

POLICY NUM BEC ID 61 98

REC ID	RATE STATES	RISK NEW DT	QUOTE NUMBER	LOG NUMBER	QTE CNT NEW/REN
AA CURR	SC	19970401			02 01
AA PREV	SC	19970401			02 01

UNDERWRITER COMMENTS

BILLING ACCT NUM

DIARY INFO

NUM	USER	BR	DATE	REASON

	INSURED NAME 1	INSURED NAME 2	UND INFO
CURR TERM	$BUILDSTAR CORPORATION		
PREV TERM	$BUILDSTAR CORPORATION		

	CO	BR	AGENT CODE	CONTR STATE	BILL MTHD	PAY PLAN	POLICY TYPES	ANNL RERT
CURR TERM	04	28	390270	SC	0		BE	

CONTINUE NEXT FRAME

This endorsement modifies insurance provided by the following:

COMMERCIAL UMBRELLA LIABILITY POLICY

BC-7254
(Ed. 9-97)

EMPLOYER'S LIABILITY LIMITATION

This insurance does not apply to any liability for "bodily injury" sustained by:

1. An "employee" of yours arising out of and in the course of employment by you; or

2. The spouse, child, parent, brother or sister of that "employee" as a consequence of 1. above.

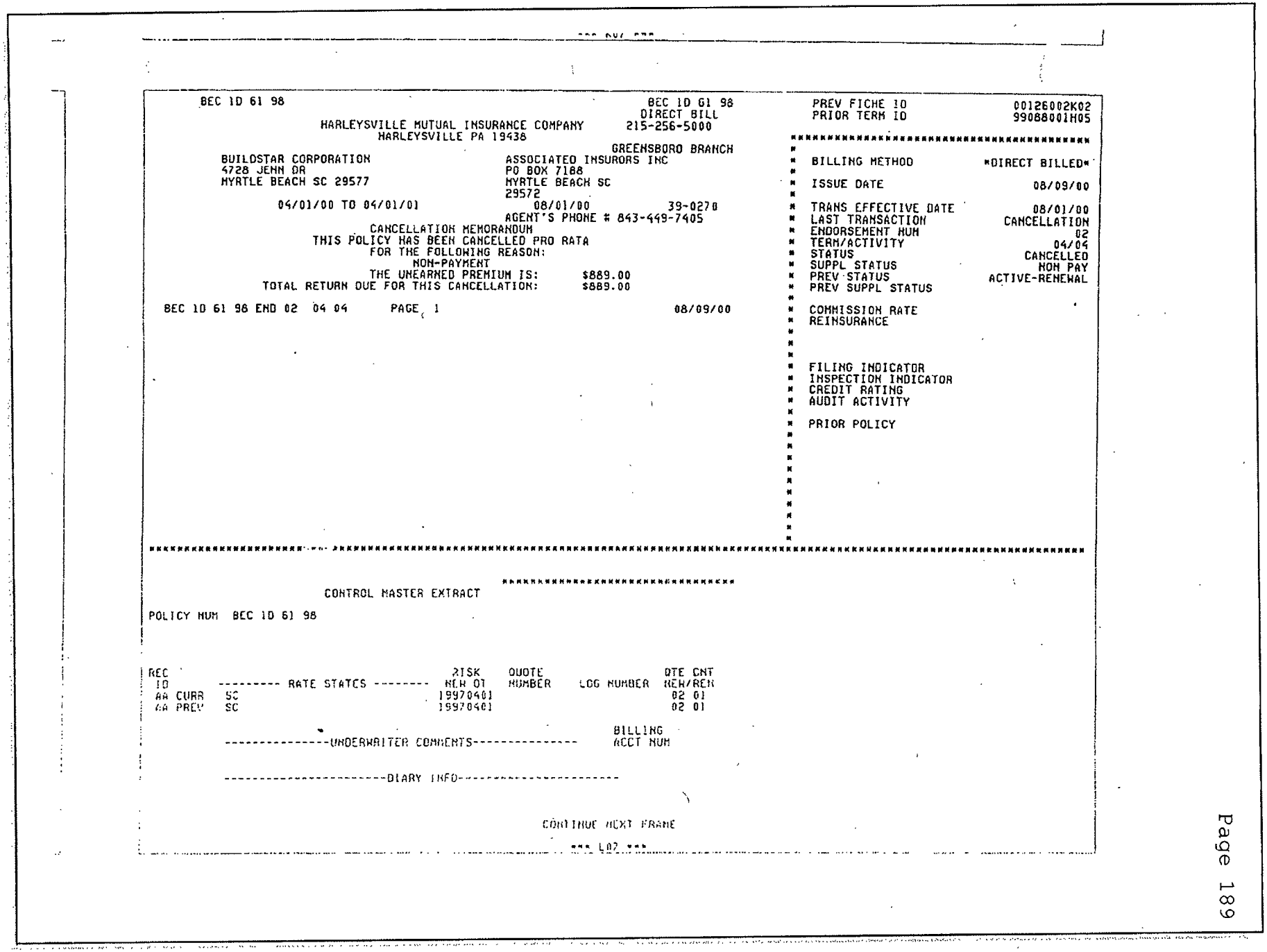
unless such liability is covered by valid and collectible underlying insurance as listed in the Schedule of Underlying Insurance for the full limit shown and then only for such liability for which coverage is afforded under the underlying insurance.

If applicable, this exclusion applies:

1. Whether you may be liable as an employer or in any other capacity; and

2. To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This endorsement must be attached to a Change Endorsement when issued after the policy is written.



BEC 1D 61 98

BEC 1D 61 98
DIRECT BILL

HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438

215-256-5000

GREENSBORO BRANCH

BUILDSTAR CORPORATION
4728 JENN DR
MYRTLE BEACH SC 29577

ASSOCIATED INSURORS INC
PO BOX 7188
MYRTLE BEACH SC
29572

04/01/00 TO 04/01/01

08/01/00 39-0270

AGENT'S PHONE # 843-449-7405

CANCELLATION MEMORANDUM
THIS POLICY HAS BEEN CANCELLED PRO RATA
FOR THE FOLLOWING REASON:
NON-PAYMENT
THE UNEARNED PREMIUM IS: $889.00
TOTAL RETURN DUE FOR THIS CANCELLATION: $889.00

BEC 1D 61 98 END 02 04 04 PAGE 1 08/09/00

PREV FICHE ID	00126002K02
PRIOR TERM ID	99088001H05
BILLING METHOD	*DIRECT BILLED*
ISSUE DATE	08/09/00
TRANS EFFECTIVE DATE	08/01/00
LAST TRANSACTION	CANCELLATION
ENDORSEMENT NUM	02
TERM/ACTIVITY	04/04
STATUS	CANCELLED
SUPPL STATUS	NON PAY
PREV STATUS	ACTIVE-RENEWAL
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
FILING INDICATOR	
INSPECTION INDICATOR	
CREDIT RATING	
AUDIT ACTIVITY	
PRIOR POLICY	

CONTROL MASTER EXTRACT

POLICY NUM BEC 1D 61 98

REC ID	RATE STATES	RISK NEW OT	QUOTE NUMBER	LOG NUMBER	DTE CNT REN/REN
AA CURR	SC	19970401			02 01
AA PREV	SC	19970401			02 01

----------UNDERWRITER COMMENTS---------- BILLING ACCT NUM

----------DIARY INFO----------

CONTINUE NEXT FRAME

Consolidated ROA_1638

STATE OF SOUTH CAROLINA COUNTY OF HORRY	IN THE COURT OF COMMON PLEAS
HARLEYSVILLE INSURANCE GROUP, A PENNSYLVANIA CORPORATION, Plaintiff, vs. HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE RIVERWALK, A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; RIVERWALK AT ARROWHEAD COUNTRY CLUB; HORIZONTAL PROPERTY REGIME; RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION; NATIONAL SURETY CORP., AND TONY L. POPE AND LYNN POPE, INDIVIDUALLY AND REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB, Defendants.	Civil Action No. 2009-CP-26-10053 **PLAINTIFF'S RESPONSES TO DEFENDANT'S FIRST REQUESTS TO ADMIT AND SUPPLEMENTAL INTERROGATORIES**

TO: JOHN P. HENRY, ESQUIRE, ATTORNEY FOR DEFENDANTS RIVERWALK AT ARROWHEAD COUNTRY CLUB; HORIZONTAL PROPERTY REGIME; RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION; NATIONAL SURETY CORP., AND TONY L. POPE AND LYNN POPE, INDIVIDUALLY AND REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB.

Plaintiff, Harleysville Insurance Group, A Pennsylvania Corporation, submits its responses to the Requests for Admission.

Harleysville incorporates into each response, the allegations of the Complaint seeking declaratory relief. Harleysville further incorporates into each response that it provided a legal defense to the insureds in this action and now seeks a declaration by the courts as to the rights of

the parties. Harleysville is informed and believes that the proper method of determining the rights, duties and obligations of the insured and Harleysville pursuant to the insurance policies is for the court to address and analyze the issues as set forth in the above-captioned Complaint.

The policy of insurance is between Harleysville and its insureds. Nothing contained herein is to be construed to give any policy rights to any entity other than the named insureds.

Harleysville does not waive any attorney client or work product privilege by responding to the Requests for Admission.

Harleysville, with the above-stated incorporation, responds as follows:

1. The first three Defendants ("Heritage Entities" or "Insureds") above captioned had policies of insurance with Harleysville that may have provided coverage for one or more of the claims in the underlying actions.

RESPONSE: Admitted that the insureds possessed policies of insurance with Harleysville as was stated in the above-captioned Declaratory Judgment action.

2. Harleysville chose and provided defense counsel to the Heritage entities and paid the defense counsel to defend their insureds in the underlying actions.

RESPONSE: Admitted that Harleysville provided a defense to the insureds under a reservation of rights by hiring experienced lawyers to provide a legal defense to the claims brought against the insured. The lawyers provided a defense throughout the pre-trial action, trial of the case and are now handling the appeal of the verdict.

3. Harleysville defended the Heritage entities in the underlying actions under a reservation of rights which is detailed in a letter(s) to the Heritage entities.

RESPONSE: Admitted that Harleysville provided lawyers who defended the lawsuit. Admitted that Harleysville reserved all rights. The rights and obligations are now being addressed in this declaratory judgment action.

4. Harleysville at no time sought to intervene in the underlying actions.

RESPONSE: Admitted that no motion to intervene was filed in this action based on the current state of the law, knowledge of other motions to intervene by insurance companies and rulings by trial court judges denying the motion to intervene, the proper procedure under South Carolina law to address all issues in this declaratory judgment action, the understanding of the position of the plaintiff HOA's counsel that he opposed involvement by Harleysville, a broad review of the problems associated with intervention

by the insurance carrier and the issues that would have been raised had intervention been granted.

5. Harleysville did not request defense counsel for the insureds in the underlying actions to petition or move the Court to submit special interrogatories to the Jury.

RESPONSE: Admitted that Harleysville did not instruct, nor did it have the ability to instruct, the insureds' counsel to move the Court to submit special interrogatories to the jury. It is Harleysville's understanding that counsel for both the insured and the HOA indicated that each opposed special interrogatories or any division of the damages by the jury. The trial judge explored special interrogatories but both counsel for the insured and plaintiff's counsel opposed any attempt to break down the verdict. Harleysville was not a party to the lawsuit.

6. Harleysville did not request defense counsel for the insureds to seek a special verdict(s) as opposed to general verdict(s) in the underlying actions.

RESPONSE: Admitted that Harleysville did not instruct, nor did it have the ability to instruct, the insureds' counsel to seek a special verdict form. The insured's counsel focused on the defense of the claims against the insured. The law in South Carolina provides a method under which the verdict can be analyzed in a subsequent coverage action which is the substance of the above-captioned action.

7. Harleysville did not discuss with its insureds, the need for an allocated verdict in the above actions.

RESPONSE: Admitted that no discussions took place between Harleysville and the named insured regarding the verdict form. All discussions relating to strategy for the liability trial were between counsel, the adjuster assigned to the underlying case and the representatives for the insured. Harleysville understands that at the trial both the HOA counsel and the counsel for the insureds opposed a special verdict form.

8. Nothing prevented Harleysville from petitioning the Court to intervene in the underlying actions.

RESPONSE: Denied. Prior rulings of the Circuit Courts have denied motions by insurance companies to intervene into the underlying action. Harleysville had encountered opposition when attempting to intervene and other carries have been denied in their efforts to intervene. Insurance is inadmissible to prove liability issues. Harleysville reserved and retained the rights to raise all insurance coverage issues in the action following the underlying trial. South Carolina law provides a method for addressing coverage issues following the underlying trial.

9. Harleysville did not advise its insureds of the divergence of interests between the insureds and the insurer springing from whether damages were or were not allocated.

RESPONSE: Without waiving any attorney-client privilege, Denied. There was no divergence of interests in the underlying action. Harleysville provided a defense to the insureds in underlying action. Any coverage issues are addressed, analyzed and resolved through this action as provide for by South Carolina law. Harleysville provided counsel to defend the underlying claims. The insured also retained personal counsel to advise it regarding corporate and personal issues.

10. The insurer's counsel did not discuss with the insured's counsel or the insureds the problems associated with having the Court submit a general verdict to the Jury as opposed to a special verdict which would allocate the damages.

RESPONSE: Without waiving any attorney-client privilege, Admitted that the insurer's counsels did not discuss the verdict form with the insured's counsel or the insureds at trial. Denied that problems with a general verdict given the law in South Carolina provides for a subsequent coverage action to determine which items of loss are covered by the policy and which items of loss are not covered by the policy. This current action will determine which items are covered by the policy and which items are not covered by the policy.

11. Harleysville or its counsel never advised or notified defense counsel or the insureds of the need for an allocated verdict and the problems which may occur with not having an allocated verdict.

RESPONSE: Denied. No allocated verdict was necessary because the law provides for the present action to itemize the damages into covered and non-covered losses under the policy. Harleysville does not believe any problems occurred from a general verdict since this declaratory judgment action is the proper means of determining the allocation of covered versus non-covered damages.

12. The Jury rendered general verdicts in both action, copies of which are attached hereto as Exhibits B & C.

RESPONSE: Admitted that the verdict forms speak for themselves.

13. There is no South Carolina case precedent or statutory provisions allowing a Court to try and determine the allocation a Jury made when rendering a general verdict.

RESPONSE: Denied. South Carolina law provides for this declaratory judgment action as the means to categorize the damages to determine which items of loss result and which do not result in a duty of indemnity. The Contribution Among Joint Tortfeasors Act is one example of a statute where the court provides for a post trial analysis of the underlying verdict to determine a breakdown of damages and assignment into categories. Case law exists providing for a post trial action where the insurance company has the right to raise all insurance policy related issues.

14. At least some of the damages encompassed in the general verdict are covered under the Harleysville(s) policies.

RESPONSE: Denied at this time. The issue of whether a consistent and pervasive failure to follow accepted building practices constitutes an occurrence is undecided in South Carolina. Limits of certain policies may be exhausted. The recent case of Newman v. Auto Owners addressed the issue of an isolated event where coverage was found. The recent case of LJ v. Bituminous addressed the issue of an isolated event where coverage was not found. The Court's analysis will determine if any damages in the verdict trigger the duty of indemnity.

15. It would not be appropriate to require a Juror to give testimony as to how damages were allocated.

RESPONSE: Unknown. Such matter is at the discretion of the Court and plaintiff takes no position or gives no opinion at this time. This request seeks a legal opinion and does not seek an admission of fact.

16. Punitive damages are not specifically excluded from the policies issued to the Heritage entities; ie., the words "punitive damages" are not used in the policies.

RESPONSE: Admitted that the policies speak for themselves and that the words "punitive damages" do not appear in the policies.

17. Punitive damages are covered under the Harleysville policies.

RESPONSE: Denied. The claim supporting the punitive damage award stem from acts that do not trigger the duty of indemnity. As such, the punitive damages are not covered items of loss. This issue is part of the current declaratory judgment action. The pleadings assert that punitive damages in this action do not trigger the duty of indemnity.

18. The rot and water damage claims in these underlying actions which are the result of defectively installed cladding are covered damage under the Harleysville policy(ies).

RESPONSE: Denied. The underlying action alleged damages including damages of rot and water damages. Harleysville has brought this action seeking an analysis and declaration by the Court that those damages stemmed from acts that do not trigger a duty of indemnity under the policy. This action is designed to analyze and categorize damages. This action seeks an analysis by the fact finder to determine if the damages fit within the confines of the Newman v. Auto Owners.. Harleysville is exercising its right to analyze the damages after the underlying trial verdict to determine if those damages fit within the rulings of the current state of law. In no event do the damages involving rot and water damage reach the level of the money demanded by the homeowner's association.

19. The loss of use damage in the underlying class action is covered under the Harleysville policy(ies)

RESPONSE: Denied. This action seeks an analysis and declaration by the Court regarding the rights and obligations of the parties to the insurance policy. This action will determine if the claim for loss of use was supported by facts triggering the duty of indemnity. Harleysville denies that the facts supporting the loss of use portion of the verdict trigger a duty of indemnity.

20. For each request to admit that you deny, please give a full explanation of the basis for your denial.

RESPONSE: Plaintiff has responded within the requirements of the rules for Requests for Admission. In the event that opposing counsel believes additional information is proper, please itemize those admissions including the information sought.

21. Please explain in detail how what procedure you would propose to determine how the Jury allocated damages in the underlying actions.

RESPONSE: This is not a Request for Admission. This discovery request will be supplemented when discovery responses are submitted.

22. Set forth any case law that you believe gives merit to the procedure outlined in No. 21 above.

RESPONSE: This is not a Request for Admission. This discovery request will be supplemented when discovery responses are submitted.

Harleysville reserves the right to update and supplement these responses as information becomes available.

McANGUS, GOUDELOCK & COURIE, LLC

Robert C. Calamari
Post Office Box 1349
1107 48th Avenue North, Suite 210 (29577)
Myrtle Beach, South Carolina 29578
(843) 848-6000
ATTORNEY FOR HARLEYSVILLE
INSURANCE GROUP

February 4, 2010

Civil Action No. 2009-CP-26-10053

CERTIFICATE OF SERVICE

I hereby certify that I have this 4th February, 2010 served a copy of the foregoing Responses to Request to Admit Supplemental Interrogatories by mailing copies of same, postage prepaid, in the United States mail, with sufficient postage affixed as follows:

Krista Withers

Krista B. Withers
Legal Assistant to Robert C. Calamari

STATE OF SOUTH CAROLINA COUNTY OF HORRY HARLEYSVILLE GROUP INSURANCE GROUP, A PENNSYLVANIA CORPORATION, Plaintiff, vs. HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE RIVERWALK, A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; RIVERWALK AT ARROWHEAD COUNTRY CLUB; HORIZONTAL PROPERTY REGIME; RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION; NATIONAL SURETY CORP., AND TONY L. POPE AND LYNN POPE, INDIVIDUALLY AND REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB, Defendants.	IN THE COURT OF COMMON PLEAS Civil Action No. 2009-CP-26-10053 **PLAINTIFF'S ANSWERS TO DEFENDANTS' FIRST SET OF INTERROGATORIES AND REQUEST FOR PRODUCTION**

TO: JOHN P. HENRY, ESQUIRE, ATTORNEY FOR DEFENDANTS:

Plaintiff, Harleysville Insurance Group, ("Plaintiff") responds to Defendants' Interrogatories pursuant to Rule 33 of the South Carolina Rules of Civil Procedure as follows:

In setting forth these answers, Plaintiff does not waive the attorney-client, work/product, or other privilege or immunity from disclosure which may attach to information called for herein, or responsive to, the Interrogatory. Plaintiff does not concede the relevance or

materiality of the Interrogatory, or the subject matter for which the Interrogatory refers. These answers are submitted by the Plaintiff subject to, and without in any way waiving or intending to waive, but on the contrary intending to reserve and reserving:

A. All objections as to competency, relevancy, materiality, privilege, and admissibility as evidence, for any purpose, of any of the documents referred to or answers given, or the subject thereof, in any subsequent proceeding or in the trial of this action or any other action or proceeding;

B. The right to object to other discovery procedures involving or relating to the subject matter of the Interrogatories herein and responded to; and

C. The right at any time to revise, correct, add to, or clarify any of the answers set forth herein, or documents referred to herein.

D. Plaintiff objects to these Interrogatories to the extent that they ask for information protected by the attorney-client or the work product privileges or to the extent the interrogatories go beyond the scope of discovery allowed in the South Carolina Rules of Civil Procedure.

Throughout the Interrogatories and Requests for Production, the Riverwalk POA and Class indicate that a denial has occurred. This action seeks a declaration by the court to determine the extent of the duty of indemnity by Harleysville. Harleysville provided a full defense to the insured. Harleysville is providing a full defense to the insured on the appeal. Harleysville filed this declaratory judgment action following the South Carolina Supreme Court's ruling in Newman v. Auto Owners. The Newman decision directed that certain categories of damages are either covered or non-covered damages. The Newman decision was not available to the parties at the time of trial so the categories could not be established. The insured and insurer understood and agreed that all coverage issues would be decided in this

subsequent action. Harleysville objects to any characterization by Riverwalk HOA or the Class that is has denied rights to the insured. Harleysville has worked with the insureds throughout the handling of this and similar lawsuits and has periodically discussed the issues with the insureds and the insureds attorney. This action was contemplated to resolve the coverage issues whatever they may be. Neither the insured nor the insurer were to be prejudiced by any action taken or not taken in the underlying action.

South Carolina law provides that no third party has rights to an insurance policy. The contracts applicable to this action are between the Heritage entities and Harleysville. The Riverwalk POA and the Class do not possess rights under the policies. Harleysville objects to any effort by the HOA or Class to gain information that is privileged by work product or attorney client privilege. There has been no allegation of wrongdoing or mishandling of the claims by Harleysville. To the contrary, the insured has specifically stated that it agrees with Harleysville's defense of this action and others. Harleysville objects to any request seeking information privileged between Harleysville and the Heritage entities.

The underlying action is currently on appeal. Harleysville objects to any information sought revealing work product or attorney client privileged information.

This declaratory judgment action seeks through discovery to gather information relating to the issues stated in the Complaint. Many questions posed in the Riverwalk HOA's requests seek information that Harleysville is in the process of gathering through discovery. Harleysville reserves the right to update these responses as information is gathered through the discovery process.

INTERROGATORIES

1. Give the names and addresses of persons known to the parties or counsel to be witnesses concerning the facts of the case, and indicate whether or not written or recorded statements have been taken from the witnesses, and indicate who has possession of such statements.

ANSWER: John Young
Harleysville Insurance Company
Nashville, Tennessee

Mr. Young will testify regarding the facts of the case, the defense provided by Harleysville to the insureds, the policy provisions applicable to this action, the time on risk analysis, the damages forming the verdict, and all other issues necessary to enable the court to make a declaration regarding the issues set forth in the Complaint which is incorporated herein by reference.

Lee Wright
Harleysville Insurance Company
Nashville, Tennessee

Mr. Wright will testify regarding the facts of the case, the defense provided by Harleysville to the insureds, the policy provisions applicable to this action, the time on risk analysis, the damages forming the verdict, and all other issues necessary to enable the court to make a declaration regarding the issues set forth in the Complaint which is incorporated herein by reference.

Jack Green
Shareholder for Heritage Entities
Myrtle Beach, South Carolina

Mr. Green will testify regarding the facts of the case, the defense provided by Harleysville to the insureds, the policy provisions applicable to this action, the time on risk analysis, the damages forming the verdict, and all other issues necessary to enable the court to make a declaration regarding the issues set forth in the Complaint which is incorporated herein by reference.

Roger Van Wie
Shareholder for Heritage Entities
Myrtle Beach, South Carolina

Mr. Van Wie will testify regarding the facts of the case, the defense provided by Harleysville to the insureds, the policy provisions applicable to this action, the time on risk

analysis, the damages forming the verdict, and all other issues necessary to enable the court to make a declaration regarding the issues set forth in the Complaint which is incorporated herein by reference.

Steve Watkins
Watkins Construction Services
Myrtle Beach, South Carolina

Mr. Watkins will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

Allan Campbell
Applied Building Sciences
North Charleston, South Carolina

Mr. Campbell will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

Al Best
Current Address Unknown

Mr. Best will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

Drew Brown
Address Unknown

Mr. Brown will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

Eric Fosmire
Collins & Lacy, PA
Columbia, South Carolina

Mr. Fosmire was the attorney who handled the defense in the underlying action and will testify regarding the understanding of the insured and the insurer that a subsequent coverage action would resolve any and all coverage issues that were present following the verdict. Much of Mr. Fosmire's testimony is attorney client and work product privileged. Mr. Fosmire's testimony will become relevant only in the event the Court desires testimony relating to his non-privileged involvement in the underlying action.

Allen Jeffcoat
Jeffcoat Law Firm
Myrtle Beach, South Carolina

Mr. Jeffcoat was and is the attorney for the Heritage entities and Jack Green and will testify regarding the understanding and agreement between the insured and insurer that a subsequent coverage action would resolve any and all coverage issues that were present following the verdict. Much, if not all, of Mr. Jeffcoat's testimony will be privileged. Mr. Jeffcoat's testimony will become relevant only in the event the Court desires testimony relating to his non-privileged involvement in the underlying action.

2. Set forth a list of photographs, plats, sketches or other prepared documents in possession of the party that relate to the claim or defense in the case.

ANSWER: Policies (all have been produced)

Trial Transcript (in possession defendant)

Expert Reports (in possession of defendant)

Damage Estimates (in possession of defendant)

Pleadings in Harleysville v. Avian Forest (in possession of defendant)

Appellate briefs and submittals in the underlying action (in possession of defendant)

Affidavit of Roger Van Wie

Hearing Transcript of September 14, 2005 in River Oaks v. Pinehurst

Documents are currently being obtained from various entities. As documents are obtained, they will be produced. Many of these documents are already in possession of the Riverwalk HOA. Those that are not in the HOA's possession will be produced. This interrogatory will be updated as additional information becomes available.

3. Set forth the names and address of all insurance companies which have liability insurance coverage relating to the claim and set forth the number or numbers of the policies involved and the amount or amounts of liability coverage provided in each policy.

ANSWER: **Harleysville Insurance Group**
Harleysville, Pennsylvania

National Surety Corporation
Address unknown

All policy information has been produced to plaintiff. Harleysville, as part of this declaratory judgment action, seeks a declaration by the court as to which policies apply to the verdict in this action. It is the position of Harleysville that only a small number of the policies issued to the Heritage entities relate in any respect to the verdict forming the basis for this action.

4. List the names and addresses of any expert witnesses whom the party proposes to use as a witness at the trial of the case.

ANSWER: **Steve Watkins**

Alan Campbell

Al Best

Drew Brown

As this lawsuit progresses, it may become necessary to supplement this expert witness list with names of persons who will provide expert testimony to categorize damages into covered and non-covered categories of damages. At the appropriate time, this interrogatory will be updated to include the names of additional expert witnesses.

5. For each person known to the parties or counsel to be a witness concerning the facts of the case, set forth either a summary sufficient to inform the other party of the important facts known to or observed by such witness, or provide a copy of any written or recorded statements taken from such witnesses.

ANSWER: **See Answer to Interrogatory number 1.**

6. Produce a copy of all policies of insurance of any kind or description issued by the Plaintiff to any of the Heritage entities.

ANSWER: **Policies have been previously produced by production of 3 cd's.**

7. Set forth the names and addresses of each adjuster whether an employee of the Plaintiff or outside adjuster who had or has responsibility for the claims made in the underlying lawsuit as they relate to the policies issued by the Plaintiff.

ANSWER: **Brian Tormey**
Harleysville Insurance Group
Nashville, Tennessee

8. Set forth each and every policy provision that any way formed the basis upon which the Plaintiff made a determination that none of "the claims" including but not limited to loss of use claims and punitive damages claims were covered under the Plaintiffs' policies.

ANSWER: **See Complaint that lists all policy provision believed to negate any duty of indemnity. The policy in its entirety show that the punitive damages award in this action is not a covered loss. The facts supporting the punitive claim are necessarily intentional in nature. Intentional acts are not accidents. The duty of indemnity requires that damages stem from an occurrence (accident). The allegations, testimony and evidence in the underlying action show that the damages did not stem from an accident and therefore, no occurrence caused any loss to the insured. The insured possesses the burden of proof to show that a loss triggers the duty of indemnity.**

9. Set for the name and address and position with Harleysville of each person who had any part in denying coverage for the claims in the underlying action.

ANSWER: As set forth above, coverage has not been denied but this action seeks a declaration of rights which may include a ruling that the duty of indemnity has not been triggered. A full defense was provided and is currently being provided to the insured on the appeal pending in the South Carolina Court of Appeals. This declaratory judgment action has been filed in an effort to allow the court to review all of the information in the underlying action and make a determination as to the extent of the duty of indemnity by Harleysville and National Surety Corp. Harleysville believes that many elements of damages fall into the category of non-covered damages. Harleysville and the insured contemplated this coverage action to allocate the verdict into covered and non-covered damages.

The Harleysville insurance adjusters who have been involved in the insurance coverage issues this matter are:

John Young

Lee Wright

10. For each policy provision which Plaintiff contends excludes the claims, give a detailed explanation of the basis for such contention

ANSWER: See the Complaint which is incorporated herein by reference.

A. No Occurrence. The policy provides for indemnity for damages resulting from an occurrence. There has been no occurrence. The trial testimony, post trial briefs, appellate briefs and supporting documents show that all damages resulted from acts that do not meet the definition of occurrence.

B. Time-On-Risk Analysis. The policies provide for indemnity for damages occurring during the policy period. South Carolina follows a modified

continuous trigger to determine if damages occur during a policy period. The policies expired during a time when damages continued to occur. Those damages occurred in non-covered periods and are not covered. Harleysville has asked the Court to perform a time-on-risk analysis to determine how much, if any, of the damages fall within the policy periods. Certain policies, if applicable, may have been exhausted or eroded significantly.

C. Damage Allocation. Harleysville and the Heritage entities understood that the law was evolving in South Carolina. An insurance policy is between the insured and the insurer to allocate the loss from certain specified risks. The policy exists to protect the insured. The policy does not exist for the protection of the third party making the claims. There are no third party rights under the insurance policy. Through the time in which this case and other similar cases were pending, the general thought was that all damages were covered or no damages were covered. There was never a time when only part of the damages were covered. It was not until the current Newman decision that anyone had knowledge that only certain portions of damages would be covered by the policy if certain criteria were met. Harleysville and the Heritage entities had an understanding and agreement that all coverage issues would be resolved in a coverage action after the verdict was rendered by the jury. This includes the analysis of the verdict to determine which damages are covered and which are not covered. Both Harleysville and the Heritage entities were and are represented by counsel who formed the basis of this understanding and agreement on this subsequent coverage action. This declaratory judgment action is the means by which the court can look at the evidence supporting the verdict and make a calculation as to the categories of damages established by the most recent Newman decision.

D. Intentional Acts. Any intentional acts of the insured that resulted in damages are not covered even if they meet the definition of occurrence. The briefs submitted by the parties and the post trial order denying all motions contains language showing that building codes were not met, industry standards were not met and that acts were undertaken showing with knowledge that damage would result. The policies contain exclusions indicating that no duty of indemnity exists for damages resulting from expected or intended damages.

E. Policy Provisions and Exclusions. The Complaint sets forth a list of exclusions that negate any duty of indemnity. Those exclusions are set forth in the First Cause of Action. Information is currently being obtained from the underlying action and will be produced upon receipt, review and analysis. The Complaint seeks a declaration by the court on the issues of property damage; occurrence; accident; breach of contract; expected or intended loss; your work exclusion; property owned, rented or occupied; damage to property the insured sold; damage to property on which the insured was performing operations; damages for faulty workmanship; code violations and industry standards; impaired property; time on risk analysis; and punitive damages.

11. Produce the Plaintiffs entire file related to the denial of the insurance coverage for "the claims" asserted by the Plaintiffs in the underlying action.

ANSWER: Harleysville would show that no denial has occurred. This action seeks a declaration by the court to determine the extent of the duty of indemnity. A defense was and is being provided to the insureds. Harleysville objects to this request in that the policies and the facts of the cases determine whether the duty of indemnity exists. The party seeking this information has no rights under the policies. Nothing contained in the

coverage file is relevant to the allegations in the action. There has been no claim by the insured that Harleysville has not provided a proper defense. This action seeks a declaration by the court regarding the rights and obligations of the parties. Any such information contained in the coverage file is work product and attorney-client privileged.

Without waiving any privilege, attached are documents found in the file relating to the insurance coverage aspect of this claim.

12. Produce the entire file of any adjuster, officer, agent or employee who has or had any role in the decision to deny coverage of the claim to the Heritage entities. In the event a privilege is claimed for any document, state the basis of the privilege and provide a privilege log.

ANSWER: Harleysville would show that no denial has occurred. This action seeks a declaration by the court to determine the extent of the duty of indemnity. A defense was and is being provided to the insureds. Harleysville objects to this request in that the policies and the facts of the cases determine whether the duty of indemnity exists. The party seeking this information has no rights under the policies. Nothing contained in the coverage file is relevant to the allegations in the action. There has been no claim by the insured that Harleysville has not provided a proper defense. This action seeks a declaration by the court regarding the rights and obligations of the parties. Any such information contained in the coverage file is work product and attorney-client privileged.

Without waiving any privilege, attached are documents found in the file relating to the insurance coverage aspect of this claim.

13. Set forth the amount of reserves for the claims, the subject of this action.

ANSWER: Harleysville objects to this request in that the reserve information is not relevant and not likely to lead to any relevant information. The policies and the facts of

the cases determine whether the duty of indemnity exists. Nothing contained in the reserve information is relevant to the allegations in the action. There has been no claim by the insured that Harleysville held an improper reserve. This action seeks a declaration by the court regarding the rights and obligations of the parties. Any such information related to the reserve is work product and attorney-client privileged.

14. Describe any action taken by or on behalf of the Plaintiff to intervene in the underlying action.

ANSWER: Harleysville was unable to intervene. Based on the coverage law at the time of the verdict, adverse rulings in past cases relating to intervention by an insurance carrier, the potential harm that might come to the insured, the divergent interests of the insured, the fact that the insured had personal counsel, the possibility of escalating the verdict by intervention, the non-existence of the law relating to covered versus non-covered damages as set forth in Newman, the lack of case law guiding the extent of participation by the carrier if intervention would be granted, the anticipated opposition by parties, the case law in South Carolina indicating that all coverage issues should be raised in a separate action, the case law in South Carolina forbidding a carrier to take a position adverse to its insured in the liability phase, and the understanding and agreement between insured and insurer that this action would address and resolve all coverage issues, Harleysville was prevented from taking any action in the underlying trial including efforts to intervene or affect the trial in any respect.

15. Set forth the names and addresses of each officer, agent or employee of the Plaintiff, including any counsel who attended the trial for any period of time of the underlying action.

ANSWER: Lee Wright

Brian Tormey

Robert Calamari

Harleysville was Ordered in prior construction trials to appear at trial and quietly observe without participation.

16. Set forth the amount of the verdict in the underlying action which plaintiff contends was for items excluded from coverage under *Newman.*

ANSWER: Plaintiff is currently gathering information through discovery to assist in this analysis. Newman provided that only the damages associated with the cost of repairing damages resulting from an occurrence trigger the duty of indemnity. This action seeks a declaration by the court as to whether the causes of damages forming the verdict are occurrences; whether any damages from occurrences were intentional; an analysis of exclusions and policy provisions listed in the Complaint; and whether those damages are to work that was improper. Once the court makes that determination, the parties will know which damages are excluded under a Newman analysis. There may be issues that are relevant and explored by this action that were not addressed in Newman and/or other South Carolina case opinions. The trial transcript, depositions of the expert witnesses, testimony from new expert witnesses, testimony from the insured, post trial briefs of the parties, post trial orders, and other documents will be used to determine the issues in the case. It is Harleysville's position, as stated in the Complaint, that the construction defects alleged are not accidental and therefore are not an occurrence. Even if the court finds that the construction defects are occurrences, they may be excluded because the damages were expected and/or intended by the insured. The punitive damages are proof that intentional

acts form the basis of the damages. Only damages occurring in insured periods are covered. A significant portion of the damages under a modified continuous trigger do not fall within insured periods. The insured possesses the burden of proof to show that damages or loss triggers the duty of indemnity under the policy. As discovery progresses, Harleysville will be in a position to update this response to identify the amounts falling into the categories established by Newman.

17. Set forth the amount of the verdict in the underlying action which Plaintiff contends was for damages not the result of water intrusion and how Plaintiff arrived at the amount.

ANSWER: This action is designed to learn this information. This action was contemplated and an understanding and agreement exists between the insurer and insured, as the sole parties to the contracts of insurance, that this action would be designed to fairly and justly resolve coverage issues. Such information will be gathered through full discovery and is possession of witnesses that will be subpoenaed or deposed. The trial transcript, witness testimony and documents will reveal much of this information. If the HOA did not provide specific evidence in the underlying action of the specific damages associated with each individual claim, then the verdict should be overturned on appeal and a new trial ordered. Such information is necessary before a verdict can be rendered. This issue is one of the subjects of the pending appeal. As discovery progresses, Harleysville will be in a position to update this response to identify the amount of the verdict signifying the repair cost of faulty workmanship, access costs and costs not stemming from an occurrence.

18. List any and all construction performed by the Plaintiffs insureds at the Riverwalk project as opposed to work performed by subcontractors.

ANSWER: The trial transcript and information gathered thus far indicates that all work performed at the Riverwalk project was completed by subcontractors.

Harleysville reserves the right to update these responses as information becomes available.

McANGUS, GOUDELOCK & COURIE, LLC

Robert C. Calamari
Post Office Box 1349
1107 48th Avenue North, Suite 210 (29577)
Myrtle Beach, South Carolina 29578
(843) 848-6000
ATTORNEY FOR HARLEYSVILLE GROUP INSURANCE

February 22, 2010

Civil Action No. 2009-CP-26-10053

CERTIFICATE OF SERVICE

I hereby certify that I have this 23 day of February, 2010 served a copy of the foregoing Answer to Defendants' First Set of Interrogatories and Request for Production by mailing copies of same, postage prepaid, in the United States mail, with sufficient postage affixed as follows:

John P. Henry, Esquire
Thompson & Henry, P.A.
1318 Third Avenue
Post Office Box 1533
Conway, South Carolina 29528
Attorney for Magnolia North Property Owners Association, Inc.,
A South Carolina Corporation
National Surety Corp.

Allen Jeffcoat
Jeffcoat Law Firm, LLC
Beach First Center, Suite 201
Post Office Box 3678
Myrtle Beach, SC 29578-3678
Attorney for Heritage Communities, Inc.
Heritage Magnolia North, Inc.
BuildStar Corporation

Krista B. Withers
Legal Assistant to Robert C. Calamari

20721.09003

STATE OF SOUTH CAROLINA COUNTY OF HORRY	IN THE COURT OF COMMON PLEAS
HARLEYSVILLE INSURANCE GROUP, A PENNSYLVANIA CORPORATION, Plaintiff, vs. HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE RIVERWALK, A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; RIVERWALK AT ARROWHEAD COUNTRY CLUB; HORIZONTAL PROPERTY REGIME; RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION; NATIONAL SURETY CORP., AND TONY L. POPE AND LYNN POPE, INDIVIDUALLY AND REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB, Defendants.	Civil Action No. 2009-CP-26-10053 **PLAINTIFF'S AMENDED RESPONSES TO DEFENDANT'S FIRST REQUESTS TO ADMIT AND SUPPLEMENTAL INTERROGATORIES**

TO: JOHN P. HENRY, ESQUIRE, ATTORNEY FOR DEFENDANTS RIVERWALK AT ARROWHEAD COUNTRY CLUB; HORIZONTAL PROPERTY REGIME; RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION; NATIONAL SURETY CORP., AND TONY L. POPE AND LYNN POPE, INDIVIDUALLY AND REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB.

Plaintiff, Harleysville Insurance Group, A Pennsylvania Corporation, submits its responses to the Requests for Admission.

Harleysville incorporates into each response, the allegations of the Complaint seeking declaratory relief. Harleysville further incorporates into each response that it provided a legal defense to the insureds in this action and now seeks a declaration by the courts as to the rights of

the parties. Harleysville is informed and believes that the proper method of determining the rights, duties and obligations of the insured and Harleysville pursuant to the insurance policies is for the court to address and analyze the issues as set forth in the above-captioned Complaint.

The policy of insurance is between Harleysville and its insureds. Nothing contained herein is to be construed to give any policy rights to any entity other than the named insureds.

Harleysville does not waive any attorney client or work product privilege by responding to the Requests for Admission.

Harleysville, with the above-stated incorporation, responds as follows:

1. The first three Defendants ("Heritage Entities" or "Insureds") above captioned had policies of insurance with Harleysville that may have provided coverage for one or more of the claims in the underlying actions.

RESPONSE: Admitted that the insureds possessed policies of insurance with Harleysville as was stated in the above-captioned Declaratory Judgment action.

2. Harleysville chose and provided defense counsel to the Heritage entities and paid the defense counsel to defend their insureds in the underlying actions.

RESPONSE: Admitted that Harleysville provided a defense to the insureds under a reservation of rights by hiring experienced lawyers to provide a legal defense to the claims brought against the insured. The lawyers provided a defense throughout the pre-trial action, trial of the case and are now handling the appeal of the verdict.

3. Harleysville defended the Heritage entities in the underlying actions under a reservation of rights which is detailed in a letter(s) to the Heritage entities.

RESPONSE: Admitted that Harleysville provided lawyers who defended the lawsuit. Admitted that Harleysville reserved all rights. The rights and obligations are now being addressed in this declaratory judgment action.

4. Harleysville at no time sought to intervene in the underlying actions.

RESPONSE: Admitted that no motion to intervene was filed in this action based on the current state of the law, knowledge of other motions to intervene by insurance companies and rulings by trial court judges denying the motion to intervene, the potential for divergent interests should intervention be granted, the lack of case law guiding the extent to which a carrier should participate if intervention is granted, the concern that a waiver of rights to this proper action might occur, the proper procedure under South Carolina law to address all issues in this declaratory judgment action, a

broad review of the problems associated with intervention by the insurance carrier and the issues that would have been raised had intervention been granted.

5. Harleysville did not request defense counsel for the insureds in the underlying actions to petition or move the Court to submit special interrogatories to the Jury.

RESPONSE: Admitted that Harleysville did not instruct, nor did it have the ability to instruct, the insureds' counsel to move the Court to submit special interrogatories to the jury. Harleysville was not a party to the lawsuit. The insured was aware of the then known coverage issues and had personal counsel involved in the matter. Neither Harleysville nor the insured had knowledge of the categories established by Newman because the decision had not been issued. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

6. Harleysville did not request defense counsel for the insureds to seek a special verdict(s) as opposed to general verdict(s) in the underlying actions.

RESPONSE: Admitted that Harleysville did not instruct, nor did it have the ability to instruct, the insureds' counsel to seek a special verdict form. The insured's counsel focused on the defense of the claims against the insured. The law in South Carolina provides a method under which the verdict can be analyzed in a subsequent coverage action which is the substance of the above-captioned action. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

7. Harleysville did not discuss with its insureds, the need for an allocated verdict in the above actions.

RESPONSE: Admitted that no discussions took place between Harleysville and the named insured regarding the verdict form. All discussions relating to strategy for the liability trial were between counsel, the adjuster assigned to the underlying case and the representatives for the insured. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

8. Nothing prevented Harleysville from petitioning the Court to intervene in the underlying actions.

RESPONSE: Denied. Prior rulings of the Circuit Courts have denied motions by insurance companies to intervene into the underlying action. Harleysville had encountered opposition when attempting to intervene and other carriers have been denied in their efforts to intervene. Insurance is inadmissible to prove liability issues. Harleysville reserved and retained the rights to raise all insurance coverage issues in the action following the underlying trial. South Carolina law provides a method for addressing coverage issues following the underlying trial. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

9. Harleysville did not advise its insureds of the divergence of interests between the insureds and the insurer springing from whether damages were or were not allocated.

RESPONSE: Without waiving any attorney-client privilege, Denied. There was no divergence of interests in the underlying action insofar as the defense occurred. Any and all diverging interests would be decided and resolved in this subsequent coverage action. Harleysville provided a defense to the insureds in underlying action. Any coverage issues are addressed, analyzed and resolved through this action as provide for by South Carolina law. Harleysville provided counsel to defend the underlying claims. The insured also retained personal counsel to advise it regarding corporate and personal issues. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

10. The insurer's counsel did not discuss with the insured's counsel or the insureds the problems associated with having the Court submit a general verdict to the Jury as opposed to a special verdict which would allocate the damages.

RESPONSE: Without waiving any attorney-client privilege, Admitted that the insurer's counsels did not discuss the verdict form with the insured's counsel or the insureds at trial. Denied that problems with a general verdict given the law in South Carolina provides for a subsequent coverage action to determine which items of loss are covered by the policy and which items of loss are not covered by the policy. This current action will determine

which items are covered by the policy and which items are not covered by the policy. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

11. Harleysville or its counsel never advised or notified defense counsel or the insureds of the need for an allocated verdict and the problems which may occur with not having an allocated verdict.

RESPONSE: Denied. No allocated verdict was necessary because the law provides for the present action to itemize the damages into covered and non-covered losses under the policy. Harleysville does not believe any problems occurred from a general verdict since this declaratory judgment action is the proper means of determining the allocation of covered versus non-covered damages. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

12. The Jury rendered general verdicts in both actions, copies of which are attached hereto as Exhibits B & C.

RESPONSE: Admitted that the verdict forms speak for themselves.

13. There is no South Carolina case precedent or statutory provisions allowing a Court to try and determine the allocation a Jury made when rendering a general verdict.

RESPONSE: Denied. South Carolina law provides for this declaratory judgment action as the means to categorize the damages to determine which items of loss result and which do not result in a duty of indemnity. The Contribution Among Joint Tortfeasors Act is one example of a statute where the court provides for a post trial analysis of the underlying verdict to determine a breakdown of damages and assignment into categories. Case law exists providing for a post trial action where the insurance company has the right to raise all insurance policy related issues. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

14. At least some of the damages encompassed in the general verdict are covered under the Harleysville(s) policies.

RESPONSE: Denied at this time. The issue of whether a consistent and pervasive failure to follow accepted building practices constitutes an occurrence is undecided in South Carolina. Limits of certain policies may be exhausted. The recent case of Newman v. Auto Owners addressed the issue of an isolated event where coverage was found. The recent case of LJ v. Bituminous addressed the issue of an isolated event where coverage was not found. The Court's analysis will determine if any damages in the verdict trigger the duty of indemnity.

15. It would not be appropriate to require a Juror to give testimony as to how damages were allocated.

RESPONSE: Unknown. Such matter is at the discretion of the Court and plaintiff takes no position or gives no opinion at this time. This request seeks a legal opinion and does not seek an admission of fact.

16. Punitive damages are not specifically excluded from the policies issued to the Heritage entities; ie., the words "punitive damages" are not used in the policies.

RESPONSE: Admitted that the policies speak for themselves and that the words "punitive damages" do not appear in the policies.

17. Punitive damages are covered under the Harleysville policies.

RESPONSE: Denied. The claim supporting the punitive damage award stem from acts that do not trigger the duty of indemnity. As such, the punitive damages are not covered items of loss. This issue is part of the current declaratory judgment action. The pleadings assert that punitive damages in this action do not trigger the duty of indemnity.

18. The rot and water damage claims in these underlying actions which are the result of defectively installed cladding are covered damage under the Harleysville policy(ies).

RESPONSE: Denied. The underlying action alleged damages including damages of rot and water damages. Harleysville has brought this action seeking an analysis and declaration by the Court that those damages stemmed from acts that do not trigger a duty of indemnity under the policy. This action is designed to analyze and categorize damages. This action seeks an analysis by the fact finder to determine if the damages fit within the confines of the Newman v. Auto Owners.. Harleysville is exercising its right to analyze the damages after the underlying trial verdict to determine if those damages fit within the rulings of the current state of

law. In no event do the damages involving rot and water damage reach the level of the money demanded by the homeowner's association.

19. The loss of use damage in the underlying class action is covered under the Harleysville policy(ies)

RESPONSE: Denied. This action seeks an analysis and declaration by the Court regarding the rights and obligations of the parties to the insurance policy. This action will determine if the claim for loss of use was supported by facts triggering the duty of indemnity. Harleysville denies that the facts supporting the loss of use portion of the verdict trigger a duty of indemnity.

20. For each request to admit that you deny, please give a full explanation of the basis for your denial.

RESPONSE: Plaintiff has responded within the requirements of the rules for Requests for Admission. In the event that opposing counsel believes additional information is proper, please itemize those admissions including the information sought.

21. Please explain in detail how what procedure you would propose to determine how the Jury allocated damages in the underlying actions.

RESPONSE: This is not a Request for Admission. This discovery request will be supplemented when discovery responses are submitted.

22. Set forth any case law that you believe gives merit to the procedure outlined in No. 21 above.

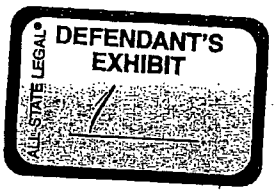
RESPONSE: This is not a Request for Admission. This discovery request will be supplemented when discovery responses are submitted.

Harleysville reserves the right to update and supplement these responses as information becomes available.

McANGUS, GOUDELOCK & COURIE, LLC

Robert C. Calamari
Post Office Box 1349
1107 48th Avenue North, Suite 210 (29577)
Myrtle Beach, South Carolina 29578
(843) 848-6000
ATTORNEY FOR HARLEYSVILLE
INSURANCE GROUP

February 17, 2010



STATE OF SOUTH CAROLINA COUNTY OF HORRY	IN THE COURT OF COMMON PLEAS FIFTEENTH JUDICIAL CIRCUIT CASE NO. 2009-CP-26-11862
HARLEYSVILLE GROUP INSURANCE GROUP, A PENNSYLVANIA CORPORATION Plaintiff, VS. HERITAGE COMMUNITIES, INC, A SOUTH CAROLINA CORPORATION; HERITAGE MAGNOLIA NORTH, INC. A SOUTH CAROLINACORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION, MAGNOLIA NORTH HORIZONTAL PROPERTY REGIME, MAGNOLIA NORTH PROPERTY OWNERS ASSOCIATION, INC. A SOUTH CAROLINA CORPORATION and NATIONAL SURETY CORP. Defendants	FOURTH AMENDED 30(b)(6) NOTICE OF DEPOSTION OF HARLEYSVILLE INSURANCE GROUP
STATE OF SOUTH CAROLINA COUNTY OF HORRY	CASE NO. 2009-CP-26-10053
HARLEYSVILLE GROUP INSURANCE GROUP, A PENNSYLVANIA CORPORATION VS. HERITAGE COMMUNITIES, INC, A SOUTH CAROLINA CORPORATION; HERITAGE RIVERWALK, A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION, RIVERWALK AT ARROWHEAD COUNTRY CLUBHORIZONTAL PROPERTY REGIME, RIVERWALK AT	

ARROWHEAD COUNTRY CLUB)
PROPERTY OWNERS ASSOCIATION, INC.,)
A SOUTH CAROLINA CORPORATION,)
NATIONAL SURETY CORP., AND TONY L.)
POPE AND LYNN POPE, INDIVIDUALLY)
AND REPRESENTING AS A CLASS ALL)
UNIT OWNERS AT RIVERWALK AT)
ARROWHEAD COUNTRY CLUB)
HORIZONTAL PROPERTY REGIME.)
)
DEFENDANTS)
)

To: ROBERT C. CALAMARI, ESQ. - ATTORNEY FOR HARLEYSVILLE INSURANCE GROUP.

YOU WILL PLEASE TAKE NOTICE that, pursuant to Rule 30(b)(6), S.C.R.C.P., the Defendants will take the deposition at a place, time and date as herein below set forth of the person(s) designated by the Plaintiff to be deposed on the following particular matters:

1) The policies issued to the Heritage entities and the amount of coverage remaining on the policies;

2) The decision to deny coverage or not to provide coverage before and after the Newman decision;

3) Why water intrusion resulting in rot and damage to the units would not be covered;

4) What exclusion(s) are applicable to a denial of coverage;

5) Plaintiffs' in the underlying actions alleged opposition to a special verdict form or the submission of interrogatories to the jury;

6) Discussions with the insureds and/or trial defense counsel hired by Harleysville in re: denial of coverage; trial proceedings and the form of the verdict or submission of special interrogatories to the jury;

7) Contents of reservation of Rights letters(s) and justification for their issuance;

8) Decision not to intervene in the underlying actions;

9) The basis for the assertion that the trial judge explored special interrogatories;

10) Method by which the court determined what part of the damage award was allocated to what part of the plaintiff's claim.

11) The basis for the assertion that none of the damages encompassed in the general verdict are covered by the Harleysville policies;

12) The provision(s) in the policy that would exclude punitive damages and loss of use.

13) The basis for the assertion that punitive damages and loss of use are not covered.

Date: August 25, 2010

Time: 10:00 a.m.

Place: THOMPSON & HENRY, P.A.,
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Conway, S.C. 29526

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Conway, South Carolina
August 6, 2010

STATE OF SOUTH CAROLINA)
) IN THE COURT OF COMMON PLEAS
) FIFTEENTH JUDICIAL CIRCUIT
COUNTY OF HORRY) CASE NO. 2009-CP-26-11862

HARLEYSVILLE GROUP INSURANCE GROUP, A PENNSYLVANIA CORPORATION

Plaintiff,

VS.

HERITAGE COMMUNITIES, INC, A SOUTH CAROLINA CORPORATION; HERITAGE MAGNOLIA NORTH, INC. A SOUTH CAROLINACORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION, MAGNOLIA NORTH HORIZONTAL PROPERTY REGIME, MAGNOLIA NORTH PROPERTY OWNERS ASSOCIATION, INC. A SOUTH CAROLINA CORPORATION and NATIONAL SURETY CORP.

Defendants

AFFIDAVIT OF MAILING

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HORRY COUNTY
2010 AUG -9 PM 3:15
MELANIE HUGGINS-WARD
CLERK OF COURT

STATE OF SOUTH CAROLINA)
COUNTY OF HORRY) CASE NO. 2009-CP-26-10053

HARLEYSVILLE GROUP INSURANCE GROUP, A PENNSYLVANIA CORPORATION

VS.

HERITAGE COMMUNITIES, INC, A SOUTH CAROLINA CORPORATION; HERITAGE RIVERWALK, A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION, RIVERWALK AT ARROWHEAD COUNTRY CLUBHORIZONTAL PROPERTY REGIME, RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION, NATIONAL SURETY CORP., AND TONY L. POPE AND LYNN POPE, INDIVIDUALLY AND REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB HORIZONTAL PROPERTY REGIME.

DEFENDANTS

PERSONALLY APPEARED BEFORE ME, Gina Woodbury, who being first duly sworn deposes and says:

1. That she is employed by the attorney representing the Defendants Riverwalk at Arrowhead Country Club Horizontal Property Regime, Riverwalk at Arrowhead Country Club Property Owners Association, Inc., A South Carolina Corporation, and Tony L. Pope and Lynn Pope, individually and representing as a class all unit owners at Riverwalk at Arrowhead Country Club, Magnolia North Horizontal Property Regime and Magnolia North Property Owners Association in the above-captioned actions;

2. That regular communication by mail exists throughout the State of South Carolina and the United States and that this is a proper circumstance for service by mail;

3. That the Fourth Amended 30(b)(6) Deposition Notice of Harleysville Insurance Group was served upon the bereinafter address by depositing same in the U.S. Post Office, at Conway, South Carolina, on the 6 day of Aug., 2010, with the proper address thereon and first-class postage pre-paid in full:

ADDRESSEES:

ROBERT C. CALAMARI, ESQ.
McANGUS, GOUDELOCK & COURIE, LLC
1107 48TH AVENUE NORTH SUITE 210
MYRTLE BEACH, S.C. 29588

LAURA J. EVANS, ESQ.
WILKES BOWERS, P.A.
171 CHURCH STREET, STE. 210
CHARLESTON, S.C. 29401

Gina Woodbury
GINA WOODBURY

Sworn to before me this 6 day of August, 2010.
Rhonda L. Bennett (L.S.)
Notary Public for South Carolina
My Commission Expires: 8-21-18.

2009-CP-26-11862 & 2009-CP-26-10053

STATE OF SOUTH CAROLINA)
) IN THE COURT OF COMMON PLEAS
COUNTY OF HORRY)

HARLEYSVILLE GROUP INSURANCE, A PENNSYLVANIA CORPORATION,

Plaintiff,

vs.

HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE MAGNOLIA NORTH, INC., A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; MAGNOLIA NORTH PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION, AND NATIONAL SURETY CORP.,

Defendants.

AND

HARLEYSVILLE INSURANCE GROUP, A PENNSYLVANIA CORPORATION,

Plaintiff,

vs.

HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE RIVERWALK, A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; RIVERWALK AT ARROWHEAD COUNTRY CLUB; HORIZONTAL PROPERTY REGIME; RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION; NATIONAL SURETY CORP., AND TONY L. POPE AND

Civil Action No. 2009-CP-26-11862

PLAINTIFF'S ANSWERS TO DEFENDANTS' SUPPLEMENTAL INTERROGATORIES AND REQUESTS TO PRODUCE

LYNN POPE, INDIVIDUALLY AND REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB,	)
Defendants.	)

TO: JOHN P. HENRY, ATTORNEY FOR DEFENDANTS:

Plaintiff, Harleysville Insurance Group, ("Plaintiff") responds to Defendants' Interrogatories pursuant to Rule 33 of the South Carolina Rules of Civil Procedure as follows:

In setting forth these answers, Plaintiff does not waive the attorney-client, work/product, or other privilege or immunity from disclosure which may attach to information called for herein, or responsive to, the Interrogatory. Plaintiff does not concede the relevance or materiality of the Interrogatory, or the subject matter for which the Interrogatory refers. These answers are submitted by the Plaintiff subject to, and without in any way waiving or intending to waive, but on the contrary intending to reserve and reserving:

A. All objections as to competency, relevancy, materiality, privilege, and admissibility as evidence, for any purpose, of any of the documents referred to or answers given, or the subject thereof, in any subsequent proceeding or in the trial of this action or any other action or proceeding;

B. The right to object to other discovery procedures involving or relating to the subject matter of the Interrogatories herein and responded to; and

C. The right at any time to revise, correct, add to, or clarify any of the answers set forth herein, or documents referred to herein.

D. Plaintiff objects to these Interrogatories to the extent that they ask for information protected by the attorney-client or the work product privileges or to the extent the interrogatories go beyond the scope of discovery allowed in the South Carolina Rules of Civil Procedure.

E. Throughout the Interrogatories and Requests for Production, the Riverwalk POA, Magnolia North HOA and Class indicate that a denial has occurred. This action seeks a declaration by the court to determine the extent of the duty of indemnity by Harleysville. Harleysville provided a full defense to the insured. Harleysville is providing a full defense to the insured on the appeal. Harleysville filed this declaratory judgment action following the South Carolina Supreme Court's ruling in Newman v. Auto Owners. The Newman decision directed that certain categories of damages are either covered or non-covered damages. The Newman decision was not available to the parties at the time of trial so the categories could not be established. The insured and insurer understood and agreed that all coverage issues would be decided in this subsequent action. Harleysville objects to any characterization by Riverwalk POA, Magnolia North HOA or the Class that is has denied rights to the insured.

F. South Carolina law provides that no third party has rights to an insurance policy. The contracts applicable to this action are between the Heritage entities and Harleysville. The Riverwalk POA, the Magnolia North HOA and the Class do not have any rights under the policies. Harleysville objects to any effort by the HOA's or Class to gain information that is privileged by work product or attorney client privilege. There has been no allegation of wrongdoing or mishandling of the claims by Harleysville. To the contrary, the insured has specifically stated that it agrees with Harleysville's defense of this action and others. Harleysville objects to any request seeking information privileged between Harleysville and the Heritage entities.

G. The underlying action is currently on appeal. Harleysville objects to any information sought revealing work product or attorney client privileged information.

SUPPLEMENTAL INTERROGATORIES

19. In reference to paragraphs 20(a) and 20(b) of the Complaint, please explain in light of the Newman decision, why you contend damage to the structure from water intrusion is not covered under the Harleysville policies.

ANSWER: This interrogatory may be supplemented as information comes available throughout discovery.

1. The damages in the underlying action are the result of a systematic failure to meet building codes or accepted construction practices. The faulty workmanship is a consistent and pervasive condition found on the project. The testimony in the underlying actions, evidence submitted and findings by the court show that the faulty workmanship was not the result of an accident. Since the faulty workmanship is not an accident, there has been no occurrence. Damage that results from an act or omission that is not an occurrence does not trigger the duty of indemnity.

2. Trial testimony was offered indicating that the subcontractors performing the work were installing windows in a manner whereby the internal water intrusion and resulting damage was expected and/or intended by the insured. Since the damages were inspected and/or intended, the duty of indemnity is not triggered for the loss. As was discussed and ruled in Builders Mutual v. R Design Construction, 2010 WL2079741 (D.S.C), the entire window issue was brought to the attention of the Heritage entities during construction as testified by the representative of Betterbilt. Nonetheless, the Heritage entities continued construction with knowledge of the defective condition of the installed windows and continued the method for new windows. No damages are the result of an accident.

3. The policies in question are designed to provide indemnity for losses for damages to property outside of the work of the insured. The entire project was the work of the insured and, thus, the policy provides coverage for an occurrence that causes damages away from the property of the insured. The Riverwalk and Magnolia North project in their entirety were the properties of the insured. Only damage away from the Riverwalk Project and Magnolia North Project or bodily injury is covered by the policies.

4. In light of Newman, which was entered after the verdicts in both Riverwalk and Magnolia North, it appears that construction defects that result in resulting damages that stem from an accident are covered damages. However, the damages in this case did not result from an accident. In addition, many areas of necessary repairs presented to the juries in each case, did not have any resulting damage and therefore, even under a plaintiff's rendition of Newman, no duty of indemnity exists.

20. In reference to paragraph 20(c) of the Complaint please explain in light of the Newman case citing the High Country case, why you contend that the water intrusion damages in the underlying lawsuit are not the result of an occurrence.

ANSWER: This interrogatory may be supplemented as information comes available throughout discovery.

1. The damages in the underlying action are the result of a systematic failure to meet building codes or accepted construction practices. The faulty workmanship is a consistent and pervasive condition found on the project. The testimony in the underlying actions, evidence submitted and findings by the court show that the faulty workmanship was not the result of an accident. Since the faulty workmanship is not an accident, there

has been no occurrence. Damage that results from an act or omission that is not an occurrence does not trigger the duty of indemnity.

2. Trial testimony was offered indicating that the subcontractors performing the work were installing windows in a manner whereby the internal water intrusion and resulting damage was expected and/or intended by the insured. Since the damages were inspected and/or intended, the duty of indemnity is not triggered for the loss. As was discussed and ruled in Builders Mutual v. R Design Construction, 2010 WL2079741 (D.S.C), the entire window issue was brought to the attention of the Heritage entities during construction as testified by the representative of Betterbilt. Nonetheless, the Heritage entities continued construction with knowledge of the defective condition of the installed windows and continued the method for new windows. No damages are the result of an accident.

21. In reference to paragraph 20(d) of the Complaint, please explain the basis of your position that the water intrusion damages complained of in the underlying lawsuit are not the result of an accident as required by the contracts of insurance in light of the Newman decision.

ANSWER: This interrogatory will be supplemented as information comes available throughout discovery.

1. The damages in the underlying action are the result of a systematic failure to meet building codes or accepted construction practices. The faulty workmanship is a consistent and pervasive condition found on the project. The testimony in the underlying action, evidence submitted and findings by the court show that the faulty workmanship was not the result of an accident. Since the faulty workmanship is not an accident, there

has been no occurrence. Damage that results from an act or omission that is not an occurrence does not trigger the duty of indemnity.

2. Trial testimony was offered indicating that the subcontractors performing the work were installing windows in a manner whereby the internal water intrusion and resulting damage was expected and/or intended by the insured. Since the damages were inspected and/or intended, the duty of indemnity is not triggered for the loss. As was discussed and ruled in Builders Mutual v. R Design Construction, 2010 WL2079741 (D.S.C), the entire window issue was brought to the attention of the Heritage entities during construction as testified by the representative of Betterbilt. Nonetheless, the Heritage entities continued construction with knowledge of the defective condition of the installed windows and continued the method for new windows. No damages are the result of an accident.

22. In reference to paragraph 20(e) of the Complaint, please explain which portion of the damages are the result of a breach of contract and attach a copy of the contract referred to or, if the contract is oral, set forth the terms of the contract and the names of the contracting parties.

ANSWER: This interrogatory may be supplemented as information comes available throughout discovery.

1. In the underlying action, the Riverwalk POA brought causes of action for negligence and breach of certain warranties. The warranty claims are grounded in contract law. Riverwalk POA asserted the same damages from each cause of action. The contracts are the construction contracts which have not yet been located. If opposing counsel has a copy, please produce all contracts.

23. In reference to paragraph 20(f) of the complaint, set forth what part of the damages were expected or intended by the insured thereby being excluded from coverage under the contracts of insurance.

ANSWER: **This interrogatory will be supplemented as information comes available throughout discovery.**

1. The damages in the underlying action are the result of a systematic failure to meet building codes or accepted construction practices. The faulty workmanship is a consistent and pervasive condition found on the project. The testimony in the underlying action, evidence submitted and findings by the court show that the faulty workmanship was not the result of an accident. Since the faulty workmanship is not an accident, there has been no occurrence. Damage that results from an act or omission that is not an occurrence does not trigger the duty of indemnity.

2. Trial testimony was offered indicating that the subcontractors performing the work were installing windows in a manner whereby the internal water intrusion and resulting damage was expected and/or intended by the insured. Since the damages were inspected and/or intended, the duty of indemnity is not triggered for the loss. As was discussed and ruled in Builders Mutual v. R Design Construction, 2010 WL2079741 (D.S.C), the entire window issue was brought to the attention of the Heritage entities during construction as testified by the representative of Betterbilt. Nonetheless, the Heritage entities continued construction with knowledge of the defective condition of the installed windows and continued the method for new windows. No damages are the result of an accident.

24. In reference to paragraph 20(g) of the Complaint, set forth what part of the work was accomplished by the Harleysville insureds as opposed to subcontractors.

ANSWER: This interrogatory will be supplemented as information comes available throughout discovery.

Trial testimony was offered that Heritage employees were directly involved in window installation that was known to be improper and causing damage at other projects. Heritage employees did not perform the installation of the windows but were involved in the selection of windows, inspection of window installation, approval of window installation and knowledge that the approved window installation method was faulty and would lead to water infiltration and resulting damage.

Testimony has indicated that all work was performed by subcontractors under the direction of the Heritage entities.

25. In reference to paragraph 20(h) of the Complaint, set forth the alleged damages that you contend arose out of property that was owned, rented or occupied by each of the insureds which excludes coverage under the contracts of insurance.

ANSWER: The entire project was owned by the Heritage Entities during construction. Any damage that occurred to the project is excluded because it was then owned by the Heritage entities.

26. In reference to paragraph 20(i) of the Complaint, set forth which insureds sold, gave away, abandoned, occupied, rented or held for rental property so as not to obligate rights under the contracts of insurance. Also, describe what property the insureds sold, gave away, abandoned, occupied, rented or held for rental.

ANSWER: The entire project was owned by the Heritage entities. The Heritage entities constructed and sold the individual units along with the common elements. All damage alleged by the Riverwalk POA and the Magnolia North HOA was located on the property that was owned and subsequently sold by the Heritage entities.

27. In reference to paragraph 20(j) of the Complaint, set forth what property you contend the damage arose out of and the name or names of the insureds, contractors or subcontractors working directly or indirectly on the insureds behalf performing operations and set forth what operations were being performed by each of the insureds.

ANSWER: This response may be updated when this information is gathered and learned through discovery. The entire Riverwalk and Magnolia North projects were occupied by the Heritage entities and subcontractors. The insureds were operating their construction, development and sales business. The subcontractors were performing their construction services. The information relating to subcontractors is in possession of the insured and Riverwalk HOA and may be obtained through discovery.

28. In reference to paragraph 20(k) of the Complaint, set forth the name of the insureds who incorrectly performed the work and set forth each item of the work that was incorrectly performed by each insured.

ANSWER: This response may be updated when this information is gathered and learned through discovery. As indicated, the insureds are entities that oversaw the project. The actual work was performed by subcontractors. The entire Riverwalk and Magnolia North projects were occupied by the Heritage entities. The insureds were operating their construction, development and sales business on the Riverwalk project. The information

relating to subcontractors is in possession of the insured and Riverwalk HOA and will be obtained through discovery.

29. In reference to paragraph 20(l) of the Complaint, set forth what you contend the definition of "the insured's product" is.

ANSWER: The insured product is the entire Riverwalk and Magnolia North Projects.

30. In reference to paragraph 20(m) of the Complaint, set forth what you contend is the "insured's work" and who that insured is.

ANSWER: The insureds are the Heritage entities as set forth on the declarations pages of the policies. The work of the Heritage entities was construction, development and sales.

31. In reference to paragraph 20(n) of the Complaint, set forth what you contend to be "impaired property" or "property not physically injured" and whether or not any of the property was withdrawn or recalled from the market.

ANSWER: All property that was found to faulty workmanship is impaired property. It is impaired property because it was not performed properly in the original construction. The expert reports set forth the specific items. The deposition of Drew Brown in this action shows the specific items that were offered as construction defects. The verdict in the underlying action makes clear that the faulty workmanship is to be withdrawn or recalled from the market.

32. In reference to paragraph 20(o) of the Complaint, set forth the portion of the alleged damages that you contend occurred outside the policy period for each policy.

ANSWER: This declaratory judgment seeks a declaration by the court to determine the obligation of Harleysville to its insureds, the Heritage entities, in regards to the verdict and the duty of indemnity. Discovery is necessary to determine the extent of damages in each policy period. Initially, a determination must be made if any damages are the result of an occurrence and whether they fall within the covered territory. Once that determination is made, the court must determine if he damages, if any, fall within the policy period. Mr. Wright attempted to explain this information during his deposition and explained the reasons that he could not specifically identify which damages occurred during which policy periods. This is ultimately a question to be determined by the court in this action.

33. In reference to paragraph 20(p) of the Complaint, in light of Carroway vs. Johnson, 245 S.C. 200, 139 S.E.2d 908 (1965), set forth what provision in the policy you contend makes punitive damages uninsurable under the policies.

ANSWER: The duty of indemnity under the policy is not triggered by intentional acts. The trial testimony, jury instructions, post-trial analysis of punitive damages, argument of counsels, post-trial order and appellate briefs show that the punitive damage award stems from acts that are not occurrences. Further, those acts even if found to be occurrences are acts causing damages that were expected or intended by the insured.

Punitive damages in Carroway were not based on non-covered acts of the insured. Specifically, the court ruled that damages stemming from an auto accident must be covered based on statutory law. Punitive damages in an auto accident are covered because the legislature mandates coverage for auto policies. In this action, we have commercial general liability policies in certain forms. There is no legislative mandate that construction

damages be covered. To the contrary, there is case law in Newman and other cases illustrating and ruling that repair of improper workmanship is not a covered item. In this action, the acts of the insured as alleged by the HOA's, show that the punitive damages stem from improper workmanship which alone is not a covered item under a broad Newman analysis. As found in Builders Mutual, certain items of improper workmanship with resulting damage, are not covered items. In this action, the testimony supporting punitive damages was a knowing disregard for good building practices. Such is not a covered loss for actual or punitive damages.

The punitive damage award is on appeal and may be overturned. If not overturned, then it necessarily is based on acts that do not meet the definition of occurrence or the damages are excluded by the expected or intended policy exclusion.

34. In reference to paragraph 20(q) of the Complaint, list any insurance contracts owned by the insureds other than the Harleysville policies that would or may be applicable to the Plaintiffs' claims in the underlying actions.

ANSWER: National Surety Corp. has been made a party to this action due to an excess policy. Said policy has been produced to counsel for Riverwalk and Magnolia North.

35. In reference to paragraph 20(r) of the Complaint, assuming but not admitting for the purpose of the interrogatory that a portion of the Plaintiffs' damages claimed under the underlying actions are not recoverable due to endorsements excluding damages within the completed operations hazard, set forth what damages and the amounts of damages excluded under the completed operations hazard.

ANSWER: This response will be updated shortly. Harleysville intends to present the testimony from the underlying trial, the deposition of Drew Brown, and testimony from expert witnesses who will give opinions per construction issue as to the percentage of cost between repairing improper work and repairing damaged work. The two experts hired by Harleysville have not yet completed a report but will do so shortly and it will be produced upon receipt.

36. In reference to paragraph 20(s) of the Complaint, set forth that portion of the damages that result from an assumption of liability in a contract and set forth the description of the contract and names of the contracting parties.

ANSWER: None.

37. In reference to paragraph 20(t) of the Complaint, set forth any other exclusions or theories for exclusions of Plaintiffs claims in the underlying actions from the policies issued by Harleysville.

ANSWER: Mr. Wright testified at his deposition regarding limited application of the exclusions. No additional exclusions are applicable.

38. Set forth what you contend were the damages allocated by the Jury in the underlying actions to the particular claims of the Plaintiffs in the underlying actions.

ANSWER: This is the point of this action. Harleysville will introduce the trial transcripts from each action, the deposition testimony of Drew Brown, live testimony from witnesses and expert testimony from its witnesses and ask the court to make a percentage determination on each element of construction defect as alleged by the plaintiff in each action. The expert witnesses offered by Harleysville will soon produce reports estimating costs in a broken fashion showing costs to repair improper workmanship and costs to

repair resulting damage. This will give the trier of fact a basis for reaching a verdict on this issue. Since this is a declaratory judgment action, Harleysville will present factual and opinion testimony and ask the court to make this conclusion.

39. Set forth how the Court in this action can determine what the Jury allocated to each of the Plaintiffs' claims in the underlying actions.

ANSWER: **The court will be presented with evidence, the trial transcripts, testimony from witnesses and expert witness testimony showing the facts of the underlying case that supported the damage verdict. The court will then have the ability to perform an analysis to determine the breakdown and cost analysis showing the dollar value of the cost of repairing improper workmanship and the cost of repairing the resulting damage. The court will be performing a function very similar to the court's analysis in any contribution among joint tortfeasors action.**

The insured and Harleysville had an understanding and agreement that all coverage issues would be decided in a subsequent action. Unlike the Newman matter, this matter has a full transcript. Unlike Newman, the purpose of this action is to determine the breakdown of damages. All evidence will be presented in full or summary fashion to allow the trier of fact to perform the analysis. The jury or trier of fact in this matter can review the transcript, expert testimony, new testimony of the expert witnesses, new expert witnesses who will give an opinion regarding the allocation of cost. The calculation is relatively simple once the testimony has been reviewed. The insured and Harleysville agree that this is the best method to determine how much, if any of the verdict is covered. The purpose of this declaratory judgment action is to allocate damages in a previously agreed upon method between insured and insurer and cannot be disturbed by the interests of

other parties such as Riverwalk HOA. The allocation determination in this matter is very similar in many respects to the method used by the court to allocate a general verdict between joint tortfeasors under the Contribution Among Joint Tortfeasors Act. The trier of fact will review the evidence of the trial, the new evidence to supplement the missing information from the trial and will make a determination between cost of repairing faulty workmanship and the cost or repairing damaged work resulting from what it determines to be an occurrence. The court's declaration will simply show the amount of covered loss, if any, and the amount of non-covered loss, if any.

40. Set forth what you contend is contained in the Newman v. Auto Owners case that would require that the Court in this declaratory judgment action "must conduct an accounting or detailed itemization of costs to reach a conclusion as to which damages are covered damages and which damages are not covered damages" in light of the fact that the Jury returned a general verdict.

ANSWER: **The Newman decision is the first decision to isolate categories of damages into covered and non-covered damages. All prior decisions either ruled that the entire verdict was covered or no part of the verdict was covered. There must be an accounting of damages or no verdict or settlement can occur because there is no method for determining covered and non-covered losses. A construction lawsuit is much different than those types of cases with differing causes of action. All that must be done in those cases is to ask the jury specifically if they believe a cause of action is met. There is no differentiation between covered and non-covered damages. There is a differentiation between covered and non-covered causes of action. This calculation cannot be performed in the underlying action as has been suggested by opposing counsel.**

Newman provides that itemized categories of damages were established by the arbitrator. There was no evidence offered in the underlying action or the declaratory judgment action in Newman to enable the court to make the calculation. As the Supreme Court stated it was not the purpose of the Newman action to differentiate damages. This action's purpose is to differentiate damages. No party knew, expected to know or could have known that the Supreme Court in Newman would provide that only damages resulting from faulty workmanship if from an occurrence formed covered losses. No precedent existed prior to Newman to reveal the categories.

The categories suggested by Newman cannot be addressed in the underlying action. To do so creates divergent interests between insured and insurer in the same action. For example, Riverwalk HOA and Magnolia North HOA offered testimony that the windows were intentionally installed incorrectly and that the Heritage entities had full knowledge. The lawyers providing a defense to the insured would never agree. However, the lawyers asserting the insurer's interest would want to strengthen the issue. Those interests are divergent and may not proceed in the same action. There are many other examples.

The burden of proof is on the insured to prove that a covered loss exists. An insurer need only show that part of a general verdict is not covered and there is no coverage. Case law exists on the shifting of the burden to the insurer and shifting back to the insured depending on the facts specific to each case. In this matter the parties would have been required to speculate at their own risk as to what to ask the jury. To include all insurance issues in the underlying action would not have been fair to the insured. A post judgment analysis is the only means for these two matters to determine coverage issues and the extent of coverage for each verdict.

In the underlying action, the insured and the Riverwalk HOA offered repair cost testimony that did not break down the cost into categories of repairing improperly constructed work and repairing damage that resulted from the improperly constructed work. The evidence in the underlying trial is lacking as indicated in the deposition of Drew Brown, the HOA expert.

The only method for the insurer to categorize the verdict in the underlying action would be to be a named party and raise all of the insurance issues, both known and unknown, and offer testimony of the cost under both the insured's cost estimate and the Riverwalk HOA's estimate of a breakdown between cost of repairing improperly performed work and the cost of damages resulting from an occurrence and improperly performed work. To do so, the carrier would be offering testimony adverse to its own insured in the underlying action. To do so is violative of South Carolina law as is found in Sims v. Nationwide. Harleysville attempted to intervene in the Gardens At Cypress Bay action. Opposing counsel and insured counsel asserted that to intervene would be bad faith because it would hurt the insured. Insured counsel would not perform the insurance carrier's function in the underlying action because it would be detrimental to the insured.

41. In reference to paragraph 31 of the Complaint, and its sub-parts, for each sub-part set forth what you contend are the costs allocated by the Jury for the work described in each of the sub-paragraphs in paragraph 31.

ANSWER: **This information is one of the bases of this action and will be determined through the discovery process. Just as in the underlying action it took the HOA many years to establish a repair estimate, Harleysville has the right to fully analyze**

the evidence and obtain expert testimony to conduct an analysis to determine the values to be placed into each category.

The court will be presented with evidence, the trial transcripts, testimony from witnesses and expert witness testimony showing the facts of the underlying case that supported the damage verdict. The court will then have the ability to perform an analysis to determine the breakdown and cost analysis showing the dollar value of the cost of repairing improper workmanship and the cost of repairing the resulting damage. The court will be performing a function very similar to the court's analysis in any contribution among joint tortfeasors action.

The insured and Harleysville had an understanding and agreement that all coverage issues would be decided in a subsequent action. Unlike the Newman matter, this matter has a full transcript. Unlike Newman, the purpose of this action is to determine the breakdown of damages. All evidence will be presented in full or summary fashion to allow the trier of fact to perform the analysis. The jury or trier of fact in this matter can review the transcript, expert testimony, new testimony of the expert witnesses, new expert witnesses who will give an opinion regarding the allocation of cost. The calculation is relatively simple once the testimony has been reviewed. The insured and Harleysville agree that this is the best method to determine how much, if any of the verdict is covered. The purpose of this declaratory judgment action is to allocate damages in a previously agreed upon method between insured and insurer and cannot be disturbed by the interests of other parties such as Riverwalk HOA. The allocation determination in this matter is very similar in many respects to the method used by the court to allocate a general verdict between joint tortfeasors under the Contribution Among Joint Tortfeasors Act. The trier

of fact will review the evidence of the trial, the new evidence to supplement the missing information from the trial and will make a determination between cost of repairing faulty workmanship and the cost or repairing damaged work resulting from what it determines to be an occurrence. The court's declaration will simply show the amount of covered loss, if any, and the amount of non-covered loss, if any.

42. In reference to paragraph 32(c) of the Complaint, set forth your contention as to how an expert witness could determine a breakdown for the Jury's verdict into the proper categories of damages.

ANSWER: **The expert will view the trial testimony, testimony of expert witnesses, discovery information received from the expert witnesses including information from subpoenas and depositions, and an analysis from the expert to break down the damages into costs of repairing improperly performed work and the cost of damages resulting from an occurrence and improperly performed work.**

The experts named by Harleysville have nearly completed the analysis. Said analysis will be produced upon receipt indicating a breakdown of costs.

43. In reference to paragraph 32(d) of the Complaint, set forth the name of any fact witness(s) that would explain a breakdown of the Jury's verdict into the proper categories of damages and the method that could be used to accomplish same.

ANSWER: **Drew Brown, Al Best, Steve Watkins, Allen Campbell, Tom Carlson, Skip Lewis, Frank "Tripp" Baiden and Sydney Mathis.**

44. In reference to paragraph 34(a) of the Complaint, set forth what you contend the Jury in the underlying actions allocated to the costs associated with removing undamaged

portions of the building to reach the defective work and those portions of the building damaged resulting from defective work.

ANSWER: **The point of this action is that the jury in the underlying action did not allocate. No allocation was known to the parties because the allocation mandate from Newman had not yet been established. No case law existed to show that a cost analysis and breakdown should have been conducted. For reasons set forth above, there is no means available in the underlying action to address the breakdown issue. To do so would require the insurance company to present evidence in the underlying action adverse to its insured which would only act to increase the verdict. This is not permitted and would expose the insured to a greater verdict. This action is the appropriate forum to examine the verdict and reach a conclusion as to the value of the verdict associated with a cost breakdown for repairing improper work and repairing resulting damages.**

45. In reference to paragraph 34(b) of the Complaint, set forth the costs that the Jury in the underlying actions allocated to costs associated with repairing defective work or faulty workmanship of any kind.

ANSWER: **The point of this action is that the jury in the underlying action did not allocate. No allocation was known to the parties because the allocation mandate from Newman had not yet been established. No case law existed to show that a cost analysis and breakdown should have been conducted. For reasons set forth above, there is no means available in the underlying action to address the breakdown issue. To do so would require the insurance company to present evidence in the underlying action adverse to its insured which would only act to increase the verdict. This is not permitted and would expose the insured to a greater verdict. This action is the appropriate forum to examine the verdict**

and reach a conclusion as to the value of the verdict associated with a cost breakdown for repairing improper work and repairing resulting damages.

46. In connection with paragraph 34(c) of the complaint, set forth what the costs that the Jury in the underlying actions allocated to costs associated with repairing the defective work or faulty workmanship that led to the resulting damage.

ANSWER: **The point of this action is that the jury in the underlying action did not allocate. No allocation was known to the parties because the allocation mandate from Newman had not yet been established. No case law existed to show that a cost analysis and breakdown should have been conducted. For reasons set forth above, there is no means available in the underlying action to address the breakdown issue. To do so would require the insurance company to present evidence in the underlying action adverse to its insured which would only act to increase the verdict. This is not permitted and would expose the insured to a greater verdict. This action is the appropriate forum to examine the verdict and reach a conclusion as to the value of the verdict associated with a cost breakdown for repairing improper work and repairing resulting damages.**

47. Relative to paragraph 34(d) of the Complaint, set forth what you contend were the costs allocated by the Jury in the underlying actions to the costs associated with replacing undamaged portions of the building after the defective work has been removed and after the damages resulting from the defective work had been repaired.

ANSWER: **This information is one of the bases of this action and will be determined through the discovery process. Just as in the underlying action it took the HOA many years to establish a repair estimate, Harleysville has the right to fully analyze**

the evidence and obtain expert testimony to conduct an analysis to determine the values to be placed into each category.

The court will be presented with evidence, the trial transcripts, testimony from witnesses and expert witness testimony showing the facts of the underlying case that supported the damage verdict. The court will then have the ability to perform an analysis to determine the breakdown and cost analysis showing the dollar value of the cost of repairing improper workmanship and the cost of repairing the resulting damage. The court will be performing a function very similar to the court's analysis in any contribution among joint tortfeasors action.

The insured and Harleysville had an understanding and agreement that all coverage issues would be decided in a subsequent action. Unlike the Newman matter, this matter has a full transcript. Unlike Newman, the purpose of this action is to determine the breakdown of damages. All evidence will be presented in full or summary fashion to allow the trier of fact to perform the analysis. The jury or trier of fact in this matter can review the transcript, expert testimony, new testimony of the expert witnesses, new expert witnesses who will give an opinion regarding the allocation of cost. The calculation is relatively simple once the testimony has been reviewed. The insured and Harleysville agree that this is the best method to determine how much, if any of the verdict is covered. The purpose of this declaratory judgment action is to allocate damages in a previously agreed upon method between insured and insurer and cannot be disturbed by the interests of other parties such as Riverwalk HOA. The allocation determination in this matter is very similar in many respects to the method used by the court to allocate a general verdict between joint tortfeasors under the Contribution Among Joint Tortfeasors Act. The trier

of fact will review the evidence of the trial, the new evidence to supplement the missing information from the trial and will make a determination between cost of repairing faulty workmanship and the cost or repairing damaged work resulting from what it determines to be an occurrence. The court's declaration will simply show the amount of covered loss, if any, and the amount of non-covered loss, if any.

48. Produce copies of any emails or correspondence between Robert Calamari or other counsel, agents or employees of Harleysville and Collins & Lacy Law Firm *in re* the underlying action.

ANSWER: Harleysville objects to this request on the basis of work product privilege, attorney client privilege and that the information contained in any emails is not relevant and not likely to lead to discoverable information. Riverwalk HOA and Magnolia North HOA are not parties to the contract of insurance and are not entitled to any such information. The information contained in emails is not the subject of any cause of action or defense in any of the pleadings. Any emails between Robert Calamari and Eric Fosmire or Steve Brown are privileged as work product and have no bearing on the issues involved in this coverage action. All are protected by work product and attorney client privilege. All information requested is work product and attorney client privilege and important to the appeal pending in the underlying action and cannot be produced. Without waiving any objection, counsel is in possession of three emails prior to trial verdict that have been produced.

49. Produce copies of any emails between Robert Calamari or other counsel, agents or employees of Harleysville and the Heritage entities or their counsel, *in re* the underlying action.

ANSWER: Harleysville objects on the basis of work-product privilege, attorney client privilege and that the requested information is unlikely to lead to discoverable information. Riverwalk HOA is not a party to the contract of insurance so it is not entitled to any such information. The information contained in emails is not the subject of any cause of action or defense in any of the pleadings.

50. Produce copies of all Harleysville inter-company emails, documents or correspondence in re the denial of claims of the Plaintiffs in the underlying action.

ANSWER: Harleysville objects on the basis of work-product privilege, attorney client privilege and that the requested information is unlikely to lead to discoverable information. Riverwalk HOA is not a party to the contract of insurance so it is not entitled to any such information. The information contained in emails is not the subject of any cause of action or defense in any of the pleadings.

51. Produce copies of any statements taken from the named insureds.

ANSWER: Attached is an affidavit of Roger Van Wie who is a shareholder of the Heritage entities.

52. Produce a copy of any reservation of rights letters sent to the named insureds.

ANSWER: Attached.

53. Produce a complete copy of the following policies with all amendments, endorsements and documents pertaining thereto:

a) MPA4D4650 6/18/97 – 6/18/01

b) BE – 4D4650 6/18/97 – 6/18/01

c) MPA3D9529 8/03/96 – 8/03/99

d) 3D9529 8/03/99 – 8/03/01

ANSWER: All policies have been produced.

Harleysville reserves the right to update these responses as information becomes available. Harleysville has opened its files to counsel for Riverwalk and Magnolia North. In many instances, counsel for Riverwalk and Magnolia North is in possession of much more detailed information that counsel for Harlesyville. All policies have been produced. All other relevant material is found in the trial transcripts which are in possession of counsel for Riverwalk and Magnolia North. The expert information being compiled by Mr. Baiden and Mr. Mathis is nearly completed and will be submitted upon receipt.

McANGUS, GOUDELOCK & COURIE, LLC

Robert C. Calamari
Post Office Box 1349
1107 48th Avenue North, Suite 210 (29577)
Myrtle Beach, South Carolina 29578
(843) 848-6000
ATTORNEY FOR PLAINTIFF

September 28, 2010

CERTIFICATE OF SERVICE

I hereby certify that I have on September 28, 2010 served a copy of the foregoing Answer to Supplemental Interrogatories and Requests to Produce by mailing copies of same, postage prepaid, in the United States mail, with sufficient postage affixed as follows:

John P. Henry Esquire
Thompson & Henry, P.A.
Post Office Box 1740
Conway, South Carolina 29528

Krista B. Withers
Legal Assistant to Robert C. Calamari

STATE OF SOUTH CAROLINA)
) IN THE COURT OF COMMON PLEAS
COUNTY OF HORRY)

HARLEYSVILLE GROUP INSURANCE, A PENNSYLVANIA CORPORATION,) Civil Action No. 2009-CP-26-10053

Plaintiff,

vs.

HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE MAGNOLIA NORTH, INC., A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; MAGNOLIA NORTH PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION, AND NATIONAL SURETY CORP.,

Defendants.

PLAINTIFF'S AMENDED ANSWERS TO DEFENDANTS' REQUESTS FOP ADMISSION

(Amended Responses to #'s 8, 9, 10, 11, 13, 18, 19, 20 & 21)

AND

HARLEYSVILLE INSURANCE GROUP, A PENNSYLVANIA CORPORATION,) Civil Action No. 2009-CP-26-11862

Plaintiff,

vs.

HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE RIVERWALK, A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; RIVERWALK AT ARROWHEAD COUNTRY CLUB; HORIZONTAL PROPERTY REGIME; RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION; NATIONAL SURETY CORP., AND TONY L. POPE AND

LYNN POPE, INDIVIDUALLY AND REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB,

Defendants.

TO: JOHN P. HENRY, ATTORNEY FOR DEFENDANTS:

Plaintiff, Harleysville Insurance Group, A Pennsylvania Corporation, submits its responses to the Requests for Admission.

Harleysville incorporates into each response, the allegations of the Complaint seeking declaratory relief. Harleysville further incorporates into each response that it provided a legal defense to the insureds in this action and now seeks a declaration by the courts as to the rights of the parties. Harleysville is informed and believes that the proper method of determining the rights, duties and obligations of the insured and Harleysville pursuant to the insurance policies is for the court to address and analyze the issues as set forth in the above-captioned Complaint.

The policy of insurance is between Harleysville and its insureds. Nothing contained herein is to be construed to give any policy rights to any entity other than the named insureds.

Harleysville does not waive any attorney client or work product privilege by responding to the Requests for Admission.

Harleysville, with the above-stated incorporation, responds as follows:

1. The first three Defendants ("Heritage Entities" or "Insureds") above captioned had policies of insurance with Harleysville that may have provided coverage for one or more of the claims in the underlying actions.

RESPONSE: Admitted that the insureds possessed policies of insurance with Harleysville as was stated in the above-captioned Declaratory Judgment action.

2. Harleysville chose and provided defense counsel to the Heritage entities and paid the defense counsel to defend their insureds in the underlying actions.

RESPONSE: Admitted that Harleysville provided a defense to the insureds under a reservation of rights by hiring experienced lawyers to provide a legal

defense to the claims brought against the insured. The lawyers provided a defense throughout the pre-trial action, trial of the case and are now handling the appeal of the verdict.

3. Harleysville defended the Heritage entities in the underlying actions under a reservation of rights which is detailed in a letter(s) to the Heritage entities.

RESPONSE: Admitted that Harleysville provided lawyers who defended the lawsuit. Admitted that Harleysville reserved all rights. The rights and obligations are now being addressed in this declaratory judgment action.

4. Harleysville at no time sought to intervene in the underlying actions.

RESPONSE: Admitted that no motion to intervene was filed in this action based on the current state of the law, knowledge of other motions to intervene by insurance companies and rulings by trial court judges denying the motion to intervene, the potential for divergent interests should intervention be granted, the lack of case law guiding the extent to which a carrier should participate if intervention is granted, the concern that a waiver of rights to this proper action might occur, the proper procedure under South Carolina law to address all issues in this declaratory judgment action, a broad review of the problems associated with intervention by the insurance carrier and the issues that would have been raised had intervention been granted.

5. Harleysville did not request defense counsel for the insureds in the underlying actions to petition or move the Court to submit special interrogatories to the Jury.

RESPONSE: Admitted that Harleysville did not instruct, nor did it have the ability to instruct, the insureds' counsel to move the Court to submit special interrogatories to the jury. Harleysville was not a party to the lawsuit. The insured was aware of the then known coverage issues and had personal counsel involved in the matter. Neither Harleysville nor the insured had knowledge of the categories established by Newman because the decision had not been issued. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

6. Harleysville did not request defense counsel for the insureds to seek a special verdict(s) as opposed to general verdict(s) in the underlying actions.

RESPONSE: Admitted that Harleysville did not instruct, nor did it have the ability to instruct, the insureds' counsel to seek a special verdict form. The insured's counsel focused on the defense of the claims against the insured. The law in South Carolina provides a method under which the

verdict can be analyzed in a subsequent coverage action which is the substance of the above-captioned action. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

7. Harleysville did not discuss with its insureds, the need for an allocated verdict in the above actions.

RESPONSE: Admitted that no discussions took place between Harleysville and the named insured regarding the verdict form. All discussions relating to strategy for the liability trial were between counsel, the adjuster assigned to the underlying case and the representatives for the insured. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

8. Nothing prevented Harleysville from petitioning the Court to intervene in the underlying actions.

RESPONSE: Amended Response. Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for admission was simply asking if it was, in fact, *possible* for Harleysville to draft a motion in basic form, file it in the Clerk of Court and pay the motion filing fee. While Harleysville explained in its original answer below, it believed prior rulings, interests of the insured, harm to the underlying case, threats of opposing counsels in other matters, escalation of the verdict, threats from counsels for the insured in other matters, lack of knowledge of the Newman decision and knowledge and experience with previous denials by Circuit Courts on similar matters prevented it from filing now that counsel for Riverwalk and Magnolia North has explained that this request relates solely to the *possibility* of filing a motion, it is admitted in the sense that any party with a filing fee can draft a form motion, file and pay the fee to the Clerk of Court. Harleysville made the determination that it was not in the best interests of itself, its insureds, the opposing party and the court to file a motion to intervene.

Initial Response: Denied. Prior rulings of the Circuit Courts have denied motions by insurance companies to intervene into the underlying action. Harleysville had encountered opposition when attempting to intervene and other carriers have been denied in their efforts to intervene.

Insurance is inadmissible to prove liability issues. Harleysville reserved and retained the rights to raise all insurance coverage issues in the action following the underlying trial. South Carolina law provides a method for addressing coverage issues following the underlying trial. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

9. Harleysville did not advise its insureds of the divergence of interests between the insureds and the insurer springing from whether damages were or were not allocated.

RESPONSE: Amended Response: Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for admission was simply asking if there was a specific discussion that specifically involved details relating to a discussion about the "divergent interests" relating to "whether damages were or were not allocated." It was explained that this request simply was asking if there was such a meeting where this specific item was discussed. While there were a number of meetings between counsel and the insured relating to many factors including coverage issues that were known at the time, and there had been discussions in prior matters relating to intervention regarding coverage issues (and it was determined that intervention was not proper for many reasons), it is admitted that in the Riverwalk and Magnolia North matters, there was not a specific pretrial meeting (although there had been multiple discussions in the past relating to coverage issues) where the "divergent interests" relating to "allocated damages" was discussed. Both the insured's counsel and insured representatives understood that coverage issues existed and would be handled in a subsequent action such as the one we are in now.

Initial Response: Without waiving any attorney-client privilege, Denied. There was no divergence of interests in the underlying action insofar as the defense occurred. Any and all diverging interests would be decided and resolved in this subsequent coverage action. Harleysville provided a defense to the insureds in underlying action. Any coverage issues are addressed, analyzed and resolved through this action as provide for by South Carolina law. Harleysville provided counsel to defend the underlying claims. The insured also retained personal counsel to advise it regarding corporate and personal issues. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between

covered and non-covered damages.

10. The insurer's counsel did not discuss with the insured's counsel or the insureds the problems associated with having the Court submit a general verdict to the Jury as opposed to a special verdict which would allocate the damages.

RESPONSE: Amended Response: Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for admission was simply asking if there was a specific discussion at or just prior to trial. The initial response admitted with explanation. Following discussion, further explanation is likely warranted. While there was no specific discussion at trial, the entire issue relating to the insurance coverage issues had been discussed with the insureds on multiple occasions. There was no reason to know to ask for a specific verdict form to allocate damages because the Supreme Court had not yet issued a decision in Newman indicating that a breakdown of damages was warranted. Even so, the law does not permit the introduction of insurance evidence. The proper way to handle the division of damages is a post verdict analysis in a subsequent action just as has been filed herein.

Initial Response: Without waiving any attorney-client privilege, Admitted that the insurer's counsels did not discuss the verdict form with the insured's counsel or the insureds at trial. Denied that problems with a general verdict given the law in South Carolina provides for a subsequent coverage action to determine which items of loss are covered by the policy and which items of loss are not covered by the policy. This current action will determine which items are covered by the policy and which items are not covered by the policy. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

11. Harleysville or its counsel never advised or notified defense counsel or the insureds of the need for an allocated verdict and the problems which may occur with not having an allocated verdict.

RESPONSE: Amended Response: Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for admission was simply asking if there was a specific discussion regarding the *need for an allocated verdict and problems that may result.* There was no specific discussion but as indicated in other responses herein, there were multiple meetings and discussions with insureds and counsel regarding coverage issues and the best means of resolving those issues. It is admitted that there was not a specific discussion in pretrial or during trial regarding a

special verdict form because those issues had been addressed and it was not in the best interest of the insured or insurer to handle those issues by a special verdict form. In addition, there was no evidence in the trial to allow the jury to reach an allocated verdict.

Initial Response: Denied. No allocated verdict was necessary because the law provides for the present action to itemize the damages into covered and non-covered losses under the policy. Harleysville does not believe any problems occurred from a general verdict since this declaratory judgment action is the proper means of determining the allocation of covered versus non-covered damages. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

12. The Jury rendered general verdicts in both actions, copies of which are attached hereto as Exhibits B & C.

RESPONSE: Admitted that the verdict forms speak for themselves.

13. There is no South Carolina case precedent or statutory provisions allowing a Court to try and determine the allocation a Jury made when rendering a general verdict.

RESPONSE: Amended Response: Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for admission was simply asking if there was is a specific case dealing with a construction verdict where the court later analyzed damages to determine what portion of the verdict is a covered loss and what portion is not a covered loss. It is admitted that South Carolina does not have such a narrowly tailored case specific to construction damages. There is case law in other states indicating that the only means of determining the allocation between improper workmanship and resulting damage is a subsequent action between the insured and the insurer. South Carolina does have precedent for a subsequent action for the determination of insurance coverage issues in the Sims v. Nationwide case. South Carolina also allows for the allocation of damages in the Contribution Among Joint Tortfeasors Act. The Supreme Court in Newman also alluded to the fact that if it had sufficient evidence in the underlying action and the coverage action, the court to could make a post judgment analysis to allocate damages. A motion hearing transcript has been produced showing Judge Lockemy addressing the specific motion in this case and denying an insurer's right to intervene because it is improper and because the Sims case allows for a

post judgment analysis.

Initial Response: Denied. South Carolina law provides for this declaratory judgment action as the means to categorize the damages to determine which items of loss result and which do not result in a duty of indemnity. The Contribution Among Joint Tortfeasors Act is one example of a statute where the court provides for a post trial analysis of the underlying verdict to determine a breakdown of damages and assignment into categories. Case law exists providing for a post trial action where the insurance company has the right to raise all insurance policy related issues. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

14. At least some of the damages encompassed in the general verdict are covered under the Harleysville(s) policies.

RESPONSE: Denied at this time. The issue of whether a consistent and pervasive failure to follow accepted building practices constitutes an occurrence is undecided in South Carolina. Limits of certain policies may be exhausted. The recent case of Newman v. Auto Owners addressed the issue of an isolated event where coverage was found. The recent case of LJ v. Bituminous addressed the issue of an isolated event where coverage was not found. The Court's analysis will determine if any damages in the verdict trigger the duty of indemnity.

15. It would not be appropriate to require a Juror to give testimony as to how damages were allocated.

RESPONSE: Unknown. Such matter is at the discretion of the Court and plaintiff takes no position or gives no opinion at this time. This request seeks a legal opinion and does not seek an admission of fact.

16. Punitive damages are not specifically excluded from the policies issued to the Heritage entities; ie., the words "punitive damages" are not used in the policies.

RESPONSE: Admitted that the policies speak for themselves and that the words "punitive damages" do not appear in the policies.

17. Punitive damages are covered under the Harleysville policies.

RESPONSE: Denied. The claim supporting the punitive damage award stem from acts that do not trigger the duty of indemnity. As such, the punitive damages

are not covered items of loss. This issue is part of the current declaratory judgment action. The pleadings assert that punitive damages in this action do not trigger the duty of indemnity.

18. The rot and water damage claims in these underlying actions which are the result of defectively installed cladding are covered damage under the Harleysville policy(ies).

RESPONSE: Denied. The underlying action alleged damages including damages of rot and water damages. Harleysville has brought this action seeking an analysis and declaration by the Court that those damages stemmed from acts that do not trigger a duty of indemnity under the policy. This action is designed to analyze and categorize damages. This action seeks an analysis by the fact finder to determine if the damages fit within the confines of the Newman v. Auto Owners.. Harleysville is exercising its right to analyze the damages after the underlying trial verdict to determine if those damages fit within the rulings of the current state of law. In no event do the damages involving rot and water damage reach the level of the money demanded by the homeowner's association.

19. The loss of use damage in the underlying class action is covered under the Harleysville policy(ies)

RESPONSE: Denied. This action seeks an analysis and declaration by the Court regarding the rights and obligations of the parties to the insurance policy. This action will determine if the claim for loss of use was supported by facts triggering the duty of indemnity. Harleysville denies that the facts supporting the loss of use portion of the verdict trigger a duty of indemnity.

20. For each request to admit that you deny, please give a full explanation of the basis for your denial.

RESPONSE: Plaintiff has responded within the requirements of the rules for Requests for Admission. In the event that opposing counsel believes additional information is proper, please itemize those admissions including the information sought.

Amended Response: Discussion was had with opposing counsel and items are addressed herein in these Amended Responses to Requests for Admission.

21. Please explain in detail how what procedure you would propose to determine how the Jury allocated damages in the underlying actions.

RESPONSE: Amended Response: Following discussion with counsel for Riverwalk

and Magnolia North, it was explained that this is not a request for admission. The trier of fact will be presented with the evidence from the underlying actions in the transcripts. The court will also receive additional testimony from experts regarding an analysis of the claims by the parties through experts and what portion of the claimed damages in the repair estimate relate to resulting damage and what portion of the claimed damages relate to improper workmanship. The court will have a percentage sufficient to make a determination and allocate damages.

Initial Response: This is not a Request for Admission. This discovery request will be supplemented when discovery responses are submitted.

22. Set forth any case law that you believe gives merit to the procedure outlined in No. 21 above.

RESPONSE: Amended Response: Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this is not a request for admission but is a discovery request. We are in the process of reviewing case law to address this issue and will update when research is complete. At the present time, we list the following:

Sims v. Nationwide,145 S.E.2d 523 (1965)
South Carolina Contribution Among Joint Tortfeasors Act
Motion transcript previously produced of SC hearing
USF&G v. Adams, 485 So. 2d 720 (1986)
Oklahoma v. Tyson Foods, 2010 U.S. App. Lexis 19572 (2010)
QBE Ins. Corp. v. Austin Co., 23 So. 3d 1127 (2009)
UUIC v. East Central Alabama Ford, 574 So. 2d 716 (1990)
Rivera v. Arlasky, 141 F.R.D. 68 (1991)
Travelers v. Dingwell, 884 F.2d 629 (1st Cir. 1989).

Initial Response: This is not a Request for Admission. This discovery request will be supplemented when discovery responses are submitted.

Harleysville reserves the right to update and supplement these responses as information becomes available.

McANGUS, GOUDELOCK & COURIE, LLC

Robert C. Calamari
Post Office Box 1349
1107 48th Avenue North, Suite 210 (29577)
Myrtle Beach, South Carolina 29578
(843) 848-6000
ATTORNEY FOR HARLEYSVILLE
INSURANCE GROUP

October 7, 2010

Civil Action No. 2009-CP-26-10053

Civil Action No. 2009-CP-26-11862

CERTIFICATE OF SERVICE

I hereby certify that I have this 20 day of October, 2010 served a copy of the foregoing Responses to Request to Admit by mailing copies of same, postage prepaid, in the United States mail, with sufficient postage affixed as follows:

Allen Jeffcoat
Jeffcoat Law Firm, LLC
Beach First Center, Suite 201
P.O. Box 3678
Myrtle Beach, South Carolina 29578-3678
Attorney for BuildStar Corporation
Attorney for Heritage Magnolia North, Inc
Attorney for Heritage Communities, Inc.

John P. Henry Esquire
Thompson & Henry, P.A.
Post Office Box 1740
Conway, South Carolina 29528
Attorney for Magnolia North Property Owners Association, Inc.

National Surety Corp.
Laura Campbell Evans
Wilkes Bowers
171 Church Street
Charleston, South Carolina 29401
Attorney for National Surety

Stacey Sheridan
Legal Assistant

STATE OF SOUTH CAROLINA

COUNTY OF HORRY

IN THE COURT OF COMMON PLEAS

HARLEYSVILLE GROUP INSURANCE, A PENNSYLVANIA CORPORATION,

Plaintiff,

vs.

HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE MAGNOLIA NORTH, INC., A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; MAGNOLIA NORTH PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION, AND NATIONAL SURETY CORP.,

Defendants.

AND

HARLEYSVILLE INSURANCE GROUP, A PENNSYLVANIA CORPORATION,

Plaintiff,

vs.

HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE RIVERWALK, A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; RIVERWALK AT ARROWHEAD COUNTRY CLUB; HORIZONTAL PROPERTY REGIME; RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION; NATIONAL SURETY CORP., AND TONY L. POPE AND

Civil Action No. 2009-CP-26-10053

PLAINTIFF'S SECOND AMENDED ANSWERS TO DEFENDANTS' REQUESTS FOP ADMISSION

(Amended Responses to #'s 5, 6, 7, 8, 9, 10, 11, 13, 14, 18, 19, 20 & 21)

Civil Action No. 2009-CP-26-11862

LYNN POPE, INDIVIDUALLY AND REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB, .

Defendants.

TO: JOHN P. HENRY, ATTORNEY FOR DEFENDANTS:

Plaintiff, Harleysville Insurance Group, A Pennsylvania Corporation, submits its responses to the Requests for Admission.

Harleysville incorporates into each response, the allegations of the Complaint seeking declaratory relief. Harleysville further incorporates into each response that it provided a legal defense to the insureds in this action and now seeks a declaration by the courts as to the rights of the parties. Harleysville is informed and believes that the proper method of determining the rights, duties and obligations of the insured and Harleysville pursuant to the insurance policies is for the court to address and analyze the issues as set forth in the above-captioned Complaint.

The policy of insurance is between Harleysville and its insureds. Nothing contained herein is to be construed to give any policy rights to any entity other than the named insureds.

Harleysville does not waive any attorney client or work product privilege by responding to the Requests for Admission.

Following the initial response, counsel for Harleysville met with counsel for Riverwalk and Magnolia North to discuss the meaning of each request for admission. An Amended Response was issued. Counsel for Riverwalk and Magnolia North again expressed dissatisfaction regarding the responses. It was discussed that the statements were not such that a flat admission or denial was proper because to do so would mischaracterize the true and accurate facts of the case. Many of the responses below include significant explanation. Without such explanation the statement in the request would necessarily be denied. Since counsel for Riverwalk and Magnolia North explained in detail that it was not seeking any admissions other than for the narrow and specific statement in the request, many responses have been admitted. The admission is limited to the explanation. Without inclusion of the explanation, the request is necessarily denied because it is not accurate.

Harleysville, with the above-stated incorporation, responds as follows:

1. The first three Defendants ("Heritage Entities" or "Insureds") above captioned

had policies of insurance with Harleysville that may have provided coverage for one or more of the claims in the underlying actions.

RESPONSE: Admitted that the insureds possessed policies of insurance with Harleysville as was stated in the above-captioned Declaratory Judgment action.

2. Harleysville chose and provided defense counsel to the Heritage entities and paid the defense counsel to defend their insureds in the underlying actions.

RESPONSE: Admitted that Harleysville provided a defense to the insureds under a reservation of rights by hiring experienced lawyers to provide a legal defense to the claims brought against the insured. The lawyers provided a defense throughout the pre-trial action, trial of the case and are now handling the appeal of the verdict.

3. Harleysville defended the Heritage entities in the underlying actions under a reservation of rights which is detailed in a letter(s) to the Heritage entities.

RESPONSE: Admitted that Harleysville provided lawyers who defended the lawsuit. Admitted that Harleysville reserved all rights. The rights and obligations are now being addressed in this declaratory judgment action.

4. Harleysville at no time sought to intervene in the underlying actions.

RESPONSE: Admitted that no motion to intervene was filed in this action based on the current state of the law, knowledge of other motions to intervene by insurance companies and rulings by trial court judges denying the motion to intervene, the potential for divergent interests should intervention be granted, the lack of case law guiding the extent to which a carrier should participate if intervention is granted, the concern that a waiver of rights to this proper action might occur, the proper procedure under South Carolina law to address all issues in this declaratory judgment action, a broad review of the problems associated with intervention by the insurance carrier and the issues that would have been raised had intervention been granted.

5. Harleysville did not request defense counsel for the insureds in the underlying actions to petition or move the Court to submit special interrogatories to the Jury.

RESPONSE: Amended Response: Admitted that no specific request was made at trial because this issue had been addressed and declined by counsel and the insured in earlier matters. Admitted that Harleysville did not instruct, nor did it have the ability to instruct, the insureds' counsel to move the Court to submit special interrogatories to the jury. Harleysville was not a party to the lawsuit. The insured was aware of the then known coverage issues

and had personal counsel involved in the matter. Neither Harleysville nor the insured had knowledge of the categories established by Newman because the decision had not been issued. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages. The insureds counsel indicated in past actions that it opposed any attempt by Harleysville to intervene into the action for any purpose.

6. Harleysville did not request defense counsel for the insureds to seek a special verdict(s) as opposed to general verdict(s) in the underlying actions.

RESPONSE: Amended Response: Admitted that no specific request was made at trial because this issue had been addressed and declined by counsel and the insured in earlier matters. Admitted that Harleysville did not instruct, nor did it have the ability to instruct, the insureds' counsel to seek a special verdict form. The insured's counsel focused on the defense of the claims against the insured. The law in South Carolina provides a method under which the verdict can be analyzed in a subsequent coverage action which is the substance of the above-captioned action. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages. The insureds counsel indicated in past actions that it opposed any attempt by Harleysville to be involved in the action for any purpose.

7. Harleysville did not discuss with its insureds, the need for an allocated verdict in the above actions.

RESPONSE: Amended Response: Admitted that this issue was not discussed in trial because this issue had been addressed and declined in earlier matters by the insured and counsel. Admitted that no discussions took place between Harleysville and the named insured regarding the verdict form. All discussions relating to strategy for the liability trial were between counsel, the adjuster assigned to the underlying case and the representatives for the insured. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

8. Nothing prevented Harleysville from petitioning the Court to intervene in the

underlying actions.

RESPONSE: Amended Response. Admitted in the sense that Harleysville could have filed the paper and paid the filing fee but to do so would have been against prior rulings known to Harleysville, against instructions by the insured, against prior expressed opposition by the insureds' counsel and against prior claims of impropriety by opposing counsels in earlier matters. Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for admission was simply asking if it was, in fact, *possible* for Harleysville to draft a motion in basic form, file it in the Clerk of Court and pay the motion filing fee. While Harleysville explained in its original answer below, it believed prior rulings, interests of the insured, harm to the underlying case, threats of opposing counsels in other matters, escalation of the verdict, threats from counsels for the insured in other matters, lack of knowledge of the Newman decision and knowledge and experience with previous denials by Circuit Courts on similar matters prevented it from filing now that counsel for Riverwalk and Magnolia North has explained that this request relates solely to the *possibility* of filing a motion, it is admitted in the sense that any party with a filing fee can draft a form motion, file and pay the fee to the Clerk of Court. Harleysville made the determination that it was not in the best interests of itself, its insureds, the opposing party and the court to file a motion to intervene.

Initial Response: Denied. Prior rulings of the Circuit Courts have denied motions by insurance companies to intervene into the underlying action. Harleysville had encountered opposition when attempting to intervene and other carriers have been denied in their efforts to intervene. Insurance is inadmissible to prove liability issues. Harleysville reserved and retained the rights to raise all insurance coverage issues in the action following the underlying trial. South Carolina law provides a method for addressing coverage issues following the underlying trial. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

9. Harleysville did not advise its insureds of the divergence of interests between the insureds and the insurer springing from whether damages were or were not allocated.

RESPONSE: Amended Response: Admitted that the specific advice referenced in the above statement did not occur during trial, however, in earlier matters and in earlier discussions the issues were raised and discussed jointly by the

insured, Harleysville and the insureds' counsel and decided that the alleged divergent interests were not divergent at the time of trial since the defense was unified and all coverage issues would be resolved in this declaratory judgment action. Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for admission was simply asking if there was a specific discussion that specifically involved details relating to a discussion about the "divergent interests" relating to "whether damages were or were not allocated." It was explained that this request simply was asking if there was such a meeting where this specific item was discussed. While there were a number of meetings between counsel and the insured relating to many factors including coverage issues that were known at the time, and there had been discussions in prior matters relating to intervention regarding coverage issues (and it was determined that intervention was not proper for many reasons), it is admitted that in the Riverwalk and Magnolia North matters, there was not a specific pretrial meeting (although there had been multiple discussions in the past relating to coverage issues) where the "divergent interests" relating to "allocated damages" was discussed. Both the insured's counsel and insured representatives understood that coverage issues existed and would be handled in a subsequent action such as the one we are in now.

Initial Response: Without waiving any attorney-client privilege, Denied. There was no divergence of interests in the underlying action insofar as the defense occurred. Any and all diverging interests would be decided and resolved in this subsequent coverage action. Harleysville provided a defense to the insureds in underlying action. Any coverage issues are addressed, analyzed and resolved through this action as provide for by South Carolina law. Harleysville provided counsel to defend the underlying claims. The insured also retained personal counsel to advise it regarding corporate and personal issues. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

10. The insurer's counsel did not discuss with the insured's counsel or the insureds the problems associated with having the Court submit a general verdict to the Jury as opposed to a special verdict which would allocate the damages.

RESPONSE: Amended Response: Admitted that the specific discussion regarding a general verdict referenced in the above statement did not occur during trial, however, in earlier matters and in earlier discussions the issues were raised and discussed jointly by the insured, Harleysville and the insureds' counsel and decided that a general verdict or special verdict was an issue

to be decided in this declaratory judgment action. . Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for admission was simply asking if there was a specific discussion at or just prior to trial. The initial response admitted with explanation. Following discussion, further explanation is likely warranted. It is admitted that there was no specific discussion at trial regarding this issue because it had been addressed and resolved by agreement in the past. While there was no specific discussion at trial, the entire issue relating to the insurance coverage issues had been discussed with the insureds on multiple occasions in multiple states. There was no reason to know to ask for a specific verdict form to allocate damages because the Supreme Court had not yet issued a decision in Newman indicating that a breakdown of damages was warranted. Discussions had taken place with the insured who fully supported Harleysville's efforts of defense and understood that all coverage issues would be handled after the trial. South Carolina law does not permit the introduction of insurance evidence. The proper way to handle the division of damages is a post verdict analysis in a subsequent action just as has been filed herein. This action is supported by case law in other jurisidictions.

Initial Response: Without waiving any attorney-client privilege, Admitted that the insurer's counsels did not discuss the verdict form with the insured's counsel or the insureds at trial. Denied that problems with a general verdict given the law in South Carolina provides for a subsequent coverage action to determine which items of loss are covered by the policy and which items of loss are not covered by the policy. This current action will determine which items are covered by the policy and which items are not covered by the policy. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

11. Harleysville or its counsel never advised or notified defense counsel or the insureds of the need for an allocated verdict and the problems which may occur with not having an allocated verdict.

RESPONSE: Amended Response: Admitted that the specific advice or notice referenced in the above statement did not occur during trial, however, in earlier matters and in earlier discussions the issues were raised and discussed jointly by the insured, Harleysville and the insureds' counsel and decided that the alleged problems would be resolved in this declaratory judgment action. Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for admission was simply asking if there was a specific discussion at trial

regarding the *need for an allocated verdict and problems that may result.* There was no specific discussion but as indicated in other responses herein, there were multiple meetings and discussions with insureds and counsel regarding coverage issues and the best means of resolving those issues. It is admitted that there was not a specific discussion in pretrial or during trial regarding a special verdict form because those issues had been addressed and it was not in the best interest of the insured or insurer to handle those issues by a special verdict form. It is admitted that there was no specific discussion at trial regarding this issue because it had been addressed and resolved by agreement in the past. In addition, there was no evidence in the trial to allow the jury to reach an allocated verdict.

Initial Response: Denied. No allocated verdict was necessary because the law provides for the present action to itemize the damages into covered and non-covered losses under the policy. Harleysville does not believe any problems occurred from a general verdict since this declaratory judgment action is the proper means of determining the allocation of covered versus non-covered damages. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

12. The Jury rendered general verdicts in both actions, copies of which are attached hereto as Exhibits B & C.

RESPONSE: Denied that the verdict forms use the word "general." Admitted that the verdict forms do not allocate damages so in that sense they are general verdicts. Following discussion with counsel, it was indicated that this request is seeking an admission as to the content of the verdict forms. Admitted that the verdict forms speak for themselves. Harleysville opposes any characterization that the verdict forms simply being called "general" supports counsel's contention that this action is not proper. Case law shows otherwise. Case law shows that the proper method for resolving coverage issues relating to the allocation of damages into covered and non-covered categories is through a declaratory judgment action as we have pending in this action.

13. There is no South Carolina case precedent or statutory provisions allowing a Court to try and determine the allocation a Jury made when rendering a general verdict.

RESPONSE: Amended Response: Denied. Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this request for

admission was simply asking if there was is a specific case dealing with a construction verdict where the court later analyzed damages to determine what portion of the verdict is a covered loss and what portion is not a covered loss. It is admitted that South Carolina does not have such a narrowly tailored case specific to construction damages. It is denied in the sense that courts have allocated damages in other instances. Specific case law exists in other jurisdictions ruling that a subsequent declaratory judgment action is the proper means of allocating damages between covered and non-covered damages. There case law in other states indicates that intervention is improper and the sole means of determining the allocation between improper workmanship and resulting damage is a subsequent action between the insured and the insurer. South Carolina does have precedent for a subsequent action for the determination of insurance coverage issues in the Sims v. Nationwide case. South Carolina also allows for the allocation of damages in the Contribution Among Joint Tortfeasors Act. The Supreme Court in Newman also alluded to the fact that if it had sufficient evidence in the underlying action and the coverage action, the court to could make a post judgment analysis to allocate damages. A motion hearing transcript has been produced showing Judge Lockemy addressing the specific motion in this case and denying an insurer's right to intervene because it is improper and because the Sims case allows for a post judgment analysis.

Initial Response: Denied. South Carolina law provides for this declaratory judgment action as the means to categorize the damages to determine which items of loss result and which do not result in a duty of indemnity. The Contribution Among Joint Tortfeasors Act is one example of a statute where the court provides for a post trial analysis of the underlying verdict to determine a breakdown of damages and assignment into categories. Case law exists providing for a post trial action where the insurance company has the right to raise all insurance policy related issues. At the time of the verdict, the Newman decision had not been issued revealing the categories of damages for covered and non-covered damages. Both the insured and Harleysville contemplated, understood and agreed that this coverage action would be the fair and just method of distinguishing between covered and non-covered damages.

14. At least some of the damages encompassed in the general verdict are covered under the Harleysville(s) policies.

RESPONSE: Denied. No part of the verdicts against Heritage Communities, Heritage Riverwalk and Heritage Magnolia North is covered since those entities entire product/work/project is the entire project and thus damages are excluded. As for the general contractor, Buildstar, the issue of whether a consistent and pervasive failure to follow accepted building practices

constitutes an occurrence is undecided in South Carolina. The Supreme Court is currently considering whether such action constitutes an occurrence. Limits of certain policies may be exhausted. The recent case of Newman v. Auto Owners addressed the issue of an isolated event where coverage was found. The recent case of LJ v. Bituminous addressed the issue of an isolated event where coverage was not found. The Court's analysis will determine if any damages in the verdict trigger the duty of indemnity. The Supreme Court is currently addressing this issue.

15. It would not be appropriate to require a Juror to give testimony as to how damages were allocated.

RESPONSE: Unknown. Such matter is at the discretion of the Court and plaintiff takes no position or gives no opinion at this time. This request seeks a legal opinion and does not seek an admission of fact. Other jurisdictions have considered allowing a party to call a former juror to provide testimony regarding the allocation of damages.

16. Punitive damages are not specifically excluded from the policies issued to the Heritage entities; ie., the words "punitive damages" are not used in the policies.

RESPONSE: Admitted that the policies speak for themselves and that the words "punitive damages" do not appear in the policies.

17. Punitive damages are covered under the Harleysville policies.

RESPONSE: Denied. The claim supporting the punitive damage award stem from acts that do not trigger the duty of indemnity. As such, the punitive damages are not covered items of loss. This issue is part of the current declaratory judgment action. The pleadings assert that punitive damages in this action do not trigger the duty of indemnity.

18. The rot and water damage claims in these underlying actions which are the result of defectively installed cladding are covered damage under the Harleysville policy(ies).

RESPONSE: Denied. The underlying action alleged damages including damages of rot and water damages. Harleysville has brought this action seeking an analysis and declaration by the Court that those damages stemmed from acts that do not trigger a duty of indemnity under the policy. This action is designed to analyze and categorize damages. This action seeks an analysis by the fact finder to determine if the damages fit within the confines of the Newman v. Auto Owners.. Harleysville is exercising its right to analyze the damages after the underlying trial verdict to determine if those damages fit within the rulings of the current state of

law. In no event do the damages involving rot and water damage reach the level of the money demanded by the homeowner's association.

19. The loss of use damage in the underlying class action is covered under the Harleysville policy(ies)

RESPONSE: Denied. This action seeks an analysis and declaration by the Court regarding the rights and obligations of the parties to the insurance policy. This action will determine if the claim for loss of use was supported by facts triggering the duty of indemnity. Harleysville denies that the facts supporting the loss of use portion of the verdict trigger a duty of indemnity.

20. For each request to admit that you deny, please give a full explanation of the basis for your denial.

RESPONSE: Plaintiff has responded within the requirements of the rules for Requests for Admission. In the event that opposing counsel believes additional information is proper, please itemize those admissions including the information sought.

Amended Response: Discussion was had with opposing counsel and items are addressed herein in these Amended Responses to Requests for Admission.

21. Please explain in detail how what procedure you would propose to determine how the Jury allocated damages in the underlying actions.

RESPONSE: Amended Response: Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this is not a request for admission. The trier of fact will be presented with the evidence from the underlying actions in the transcripts. The court will also receive additional testimony from experts regarding an analysis of the claims by the parties through experts and what portion of the claimed damages in the repair estimate relate to resulting damage and what portion of the claimed damages relate to improper workmanship. The court will have a percentage sufficient to make a determination and allocate damages.

Initial Response: This is not a Request for Admission. This discovery request will be supplemented when discovery responses are submitted.

22. Set forth any case law that you believe gives merit to the procedure outlined in No. 21 above.

RESPONSE: Amended Response: Following discussion with counsel for Riverwalk and Magnolia North, it was explained that this is not a request for

admission but is a discovery request. We are in the process of reviewing case law to address this issue and will update when research is complete. At the present time, we list the following:

Sims v. Nationwide,145 S.E.2d 523 (1965)
South Carolina Contribution Among Joint Tortfeasors Act
Motion transcript previously produced of SC hearing
USF&G v. Adams, 485 So. 2d 720 (1986)
Oklahoma v. Tyson Foods, 2010 U.S. App. Lexis 19572 (2010)
QBE Ins. Corp. v. Austin Co., 23 So. 3d 1127 (2009)
UUIC v. East Central Alabama Ford, 574 So. 2d 716 (1990)
Rivera v. Arlasky, 141 F.R.D. 68 (1991)
Travelers v. Dingwell, 884 F.2d 629 (1st Cir. 1989).

Initial Response: This is not a Request for Admission. This discovery request will be supplemented when discovery responses are submitted.

Harleysville reserves the right to update and supplement these responses as information becomes available.

McANGUS, GOUDELOCK & COURIE, LLC

Robert C. Calamari
Post Office Box 1349
1107 48th Avenue North, Suite 210 (29577)
Myrtle Beach, South Carolina 29578
(843) 848-6000
ATTORNEY FOR HARLEYSVILLE
INSURANCE GROUP

October 7, 2010

Civil Action No. 2009-CP-26-10053

Civil Action No. 2009-CP-26-11862

CERTIFICATE OF SERVICE

I hereby certify that I have this ____ day of October, 2010 served a copy of the foregoing Responses to Request to Admit by mailing copies of same, postage prepaid, in the United States mail, with sufficient postage affixed as follows:

Allen Jeffcoat
Jeffcoat Law Firm, LLC
Beach First Center, Suite 201
P.O. Box 3678
Myrtle Beach, South Carolina 29578-3678
Attorney for BuildStar Corporation
Attorney for Heritage Magnolia North, Inc
Attorney for Heritage Communities, Inc.

John P. Henry Esquire
Thompson & Henry, P.A.
Post Office Box 1740
Conway, South Carolina 29528
Attorney for Magnolia North Property Owners Association, Inc.

National Surety Corp.
Laura Campbell Evans
Wilkes Bowers
171 Church Street
Charleston, South Carolina 29401
Attorney for National Surety

_____
Krista Withers, Legal Assistant

STATE OF SOUTH CAROLINA)
) IN THE COURT OF COMMON PLEAS
COUNTY OF HORRY)

HARLEYSVILLE GROUP INSURANCE, A PENNSYLVANIA CORPORATION,

Plaintiff,

vs.

HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE MAGNOLIA NORTH, INC., A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; MAGNOLIA NORTH PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION, AND NATIONAL SURETY CORP.,

Defendants.

HARLEYSVILLE INSURANCE GROUP, A PENNSYLVANIA CORPORATION,

Plaintiff,

vs.

HERITAGE COMMUNITIES, INC., A SOUTH CAROLINA CORPORATION; HERITAGE RIVERWALK, A SOUTH CAROLINA CORPORATION; BUILDSTAR CORPORATION, A SOUTH CAROLINA CORPORATION; RIVERWALK AT ARROWHEAD COUNTRY CLUB; HORIZONTAL PROPERTY REGIME; RIVERWALK AT ARROWHEAD COUNTRY CLUB PROPERTY OWNERS ASSOCIATION, INC., A SOUTH CAROLINA CORPORATION; NATIONAL SURETY CORP., AND TONY L. POPE AND LYNN POPE, INDIVIDUALLY AND

Civil Action No. 2009-CP-26-11862

PLAINTIFF'S AMENDED ANSWERS TO INTERROGATORIES

REPRESENTING AS A CLASS ALL UNIT OWNERS AT RIVERWALK AT ARROWHEAD COUNTRY CLUB,

Defendants.

TO: JOHN P. HENRY, ATTORNEY FOR DEFENDANTS:

Plaintiff, Harleysville Insurance Group, ("Plaintiff") responds to Defendant's Interrogatories pursuant to Rule 33 of the South Carolina Rules of Civil Procedure as follows:

In setting forth these answers, Plaintiff does not waive the attorney-client, work/product, or other privilege or immunity from disclosure which may attach to information called for herein, or responsive to, the Interrogatory. Plaintiff does not concede the relevance or materiality of the Interrogatory, or the subject matter for which the Interrogatory refers. These answers are submitted by the Plaintiff subject to, and without in any way waiving or intending to waive, but on the contrary intending to reserve and reserving:

A. All objections as to competency, relevancy, materiality, privilege, and admissibility as evidence, for any purpose, of any of the documents referred to or answers given, or the subject thereof, in any subsequent proceeding or in the trial of this action or any other action or proceeding;

B. The right to object to other discovery procedures involving or relating to the subject matter of the Interrogatories herein and responded to; and

C. The right at any time to revise, correct, add to, or clarify any of the answers set forth herein, or documents referred to herein.

D. Plaintiff objects to these Interrogatories to the extent that they ask for information protected by the attorney-client or the work product privileges or to the extent the interrogatories go beyond the scope of discovery allowed in the South Carolina Rules of Civil Procedure.

INTERROGATORIES

1. Give the names and addresses of persons known to the parties or counsel to be witnesses concerning the facts of the case, and indicate whether or not written or recorded statements have been taken from the witnesses, and indicate who has possession of such statements.

ANSWER: **John Young**
Harleysville Insurance Company
Nashville, Tennessee

Mr. Young will testify regarding the facts of the case, the defense provided by Harleysville to the insureds, the policy provisions applicable to this action, the time on risk analysis, the damages forming the verdict, and all other issues necessary to enable the court to make a declaration regarding the issues set forth in the Complaint which is incorporated herein by reference.

Lee Wright
Harleysville Insurance Company
Nashville, Tennessee

Mr. Wright will testify regarding the facts of the case, the defense provided by Harleysville to the insureds, the policy provisions applicable to this action, the time on risk analysis, the damages forming the verdict, and all other issues necessary to enable the court to make a declaration regarding the issues set forth in the Complaint which is incorporated herein by reference.

Brian Tormey
Harleysville Insurance Company
Nashville, Tennessee

Mr. Tormey will testify regarding the facts of the cases and the defense provided by Harleysville to the insureds.

Jack Green
Shareholder for Heritage Entities
Myrtle Beach, South Carolina

Mr. Green will testify regarding the facts of the case, the defense provided by Harleysville to the insureds, the policy provisions applicable to this action, the time on risk analysis, the damages forming the verdict, and all other issues necessary to enable the court to make a declaration regarding the issues set forth in the Complaint which is incorporated herein by reference.

Roger Van Wie
Shareholder for Heritage Entities
Myrtle Beach, South Carolina

Mr. Van Wie will testify regarding the facts of the case, the defense provided by Harleysville to the insureds, the policy provisions applicable to this action, the time on risk analysis, the damages forming the verdict, and all other issues necessary to enable the court to make a declaration regarding the issues set forth in the Complaint which is incorporated herein by reference.

Steve Watkins
Watkins Construction Services
Myrtle Beach, South Carolina

Mr. Watkins will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

Allan Campbell
Applied Building Sciences
North Charleston, South Carolina

Mr. Campbell will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

Al Best
Current Address Unknown

Mr. Best will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

Drew Brown
Address Unknown

Mr. Brown will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

Eric Fosmire
Collins & Lacy, PA
Columbia, South Carolina

Mr. Fosmire was the attorney who handled the defense in the underlying action and will testify regarding the understanding of the insured and the insurer that a subsequent coverage action would resolve any and all coverage issues that were present following the verdict. Much of Mr. Fosmire's testimony is attorney client and work product privileged. Mr. Fosmire's testimony will become relevant only in the event the Court desires testimony relating to his non-privileged involvement in the underlying action.

Allen Jeffcoat
Jeffcoat Law Firm
Myrtle Beach, South Carolina

Mr. Jeffcoat was and is the attorney for the Heritage entities and Jack Green and will testify regarding the understanding and agreement between the insured and insurer that a subsequent coverage action would resolve any and all coverage issues that were present following the verdict. Much, if not all, of Mr. Jeffcoat's testimony will be privileged. Mr. Jeffcoat's testimony will become relevant only in the event the Court desires testimony relating to his non-privileged involvement in the underlying action.

Jim Graham
Catawba, North Carolina

Mr. Graham will testify regarding his discussions with Buildstar and Heritage relating to window issues. Mr. Graham was called in the Magnolia North trial to testify regarding Betterbilt windows and the notice he provided to the insureds regarding window installation problems during construction. Mr. Graham will testify that the insureds continued the incorrect practice of installing windows with the knowledge that it was improper and would result in leaks.

Edward Pritchard, Esquire
Pritchard & Elliott, LLC
Charleston, South Carolina

Mr. Pritchard is an attorney in Charleston who has filed motions to intervene on behalf of insurance carriers in construction cases in an attempt to address damages issues and has been denied. Mr. Pritchard filed a motion to intervene in Bingham v. Bingham, YKK, et. al. (Lexington County) and was denied by the Honorable Judge Johnson.

Keading L. Simons, III, Esquire
Simons & Dean
Charleston, South Carolina

Mr. Simons is an attorney in Charleston who has filed motions to intervene on behalf of insurance carriers in construction cases in an attempt to address damages issues and has been denied. Mr. Simons filed a motion to intervene in River Oaks v. Pinehurst, (Horry County) and was denied by the Honorable Judge Lockemy. A copy of the transcript of the hearing and Judge Lockemy's denial based on the fact that the damages

issues should be handled in a subsequent declaratory judgment action has previously been produced to defendants.

2. Set forth a list of photographs, plats, sketches or other prepared documents in possession of the party that relate to the claim or defense in the case.

ANSWER: **Policies (all have been produced)**

Trial Transcripts (in possession defendant)

Expert Reports from underlying action (in possession of defendant)

Damage Estimates (in possession of defendant)

Pleadings in Harleysville v. Avian Forest (in possession of defendant)

Appellate briefs and submittals in the underlying action (in possession of defendant)

Affidavit of Roger Van Wie

Hearing Transcript of September 14, 2005 in River Oaks v. Pinehurst

Report of Baiden & Associates for Riverwalk

Report of Baiden & Associates for Magnolia North

Adjusters' Files in each action (non-privileged documents)

Many of these documents are already in possession of the Riverwalk HOA. Those that are not in the HOA's possession will be produced. The entire files have been made available and have been reviewed by counsel for Magnolia North and Rivewalk. This interrogatory will be updated as additional information becomes available.

3. Set forth the names and address of all insurance companies which have liability insurance coverage relating to the claim and set forth the number or numbers of the policies involved and the amount or amounts of liability coverage provided in each policy.

ANSWER: **Harleysville Insurance Group**

Harleysville, Pennsylvania

National Surety Corporation
Address unknown

A report that has previously been produced to opposing counsel has been updated and is set forth below.

Insured	Policy Number	Inception Date	Expiration Date	Limits	Aggregate
Heritage Communities, Inc.	MPA-3D9529	8/3/1997	8/3/1998	$ 1,000,000.00	$ 2,000,000.00
Heritage Communities, Inc.	BEC-3D9529	8/3/1997	8/3/1998	$ 4,000,000.00	$ 4,000,000.00
Heritage Communities, Inc.	MPA-3D9529	8/3/1998	8/3/1999	$ 1,000,000.00	$ 2,000,000.00
Heritage Communities, Inc.	BEC-3D9529	8/3/1998	8/3/1999	$ 4,000,000.00	$ 4,000,000.00
Heritage Communities, Inc.	OP-3D9529	8/3/1999	8/3/2000	$ 1,000,000.00	$ 2,000,000.00
Heritage Communities, Inc.	BEC-3D9529	8/3/1999	11/29/1999	$ 4,000,000.00	$ 4,000,000.00
Buildstar	CB-1D6198	4/1/1997	4/1/1998	$ 1,000,000.00	$ 2,000,000.00
Buildstar	BEC-1D6198	4/1/1997	4/1/1998	$ 1,000,000.00	$ 1,000,000.00
Buildstar	CB-1D6198	4/1/1998	4/1/1999	$ 1,000,000.00	$ 2,000,000.00
Buildstar	BEC-1D6198	4/1/1998	4/1/1999	$ 1,000,000.00	$ 1,000,000.00
Buildstar	CB-1D6198	4/1/1999	4/1/2000	$ 1,000,000.00	$ 2,000,000.00
Buildstar	BEC-1D6198	4/1/1999	4/1/2000	$ 1,000,000.00	$ 1,000,000.00
Buildstar	CB-1D6198	4/1/2000	8/1/2000	$ 1,000,000.00	$ 2,000,000.00
Buildstar	BEC-1D6198	4/1/2000	8/1/2000	$ 1,000,000.00	$ 1,000,000.00
Heritage Riverwalk	MPA-4D4650	6/18/1997	6/18/1998	$ 1,000,000.00	$ 2,000,000.00
Heritage Riverwalk	MPA-4D4650	6/18/1998	6/18/1999	$ 1,000,000.00	$ 2,000,000.00
Heritage Riverwalk	MPA-4D4650	6/18/1999	6/18/2000	$ 1,000,000.00	$ 2,000,000.00
Heritage Riverwalk	MPA-4D4650	6/18/2000	6/18/2001	$ 1,000,000.00	$ 2,000,000.00
Heritage Riverwalk	BEC-4D4650	6/18/1997	6/18/1998	$ 4,000,000.00	$ 4,000,000.00
Heritage Riverwalk	BEC-4D4650	6/18/1998	6/18/1999	$ 4,000,000.00	$ 4,000,000.00
Heritage Riverwalk	BEC-4D4650	6/18/1999	6/18/2000	$ 4,000,000.00	$ 4,000,000.00
Heritage Riverwalk	BEC-4D4650	6/18/2000	6/18/2001	$ 4,000,000.00	$ 4,000,000.00
Heritage Magnolia North	MPA-0E4290	9/1/1998	9/1/1999	$ 1,000,000.00	$ 2,000,000.00
Heritage Magnolia North	MPA-0E4290	9/1/1999	5/19/2000	$ 1,000,000.00	$ 2,000,000.00
Heritage Magnolia North	BE-0E4290	9/1/1998	9/1/1999	$ 4,000,000.00	$ 4,000,000.00
Heritage Magnolia North	BE-0E4290	9/1/1999	9/1/2000	$ 4,000,000.00	$ 4,000,000.00
Heritage Magnolia North	BE-0E4290	9/1/2000	11/30/2000	$ 4,000,000.00	$ 4,000,000.00

Depending on the Court's analysis of time on risk issues, amalgamation issues, damage allocation between covered and non-covered damages, exclusions and allocation between policies, there may or may not be sufficient coverage to cover the verdicts in these actions.

4. List the names and addresses of any expert witnesses whom the party proposes to use as a witness at the trial of the case.

ANSWER:

1. **Steve Watkins**
Watkins Construction Services
Myrtle Beach, South Carolina

Mr. Watkins will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

2. **Allan Campbell**
Dave Roady
Applied Building Sciences
North Charleston, South Carolina

Mr. Campbell and Mr. Roady will testify regarding their repair scope of repair calculations and give opinions regarding what percentage of the repair falls into the categories referenced in the Complaint on file in this action.

3. **Al Best**
Prime South
Wilmington, North Carolina

Mr. Best will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

4. **Drew Brown**
Formerly of R.V. Buric
Wilmington, North Carolina

Mr. Brown will testify regarding his scope of repair calculations and give an opinion regarding what percentage of the repair of the verdict falls into the categories referenced in the Complaint on file in this action.

5. **Tom Carlson**

Calibogue Construction

Mr. Carlson will testify regarding his repair cost calculations and give an opinion regarding what percentage of the repair cost of the verdict falls into the categories referenced in the Complaint on file in this action.

6. **Skip Lewis**
H2L, Inc.

Mr. Lewis will testify regarding his scope of repair calculations and give an opinion regarding what percentage of the repair of the verdict falls into the categories referenced in the Complaint on file in this action.

7. **Frank "Tripp" Baiden, III**
Baiden & Associates, Inc.
Myrtle Beach, South Carolina

Mr. Baiden will testify regarding his review and analysis of the expert reports and testimony in the underlying trial as well as his review and analysis of Riverwalk and Magnolia North. Mr. Baiden will offer opinion testimony regarding the allocation of cost between the cost of repairing improperly performed work and the cost of repairing damage work. His testimony will be a breakdown of the damages under a Newman analysis.

8. **Sydney O. Mathis**
Baiden & Associates, Inc.
Myrtle Beach, South Carolina

Mr. Mathis will testify regarding his review and analysis of the expert reports and testimony in the underlying trial as well as his review and analysis of Riverwalk and Magnolia North. Mr. Baiden will offer opinion testimony regarding the allocation of cost between the cost of repairing improperly performed work and the cost of repairing damage work. His testimony will be a breakdown of the damages under a Newman analysis.

9. **Plaintiff and National Surety reserve the right to call any expert witness who gave opinion testimony at during the underlying trial in the Riverwalk and Magnolia North cases.**

5. For each person known to the parties or counsel to be a witness concerning the facts of the case, set forth either a summary sufficient to inform the other party of the important facts known to or observed by such witness, or provide a copy of any written or recorded statements taken from such witnesses.

ANSWER: **See Answer to Interrogatory number 1.**

6. Produce a copy of all policies of insurance of any kind or description issued by the Plaintiff to any of the Heritage entities.

ANSWER: **Policies have been previously produced by production of 3 cd's.**

7. Set forth the names and addresses of each adjuster whether an employee of the Plaintiff or outside adjuster who had or has responsibility for the claims made in the underlying lawsuit as they relate to the policies issued by the Plaintiff.

ANSWER: **Brian Tormey**
Harleysville Insurance Group
Nashville, Tennessee

8. Set forth each and every policy provision that any way formed the basis upon which the Plaintiff made a determination that none of "the claims" including but not limited to loss of use claims and punitive damages claims were covered under the Plaintiffs' policies.

ANSWER: **See Complaint that lists all policy provision believed to negate any duty of indemnity. The policy in its entirety show that the punitive damages award in this action is not a covered loss. The facts supporting the punitive claim are necessarily intentional in nature. Intentional acts are not accidents. The duty of indemnity requires that damages stem from an occurrence (accident). The allegations, testimony and evidence in the underlying action show that the damages did not stem from an accident and therefore, no occurrence caused any loss to the insured. The insured possesses the burden of proof to show that a loss triggers the duty of indemnity.**

There is no specific policy provision that addresses punitive damages, actual damages, consequential damages, incidental damages or any other specified category of damages. The policy provides that it will pay for "those sums that the insured becomes

legally obligated to pay . . . to which this insurance applies." The contract then defines the sums where it will pay and the sums where it will not pay. Punitive Damages, in these cases, were awarded based on factual bases that are excluded as either (1) non-occurrences; or (2) damages expected or intended.

9. Set for the name and address and position with Harleysville of each person who had any part in denying coverage for the claims in the underlying action.

ANSWER: **As set forth above, coverage has not been denied but this action seeks a declaration of rights which may include a ruling that the duty of indemnity has not been triggered. A full defense was provided and is currently being provided to the insured on the appeal pending in the South Carolina Court of Appeals. This declaratory judgment action has been filed in an effort to allow the court to review all of the information in the underlying action and make a determination as to the extent of the duty of indemnity by Harleysville and National Surety Corp. Harleysville believes that many elements of damages fall into the category of non-covered damages. Harleysville and the insured contemplated this coverage action to allocate the verdict into covered and non-covered damages.**

The Harleysville insurance adjusters who have been involved in the insurance coverage issues this matter are:

John Young

Lee Wright

10. For each policy provision which Plaintiff contends excludes the claims, give a detailed explanation of the basis for such contention

ANSWER: **See the Complaint which is incorporated herein by reference.**

A. No Occurrence. The policy provides for indemnity for damages resulting from an occurrence. There has been no occurrence. The trial testimony, post trial briefs, appellate briefs and supporting documents show that all damages resulted from acts that do not meet the definition of occurrence.

B. Time-On-Risk Analysis. The policies provide for indemnity for damages occurring during the policy period. South Carolina follows a modified continuous trigger to determine if damages occur during a policy period. The policies expired during a time when damages continued to occur. Those damages occurred in non-covered periods and are not covered. Harleysville has asked the Court to perform a time-on-risk analysis to determine how much, if any, of the damages fall within the policy periods. Certain policies, if applicable, may have been exhausted or eroded significantly.

C. Damage Allocation. Harleysville and the Heritage entities understood that the law was evolving in South Carolina. An insurance policy is between the insured and the insurer to allocate the loss from certain specified risks. The policy exists to protect the insured. The policy does not exist for the protection of the third party making the claims. There are no third party rights under the insurance policy. Through the time in which this case and other similar cases were pending, the general thought was that all damages were covered or no damages were covered. There was never a time when only part of the damages were covered. It was not until the current Newman decision that anyone had knowledge that only certain portions of damages would be covered by the policy if certain criteria were met. Harleysville and the Heritage entities had an understanding and agreement that all coverage issues would be resolved in a coverage action after the verdict was rendered by the jury. This includes the analysis of the verdict

to determine which damages are covered and which are not covered. Both Harleysville and the Heritage entities were and are represented by counsel who formed the basis of this understanding and agreement on this subsequent coverage action. This declaratory judgment action is the means by which the court can look at the evidence supporting the verdict and make a calculation as to the categories of damages established by the most recent Newman decision.

D. Intentional Acts. Any intentional acts of the insured that resulted in damages are not covered even if they meet the definition of occurrence. The briefs submitted by the parties and the post trial order denying all motions contains language showing that building codes were not met, industry standards were not met and that acts were undertaken showing with knowledge that damage would result. The policies contain exclusions indicating that no duty of indemnity exists for damages resulting from expected or intended damages.

E. Policy Provisions and Exclusions. Analysis of the facts forming the basis of the claims in these actions shows that three policy exclusions apply to exclude insurance coverage:

1. "a. Expected or Intended Injury" The facts in the underlying actions show that the insureds expected these damages to occur. Mr. Graham from Betterbilt windows met with the insureds to explain that problems with windows on earlier projects were caused by improper installation. Mr. Graham explained that the windows would continue to leak and cause damages if the current installation practice was continued. The evidence indicates and was argued by counsel for Magnolia North that the same

installation method was continued so that the insured knew and expected that the same damages would continue in the Magnolia North project and Rivewalk project.

2. "j. Damage to Property" The facts in the underlying actions show that damages were occurring to the property at a time when the project in its entirety was owned, rented or occupied by the insureds. The Court amalgamated the entities into one. If one entity is the insured and the damages were shown in the underlying action to be occurring from the time the work was performed through the present, then the damages occurred to property owned, rented or occupied by the insured. Likewise, the property was sold and the damages arise out of part of those premises. Since the insured is one entity and it sold all of the premises and the damage was caused by the premises, then all damages are excluded.

3. "k. Damage to Your Product" The facts in the underlying actions show that property damage was to the insureds' work product arising out of it or any part of it. The insureds work product, as an amalgamated entity, owns the entire project and the damage arose out of the entire project.

4. "Damage to Impaired Property or Property Not Physically Injuried" The facts in the underlying action show that the insureds never properly performed the work on the project. The project, according to the directed verdict on liability, shows that the project was impaired because it was never properly constructed. Since it was impaired in that it failed to meet building codes and industry standards, it was always in a damaged state and defective, deficient, inadequate in the product or work of the insured.

F. Amalgamation Issues. The court in the underlying action ruled that all entities are one. This issue is on appeal. The policies only apply to the named insured.

The court must make a determination the percentage of the verdict allocated to each insured for a determination as to which policy applies. The amalgamation issue addresses the exclusions as well and must be considered relating to ownership and entire project as the product of the insured.

11. Produce the Plaintiffs entire file related to the denial of the insurance coverage for "the claims" asserted by the Plaintiffs in the underlying action.

ANSWER: **Harleysville would show that no denial has occurred. This action seeks a declaration by the court to determine the extent of the duty of indemnity. A defense was and is being provided to the insureds. Harleysville objects to this request in that the policies and the facts of the cases determine whether the duty of indemnity exists. The party seeking this information has no rights under the policies. Nothing contained in the coverage file is relevant to the allegations in the action. There has been no claim by the insured that Harleysville has not provided a proper defense. This action seeks a declaration by the court regarding the rights and obligations of the parties. Any such information contained in the coverage file is work product and attorney-client privileged.**

Without waiving any privilege, attached are documents found in the file relating to the insurance coverage aspect of this claim. The non-privileged file documents have been produced and reviewed by counsel for Riverwalk and Magnolia North.

12. Produce the entire file of any adjuster, officer, agent or employee who has or had any role in the decision to deny coverage of the claim to the Heritage entities. In the event a privilege is claimed for any document, state the basis of the privilege and provide a privilege log.

ANSWER: **Harleysville would show that no denial has occurred. This action seeks a declaration by the court to determine the extent of the duty of indemnity. A defense**

was and is being provided to the insureds. Harleysville objects to this request in that the policies and the facts of the cases determine whether the duty of indemnity exists. The party seeking this information has no rights under the policies. Nothing contained in the coverage file is relevant to the allegations in the action. There has been no claim by the insured that Harleysville has not provided a proper defense. This action seeks a declaration by the court regarding the rights and obligations of the parties. Any such information contained in the coverage file is work product and attorney-client privileged.

Without waiving any privilege, attached are documents found in the file relating to the insurance coverage aspect of this claim. The non-privileged file documents have been produced and reviewed by counsel for Riverwalk and Magnolia North.

13. Set forth the amount of reserves for the claims, the subject of this action.

ANSWER: Counsel for Riverwalk and Magnolia North has indicated that it has seen information in the file relating to the reserves and does not desire any further information on this issue.

14. Describe any action taken by or on behalf of the Plaintiff to intervene in the underlying action.

ANSWER: Harleysville was unable to intervene. Based on the coverage law at the time of the verdict, adverse rulings in past cases relating to intervention by an insurance carrier, the potential harm that might come to the insured, the divergent interests of the insured, the fact that the insured had personal counsel, the possibility of escalating the verdict by intervention, the non-existence of the law relating to covered versus non-covered damages as set forth in Newman, the lack of case law guiding the extent of participation by the carrier if intervention would be granted, the anticipated opposition

by parties, the case law in South Carolina indicating that all coverage issues should be raised in a separate action, the case law in South Carolina forbidding a carrier to take a position adverse to its insured in the liability phase, and the understanding and agreement between insured and insurer that this action would address and resolve all coverage issues, Harleysville was prevented from taking any action in the underlying trial including efforts to intervene or affect the trial in any respect.

As case law exists showing that absolute and permissive intervention is not proper in actions to determine the allocation of damages (for many reasons) and the proper method is to file a declaratory judgment action, such as this one, Harleysville did not intervene.

15. Set forth the names and addresses of each officer, agent or employee of the Plaintiff, including any counsel who attended the trial for any period of time of the underlying action.

ANSWER: **Lee Wright**

Brian Tormey

Robert Calamari

Harleysville was Ordered in prior construction trials to appear at trial and quietly observe without participation. In one of those prior actions, Harleysville filed a motion to intervene which was withdrawn following information from the court and parties indicating that such a motion was improper.

16. Set forth the amount of the verdict in the underlying action which plaintiff contends was for items excluded from coverage under *Newman*.

ANSWER: **This is an ultimate fact to be determined by the trier of fact. It is Harleysville's position that no greater than 17% of the verdict could possibly trigger the**

duty of indemnity. This 17% does not take into consideration the exclusions and time on risk analysis. The 17% is obtained from the report from Baiden & Associates. The deposition of Drew Brown was taken. Mr. Brown indicated that he had not performed the allocation function but testified that the percentage of damaged portions of the building is very low when compared to those parts of the buildings that are impaired due to construction defects, construction deficiencies and construction inadequacies.

In addition to the above stated, this action seeks a declaration by the court as to whether the causes of damages forming the verdict are occurrences; whether any damages from occurrences were intentional; an analysis of exclusions and policy provisions listed in the Complaint; and whether those damages are to work that was improper. Once the court makes that determination, the parties will know which damages are excluded under a Newman analysis. There may be issues that are relevant and explored by this action that were not addressed in Newman and/or other South Carolina case opinions. The trial transcript, depositions of the expert witnesses, testimony from new expert witnesses, testimony from the insured, post trial briefs of the parties, post trial orders, and other documents will be used to determine the issues in the case. It is Harleysville's position, as stated in the Complaint, that the construction defects alleged are not accidental and therefore are not an occurrence. Even if the court finds that the construction defects are occurrences, they may be excluded because the damages were expected and/or intended by the insured. The punitive damages are proof that intentional acts form the basis of the damages. Only damages occurring in insured periods are covered. A significant portion of the damages under a modified continuous trigger fall within uninsured periods. The

insured possesses the burden of proof to show that damages or loss triggers the duty of indemnity under the policy.

17. Set forth the amount of the verdict in the underlying action which Plaintiff contends was for damages not the result of water intrusion and how Plaintiff arrived at the amount.

ANSWER: **Investigation has revealed that no more than 17% of the damages are the result of water intrusion. The remaining 83% of the repair costs relate to repairing and replacing improperly performed work that was from its inception defective, inadequate and deficient. The trier of fact, following review of testimony of all experts, will likely determine that the percentage of damage resulting from water intrusion is much lower than 17%. The 17% was arrived at from the report of Baiden & Associates.**

18. List any and all construction performed by the Plaintiffs insureds at the Riverwalk project as opposed to work performed by subcontractors.

ANSWER: **The trial transcript and information gathered thus far indicates that all work performed at the Riverwalk project was completed by subcontractors who were hired by the amalgamated entities known as Heritage Entities.**

19. In reference to paragraphs 20(a) and 20(b) of the Complaint, please explain in light of the Newman decision, why you contend damage to the structure from water intrusion is not covered under the Harleysville policies.

ANSWER: **The purpose of this action is to allow the trier of fact to determine if the damages trigger a duty of indemnity. It is Harleysville's position that the facts in this matter do not show occurrences as defined by the policy. In the event that the court determines that an occurrence exists, then the exclusions apply. The amount of damages**

remaining after application of the exclusions should be analyzed in light of Newman. If damages to the structure remain from water intrusion, then the court might find that the duty of indemnity is triggered and to what extent it is triggered.

1. The damages in the underlying action are the result of a systematic failure to meet building codes or accepted construction practices. The faulty workmanship is a consistent and pervasive condition found on the project. The testimony in the underlying actions, evidence submitted and findings by the court show that the faulty workmanship was not the result of an accident. Since the faulty workmanship is not an accident, there has been no occurrence. Damage that results from an act or omission that is not an occurrence does not trigger the duty of indemnity.

2. Trial testimony was offered indicating that the subcontractors performing the work were installing windows in a manner whereby the internal water intrusion and resulting damage was expected and/or intended by the insured. Since the damages were inspected and/or intended, the duty of indemnity is not triggered for the loss. As was discussed and ruled in Builders Mutual v. R Design Construction, 2010 WL2079741 (D.S.C), the entire window issue was brought to the attention of the Heritage entities during construction as testified by the representative of Betterbilt. Nonetheless, the Heritage entities continued construction with knowledge of the defective condition of the installed windows and continued the method for new windows. No damages are the result of an accident.

3. The policies in question are designed to provide indemnity for losses for damages to property outside of the work of the insured. The entire project was the work of the insured and, thus, the policy provides coverage for an occurrence that causes damages

away from the property of the insured. The Riverwalk and Magnolia North project in their entirety were the properties of the insured. Only damage away from the Riverwalk Project and Magnolia North Project or bodily injury is covered by the policies.

4. In light of Newman, which was entered after the verdicts in both Riverwalk and Magnolia North, it appears that construction defects that result in resulting damages that stem from an accident are covered damages. However, the damages in this case did not result from an accident. In addition, many areas of necessary repairs presented to the juries in each case, did not have any resulting damage and therefore, even under a plaintiff's rendition of Newman, no duty of indemnity exists.

5. The only policies that arguably apply relate to the general contractor, Buildstar. The other policies are held by Heritage Communities, Heritage Riverwalk and Heritage Magnolia North. Those entities are developers who were not involved in the construction. Those entities owned the entire project and were not involved in the construction since it was contracted to Builstar. Pursuant to Newman, there is no duty of indemnity.

20. In reference to paragraph 20(c) of the Complaint please explain in light of the Newman case citing the High Country case, why you contend that the water intrusion damages in the underlying lawsuit are not the result of an occurrence.

ANSWER: The purpose of this action is to allow the trier of fact to determine if the damages trigger a duty of indemnity. It is Harleysville's position that the facts in this matter do not show occurrences as defined by the policy. In the event that the court determines that an occurrence exists, then the exclusions apply. The amount of damages remaining after application of the exclusions should be analyzed in light of Newman. If

damages to the structure remain from water intrusion, then the court might find that the duty of indemnity is triggered and to what extent it is triggered.

1. The damages in the underlying action are the result of a systematic failure to meet building codes or accepted construction practices. The faulty workmanship is a consistent and pervasive condition found on the project. The testimony in the underlying actions, evidence submitted and findings by the court show that the faulty workmanship was not the result of an accident. Since the faulty workmanship is not an accident, there has been no occurrence. Damage that results from an act or omission that is not an occurrence does not trigger the duty of indemnity.

2. Trial testimony was offered indicating that the subcontractors performing the work were installing windows in a manner whereby the internal water intrusion and resulting damage was expected and/or intended by the insured. Since the damages were inspected and/or intended, the duty of indemnity is not triggered for the loss. As was discussed and ruled in Builders Mutual v. R Design Construction, 2010 WL2079741 (D.S.C), the entire window issue was brought to the attention of the Heritage entities during construction as testified by the representative of Betterbilt. Nonetheless, the Heritage entities continued construction with knowledge of the defective condition of the installed windows and continued the method for new windows. No damages are the result of an accident.

3. The only policies that arguably apply relate to the general contractor, Buildstar. The other policies are held by Heritage Communities, Heritage Riverwalk and Heritage Magnolia North. Those entities are developers who were not involved in the

construction. Those entities owned the entire project and were not involved in the construction since it

21. In reference to paragraph 20(d) of the Complaint, please explain the basis of your position that the water intrusion damages complained of in the underlying lawsuit are not the result of an accident as required by the contracts of insurance in light of the Newman decision.

ANSWER: **The purpose of this action is to allow the trier of fact to determine if the damages trigger a duty of indemnity. It is Harleysville's position that the facts in this matter do not show occurrences as defined by the policy. In the event that the court determines that an occurrence exists, then the exclusions apply. The amount of damages remaining after application of the exclusions should be analyzed in light of Newman. If damages to the structure remain from water intrusion, then the court might find that the duty of indemnity is triggered and to what extent it is triggered.**

1. **The damages in the underlying action are the result of a systematic failure to meet building codes or accepted construction practices. The faulty workmanship is a consistent and pervasive condition found on the project. The testimony in the underlying action, evidence submitted and findings by the court show that the faulty workmanship was not the result of an accident. Since the faulty workmanship is not an accident, there has been no occurrence. Damage that results from an act or omission that is not an occurrence does not trigger the duty of indemnity.**

2. **Trial testimony was offered indicating that the subcontractors performing the work were installing windows in a manner whereby the internal water intrusion and resulting damage was expected and/or intended by the insured. Since the damages were inspected and/or intended, the duty of indemnity is not triggered for the loss. As was**

discussed and ruled in Builders Mutual v. R Design Construction, 2010 WL2079741 (D.S.C), the entire window issue was brought to the attention of the Heritage entities during construction as testified by the representative of Betterbilt. Nonetheless, the Heritage entities continued construction with knowledge of the defective condition of the installed windows and continued the method for new windows. No damages are the result of an accident.

3. The only policies that arguably apply relate to the general contractor, Buildstar. The other policies are held by Heritage Communities, Heritage Riverwalk and Heritage Magnolia North. Those entities are developers who were not involved in the construction. Those entities owned the entire project and were not involved in the construction since it

22. In reference to paragraph 20(e) of the Complaint, please explain which portion of the damages are the result of a breach of contract and attach a copy of the contract referred to or, if the contract is oral, set forth the terms of the contract and the names of the contracting parties.

ANSWER:

1. In the underlying action, the Riverwalk POA brought causes of action for negligence and breach of certain warranties. The warranty claims are grounded in contract law. Riverwalk POA asserted the same damages from each cause of action. The contracts are the construction contracts which have not yet been located. If opposing counsel has a copy, please produce all contracts.

2. The only policies that arguably apply relate to the general contractor, Buildstar. The other policies are held by Heritage Communities, Heritage Riverwalk and Heritage Magnolia North. Those entities are developers who were not involved in the

construction. Those entities owned the entire project and were not involved in the construction since it

23. In reference to paragraph 20(f) of the complaint, set forth what part of the damages were expected or intended by the insured thereby being excluded from coverage under the contracts of insurance.

ANSWER: **The purpose of this action is to allow the trier of fact to determine if the damages trigger a duty of indemnity. It is Harleysville's position that the facts in this matter do not show occurrences as defined by the policy. In the event that the court determines that an occurrence exists, then the exclusions apply. The amount of damages remaining after application of the exclusions should be analyzed in light of Newman. If damages to the structure remain from water intrusion, then the court might find that the duty of indemnity is triggered and to what extent it is triggered.**

1. **The damages in the underlying action are the result of a systematic failure to meet building codes or accepted construction practices. The faulty workmanship is a consistent and pervasive condition found on the project. The testimony in the underlying action, evidence submitted and findings by the court show that the faulty workmanship was not the result of an accident. Since the faulty workmanship is not an accident, there has been no occurrence. Damage that results from an act or omission that is not an occurrence does not trigger the duty of indemnity.**

2. **Trial testimony was offered indicating that the subcontractors performing the work were installing windows in a manner whereby the internal water intrusion and resulting damage was expected and/or intended by the insured. Since the damages were inspected and/or intended, the duty of indemnity is not triggered for the loss. As was**

discussed and ruled in Builders Mutual v. R Design Construction, 2010 WL2079741 (D.S.C), the entire window issue was brought to the attention of the Heritage entities during construction as testified by the representative of Betterbilt, Mr. Graham. Nonetheless, the Heritage entities continued construction with knowledge of the defective condition of the installed windows and continued the method for new windows. No damages are the result of an accident.

24. In reference to paragraph 20(g) of the Complaint, set forth what part of the work was accomplished by the Harleysville insureds as opposed to subcontractors.

ANSWER:

Testimony has indicated that all construction work was performed by subcontractors under the direction of the Heritage entities. The court in the underlying action amalgamated the entities. Thus, the insured was engaged in sales, management and oversight duties. As it is one entity, then the general contractor/developer/salespersons were all involved in the project in many phases. This interrogatory seeks to address only the general contractor. Since the insureds were amalgamated into one entity, then that one entity was involved in many phases of the project.

The only policies that arguably apply relate to the general contractor, Buildstar. The other policies are held by Heritage Communities, Heritage Riverwalk and Heritage Magnolia North. Those entities are developers who were not involved in the construction. Those entities owned the entire project and were not involved in the construction since it

25. In reference to paragraph 20(h) of the Complaint, set forth the alleged damages that you contend arose out of property that was owned, rented or occupied by each of the insureds which excludes coverage under the contracts of insurance.

ANSWER: The court in the underlying action improperly amalgamated the entities at the request of counsel for Magnolia North and Riverwalk. Three insureds (Heritage Communities, Heritage Riverwalk and Heritage Magnolia North) are entities not involved in the construction. The only insured involved in construction is Buildstar. Heritage Communities, Heritage Riverwalk and Heritage Magnolia North were the owners and sales entities for the project. Since the damage was to the property owned, rented or occupied by these entities, the exclusion applies to bar the duty of indemnity.

See response relating to the exclusions above.

26. In reference to paragraph 20(i) of the Complaint, set forth which insureds sold, gave away, abandoned, occupied, rented or held for rental property so as not to obligate rights under the contracts of insurance. Also, describe what property the insureds sold, gave away, abandoned, occupied, rented or held for rental.

ANSWER: The court in the underlying action improperly amalgamated the entities at the request of counsel for Magnolia North and Riverwalk. Three insureds (Heritage Communities, Heritage Riverwalk and Heritage Magnolia North) are entities not involved in the construction. The only insured involved in construction is Buildstar. Heritage Communities, Heritage Riverwalk and Heritage Magnolia North were the owners and sales entities for the project. Since the damage was to the property owned, rented or occupied by these entities, the exclusion applies to bar the duty of indemnity.

See response relating to the exclusions above.

27. In reference to paragraph 20(j) of the Complaint, set forth what property you contend the damage arose out of and the name or names of the insureds, contractors or

subcontractors working directly or indirectly on the insureds behalf performing operations and set forth what operations were being performed by each of the insureds.

ANSWER: None. All physical construction work was done by subcontractors of Buildstar. Buildstar had administrative, oversight and management duties on the entire project. The court in the underlying action improperly amalgamated the entities at the request of counsel for Magnolia North and Riverwalk. Three insureds (Heritage Communities, Heritage Riverwalk and Heritage Magnolia North) are entities not involved in the construction. The only insured involved in construction is Buildstar. Heritage Communities, Heritage Riverwalk and Heritage Magnolia North were the owners and sales entities for the project.

See response relating to the exclusions above.

28. In reference to paragraph 20(k) of the Complaint, set forth the name of the insureds who incorrectly performed the work and set forth each item of the work that was incorrectly performed by each insured.

ANSWER: None. The persons working for the named insureds did not engage in physical construction work. All physical construction work was done by subcontractors of Buildstar. Buildstar had administrative, oversight and management duties on the entire project. The court in the underlying action improperly amalgamated the entities at the request of counsel for Magnolia North and Riverwalk. Three insureds (Heritage Communities, Heritage Riverwalk and Heritage Magnolia North) are entities not involved in the construction. The only insured involved in construction is Buildstar. Heritage Communities, Heritage Riverwalk and Heritage Magnolia North were the owners and sales entities for the project.

29. In reference to paragraph 20(l) of the Complaint, set forth what you contend the definition of "the insured's product" is.

ANSWER: **The insured product is the entire Riverwalk and Magnolia North Projects. Specifically for Heritage Communities, Heritage Riverwalk and Heritage Magnolia North, the entire project was their product since those entities were not involved in construction. These entities were improperly amalgamated at trial but for this coverage action and the applicability of the policies, they remain separate entities.**

30. In reference to paragraph 20(m) of the Complaint, set forth what you contend is the "insured's work" and who that insured is.

ANSWER: **The insureds' work is the entire Riverwalk and Magnolia North Projects. Specifically for Heritage Communities, Heritage Riverwalk and Heritage Magnolia North, the entire project was their work since those entities were not involved in construction. These entities were improperly amalgamated at trial but for this coverage action and the applicability of the policies, they remain separate entities. The insured, Buildstar, was the general contractor on both projects. Buildstar's work was the entire project for each.**

31. In reference to paragraph 20(n) of the Complaint, set forth what you contend to be "impaired property" or "property not physically injured" and whether or not any of the property was withdrawn or recalled from the market.

ANSWER: **All property that was found to faulty workmanship is impaired property. It is impaired property because it was not performed properly in the original construction. The expert reports set forth the specific items. The deposition of Drew Brown in this action shows the specific items that were offered as construction defects. The**

verdict in the underlying action makes clear that the faulty workmanship is to be withdrawn or recalled from the market. The reports of the experts testifying in the underlying action and the reports of Baiden and Associates are incorporated herein to identify the impaired property.

32. In reference to paragraph 20(o) of the Complaint, set forth the portion of the alleged damages that you contend occurred outside the policy period for each policy.

ANSWER: **The latest policy period ends for any of the Heritage Entities on 4/01/01. Any damages occurring under the modified continuous trigger after 4/01/01 are outside of any policy period.**

33. In reference to paragraph 20(p) of the Complaint, in light of Carroway vs. Johnson, 245 S.C. 200, 139 S.E.2d 908 (1965), set forth what provision in the policy you contend makes punitive damages uninsurable under the policies.

ANSWER: **The duty of indemnity under the policy is not triggered by intentional acts. The trial testimony, jury instructions, post-trial analysis of punitive damages, argument of counsels, post-trial order and appellate briefs show that the punitive damage award stems from acts that are not occurrences. Further, those acts even if found to be occurrences are acts causing damages that were expected or intended by the insured.**

Punitive damages in Carroway were not based on non-covered acts of the insured. Specifically, the court ruled that damages stemming from an auto accident must be covered based on statutory law. Punitive damages in an auto accident are covered because the legislature mandates coverage for auto policies. In this action, we have commercial general liability policies in certain forms. There is no legislative mandate that construction damages be covered. To the contrary, there is case law in Newman and other cases

illustrating and ruling that repair of improper workmanship is not a covered item. In this action, the acts of the insured as alleged by the HOA's, show that the punitive damages stem from improper workmanship which alone is not a covered item under a broad Newman analysis. As found in Builders Mutual, certain items of improper workmanship with resulting damage, are not covered items. In this action, the testimony supporting punitive damages was a knowing disregard for good building practices. Such is not a covered loss for actual or punitive damages.

The punitive damage award is on appeal and may be overturned. If not overturned, then it necessarily is based on acts that do not meet the definition of occurrence or the damages are excluded by the expected or intended policy exclusion.

34. In reference to paragraph 20(q) of the Complaint, list any insurance contracts owned by the insureds other than the Harleysville policies that would or may be applicable to the Plaintiffs' claims in the underlying actions.

ANSWER: **National Surety Corp. has been made a party to this action due to an excess policy. Said policy has been produced to counsel for Riverwalk and Magnolia North.**

35. In reference to paragraph 20(r) of the Complaint, assuming but not admitting for the purpose of the interrogatory that a portion of the Plaintiffs' damages claimed under the underlying actions are not recoverable due to endorsements excluding damages within the completed operations hazard, set forth what damages and the amounts of damages excluded under the completed operations hazard.

ANSWER: **This is an ultimate fact to be determined by the trier of fact. It is Harleysville's position that no greater than 17% of the verdict could possibly trigger the**

duty of indemnity. This 17% does not take into consideration the exclusions and time on risk analysis. The 17% is obtained from the report from Baiden & Associates. The deposition of Drew Brown was taken. Mr. Brown indicated that he had not performed the allocation function but testified that the percentage of damaged portions of the building is very low when compared to those parts of the buildings that are impaired due to construction defects, construction deficiencies and construction inadequacies.

36. In reference to paragraph 20(s) of the Complaint, set forth that portion of the damages that result from an assumption of liability in a contract and set forth the description of the contract and names of the contracting parties.

ANSWER: **None.**

37. In reference to paragraph 20(t) of the Complaint, set forth any other exclusions or theories for exclusions of Plaintiffs claims in the underlying actions from the policies issued by Harleysville.

ANSWER: **Policy Provisions and Exclusions. Analysis of the facts forming the basis of the claims in these actions shows that three policy exclusions apply to exclude insurance coverage:**

1. "a. Expected or Intended Injury" The facts in the underlying actions show that the insureds expected these damages to occur. Mr. Graham from Betterbilt windows met with the insureds to explain that problems with windows on earlier projects were caused by improper installation. Mr. Graham explained that the windows would continue to leak and cause damages if the current installation practice was continued. The evidence indicates and was argued by counsel for Magnolia North that the same

installation method was continued so that the insured knew and expected that the same damages would continue in the Magnolia North project and Rivewalk project.

2. "j. Damage to Property" The facts in the underlying actions show that damages were occurring to the property at a time when the project in its entirety was owned, rented or occupied by the insureds. The Court amalgamated the entities into one. If one entity is the insured and the damages were shown in the underlying action to be occurring from the time the work was performed through the present, then the damages occurred to property owned, rented or occupied by the insured. Likewise, the property was sold and the damages arise out of part of those premises. Since the insured is one entity and it sold all of the premises and the damage was caused by the premises, then all damages are excluded.

3. "k. Damage to Your Product" The facts in the underlying actions show that property damage was to the insureds' work product arising out of it or any part of it. The insureds work product, as an amalgamated entity, owns the entire project and the damage arose out of the entire project.

4. "Damage to Impaired Property or Property Not Physically Injuried" The facts in the underlying action show that the insureds never properly performed the work on the project. The project, according to the directed verdict on liability, shows that the project was impaired because it was never properly constructed. Since it was impaired in that it failed to meet building codes and industry standards, it was always in a damaged state and defective, deficient, inadequate in the product or work of the insured.

38. Set forth what you contend were the damages allocated by the Jury in the underlying actions to the particular claims of the Plaintiffs in the underlying actions.

ANSWER: This is the purpose of this action. The damages were not allocated in the underlying action. Harleysville will introduce the trial transcripts from each action, the deposition testimony of Drew Brown, live testimony from witnesses and expert testimony from its witnesses and ask the court to make a percentage determination on each element of construction defect as alleged by the plaintiff in each action. The expert witnesses offered by Harleysville have produced reports estimating costs in a broken fashion showing costs to repair improper workmanship and costs to repair resulting damage. The Riverwalk report is completed showing that 17% relates to damaged portions of the building. This will give the trier of fact a basis for reaching a verdict on this issue. Since this is a declaratory judgment action, Harleysville will present factual and opinion testimony and ask the court to make this conclusion.

39. Set forth how the Court in this action can determine what the Jury allocated to each of the Plaintiffs' claims in the underlying actions.

ANSWER: The court will be presented with evidence, the trial transcripts, testimony from witnesses and expert witness testimony showing the facts of the underlying case that supported the damage verdict. The court will then have the ability to perform an analysis to determine the breakdown and cost analysis showing the dollar value of the cost of repairing improper workmanship and the cost of repairing the resulting damage. The court will be performing a function very similar to the court's analysis in any contribution among joint tortfeasors action.

The insured and Harleysville had an understanding and agreement that all coverage issues would be decided in a subsequent action. Unlike the Newman matter, this matter has a full transcript. Unlike Newman, the purpose of this action is to determine the

breakdown of damages. All evidence will be presented in full or summary fashion to allow the trier of fact to perform the analysis. The jury or trier of fact in this matter can review the transcript, expert testimony, new testimony of the expert witnesses, new expert witnesses who will give an opinion regarding the allocation of cost. The calculation is relatively simple once the testimony has been reviewed. The insured and Harleysville agree that this is the best method to determine how much, if any of the verdict is covered. The purpose of this declaratory judgment action is to allocate damages in a previously agreed upon method between insured and insurer and cannot be disturbed by the interests of other parties such as Riverwalk HOA. The allocation determination in this matter is very similar in many respects to the method used by the court to allocate a general verdict between joint tortfeasors under the Contribution Among Joint Tortfeasors Act. The trier of fact will review the evidence of the trial, the new evidence to supplement the missing information from the trial and will make a determination between cost of repairing faulty workmanship and the cost or repairing damaged work resulting from what it determines to be an occurrence. The court's declaration will simply show the amount of covered loss, if any, and the amount of non-covered loss, if any.

40. Set forth what you contend is contained in the Newman v. Auto Owners case that would require that the Court in this declaratory judgment action "must conduct an accounting or detailed itemization of costs to reach a conclusion as to which damages are covered damages and which damages are not covered damages" in light of the fact that the Jury returned a general verdict.

ANSWER: The Newman decision is the first decision to isolate categories of damages into covered and non-covered damages. All prior decisions either ruled that the

entire verdict was covered or no part of the verdict was covered. There must be an accounting of damages or no verdict or settlement can occur because there is no method for determining covered and non-covered losses. This post verdict analysis in a subsequent action has been performed in other states. A construction lawsuit is much different than the types of cases with differing causes of action preferred by counsel for Riverwalk and Magnolia North. The only task in those types of case is to ask the jury specifically if they believe a cause of action is met and what damages relate to a cause of action. There is no differentiation between covered and non-covered damages within the same cause of action. There is a differentiation between covered and non-covered causes of action in the current action. This calculation cannot be performed in the underlying action as has been suggested by opposing counsel. Other states have rejected arguments such as that being made by counsel for Riverwalk and Magnolia North.

Newman provides that itemized categories of damages were established by the arbitrator. There was no evidence offered in the underlying action or the declaratory judgment action in Newman to enable the court to make the calculation. As the Supreme Court stated it was not the purpose of the Newman action to differentiate damages. This action's stated purpose is to differentiate damages. No party knew, expected to know or could have known that the Supreme Court in Newman would provide that only damages resulting from faulty workmanship stemming from an occurrence formed covered losses. No precedent existed prior to Newman to reveal the categories. Just as in other states, this post verdict subsequent action is the proper means to analyze damages to determine the covered and non-covered losses.

The categories suggested by Newman cannot be addressed in the underlying action. To do so creates divergent interests between insured and insurer in the same action. For example, Riverwalk HOA and Magnolia North HOA offered testimony that the windows were intentionally installed incorrectly and that the Heritage entities had full knowledge. The lawyers providing a defense to the insured would never agree. However, the lawyers asserting the insurer's interest would want to strengthen the issue. Those interests are divergent and may not proceed in the same action. There are many other examples.

The burden of proof is on the insured to prove that a covered loss exists. An insurer need only show that part of a general verdict is not covered and there is no coverage. Case law exists on the shifting of the burden to the insurer and shifting back to the insured depending on the facts specific to each case. In this matter the parties would have been required to speculate at their own risk as to what to ask the jury. To include all insurance issues in the underlying action would not have been fair to the insured. A post judgment analysis is the only means for these two matters to determine coverage issues and the extent of coverage for each verdict.

In the underlying action, the insured and the Riverwalk HOA offered repair cost testimony that did not break down the cost into categories of repairing improperly constructed work and repairing damage that resulted from the improperly constructed work. The evidence in the underlying trial is lacking as indicated in the deposition of Drew Brown, the HOA expert.

The only method for the insurer to categorize the verdict in the underlying action would be to be a named party and raise all of the insurance issues, both known and unknown, and offer testimony of the cost under both the insured's cost estimate and the

Riverwalk HOA's estimate of a breakdown between cost of repairing improperly performed work and the cost of damages resulting from an occurrence and improperly performed work. To do so, the carrier would be offering testimony adverse to its own insured in the underlying action. To do so is violative of South Carolina law as is found in Sims v. Nationwide. Harleysville attempted to intervene in the Gardens At Cypress Bay action. Opposing counsel and insured counsel asserted that to intervene would be bad faith because it would hurt the insured. Insured counsel would not perform the insurance carrier's function in the underlying action because it would be detrimental to the insured.

41. In reference to paragraph 31 of the Complaint, and its sub-parts, for each sub-part set forth what you contend are the costs allocated by the Jury for the work described in each of the sub-paragraphs in paragraph 31.

ANSWER: **The jury did not allocate damages. This information is one of the bases of this action and will be determined through the discovery process. Just as in the underlying action it took the HOA many years to establish a repair estimate, Harleysville has the right to fully analyze the evidence and obtain expert testimony to conduct an analysis to determine the values to be placed into each category. Case law supports the allocation process in a subsequent declaratory judgment action.**

The court will be presented with evidence, the trial transcripts, testimony from witnesses and expert witness testimony showing the facts of the underlying case that supported the damage verdict. The court will then have the ability to perform an analysis to determine the breakdown and cost analysis showing the dollar value of the cost of repairing improper workmanship and the cost of repairing the resulting damage. The

court will be performing a function very similar to the court's analysis in any contribution among joint tortfeasors action.

The insured and Harleysville had an understanding and agreement that all coverage issues would be decided in a subsequent action. Unlike the Newman matter, this matter has a full transcript. Unlike Newman, the purpose of this action is to determine the breakdown of damages. All evidence will be presented in full or summary fashion to allow the trier of fact to perform the analysis. The jury or trier of fact in this matter can review the transcript, expert testimony, new testimony of the expert witnesses, new expert witnesses who will give an opinion regarding the allocation of cost. The calculation is relatively simple once the testimony has been reviewed. The insured and Harleysville agree that this is the best method to determine how much, if any of the verdict is covered. The purpose of this declaratory judgment action is to allocate damages in a previously agreed upon method between insured and insurer and cannot be disturbed by the interests of other parties such as Riverwalk HOA. The allocation determination in this matter is very similar in many respects to the method used by the court to allocate a general verdict between joint tortfeasors under the Contribution Among Joint Tortfeasors Act. The trier of fact will review the evidence of the trial, the new evidence to supplement the missing information from the trial and will make a determination between cost of repairing faulty workmanship and the cost or repairing damaged work resulting from what it determines to be an occurrence. The court's declaration will simply show the amount of covered loss, if any, and the amount of non-covered loss, if any.

42. In reference to paragraph 32(c) of the Complaint, set forth your contention as to how an expert witness could determine a breakdown for the Jury's verdict into the proper categories of damages.

ANSWER: **The expert will view the trial testimony, testimony of expert witnesses, discovery information received from the expert witnesses including information from subpoenas and depositions, and an analysis from the expert to break down the damages into costs of repairing improperly performed work and the cost of damages resulting from an occurrence and improperly performed work.**

The experts named by Harleysville have nearly completed the analysis. Said analysis will be produced upon receipt indicating a breakdown of costs.

43. In reference to paragraph 32(d) of the Complaint, set forth the name of any fact witness(s) that would explain a breakdown of the Jury's verdict into the proper categories of damages and the method that could be used to accomplish same.

ANSWER: **Drew Brown, Al Best, Steve Watkins, Allen Campbell, Tom Carlson, Skip Lewis, Frank "Tripp" Baiden and Sydney Mathis.**

44. In reference to paragraph 34(a) of the Complaint, set forth what you contend the Jury in the underlying actions allocated to the costs associated with removing undamaged portions of the building to reach the defective work and those portions of the building damaged resulting from defective work.

ANSWER: **The jury did not allocate in the underlying action. The point of this action is that the jury in the underlying action did not allocate. No allocation was known to the parties because the allocation mandate from Newman had not yet been established. No case law existed to show that a cost analysis and breakdown should have been conducted.**

For reasons set forth above, there is no means available in the underlying action to address the breakdown issue. To do so would require the insurance company to present evidence in the underlying action adverse to its insured which would only act to increase the verdict. This is not permitted and would expose the insured to a greater verdict. This action is the appropriate forum to examine the verdict and reach a conclusion as to the value of the verdict associated with a cost breakdown for repairing improper work and repairing resulting damages.

45. In reference to paragraph 34(b) of the Complaint, set forth the costs that the Jury in the underlying actions allocated to costs associated with repairing defective work or faulty workmanship of any kind.

ANSWER: **The point of this action is that the jury in the underlying action did not allocate. No allocation was known to the parties because the allocation mandate from Newman had not yet been established. No case law existed to show that a cost analysis and breakdown should have been conducted. For reasons set forth above, there is no means available in the underlying action to address the breakdown issue. To do so would require the insurance company to present evidence in the underlying action adverse to its insured which would only act to increase the verdict. This is not permitted and would expose the insured to a greater verdict. This action is the appropriate forum to examine the verdict and reach a conclusion as to the value of the verdict associated with a cost breakdown for repairing improper work and repairing resulting damages.**

46. In connection with paragraph 34(c) of the complaint, set forth what the costs that the Jury in the underlying actions allocated to costs associated with repairing the defective work or faulty workmanship that led to the resulting damage.

ANSWER: The point of this action is that the jury in the underlying action did not allocate. No allocation was known to the parties because the allocation mandate from Newman had not yet been established. No case law existed to show that a cost analysis and breakdown should have been conducted. For reasons set forth above, there is no means available in the underlying action to address the breakdown issue. To do so would require the insurance company to present evidence in the underlying action adverse to its insured which would only act to increase the verdict. This is not permitted and would expose the insured to a greater verdict. This action is the appropriate forum to examine the verdict and reach a conclusion as to the value of the verdict associated with a cost breakdown for repairing improper work and repairing resulting damages.

47. Relative to paragraph 34(d) of the Complaint, set forth what you contend were the costs allocated by the Jury in the underlying actions to the costs associated with replacing undamaged portions of the building after the defective work has been removed and after the damages resulting from the defective work had been repaired.

ANSWER: This information is one of the bases of this action and will be determined through the discovery process. Just as in the underlying action it took the HOA many years to establish a repair estimate, Harleysville has the right to fully analyze the evidence and obtain expert testimony to conduct an analysis to determine the values to be placed into each category.

The court will be presented with evidence, the trial transcripts, testimony from witnesses and expert witness testimony showing the facts of the underlying case that supported the damage verdict. The court will then have the ability to perform an analysis to determine the breakdown and cost analysis showing the dollar value of the cost of

repairing improper workmanship and the cost of repairing the resulting damage. The court will be performing a function very similar to the court's analysis in any contribution among joint tortfeasors action.

The insured and Harleysville had an understanding and agreement that all coverage issues would be decided in a subsequent action. Unlike the Newman matter, this matter has a full transcript. Unlike Newman, the purpose of this action is to determine the breakdown of damages. All evidence will be presented in full or summary fashion to allow the trier of fact to perform the analysis. The jury or trier of fact in this matter can review the transcript, expert testimony, new testimony of the expert witnesses, new expert witnesses who will give an opinion regarding the allocation of cost. The calculation is relatively simple once the testimony has been reviewed. The insured and Harleysville agree that this is the best method to determine how much, if any of the verdict is covered. The purpose of this declaratory judgment action is to allocate damages in a previously agreed upon method between insured and insurer and cannot be disturbed by the interests of other parties such as Riverwalk HOA. The allocation determination in this matter is very similar in many respects to the method used by the court to allocate a general verdict between joint tortfeasors under the Contribution Among Joint Tortfeasors Act. The trier of fact will review the evidence of the trial, the new evidence to supplement the missing information from the trial and will make a determination between cost of repairing faulty workmanship and the cost or repairing damaged work resulting from what it determines to be an occurrence. The court's declaration will simply show the amount of covered loss, if any, and the amount of non-covered loss, if any.

48. Produce copies of any emails or correspondence between Robert Calamari or other counsel, agents or employees of Harleysville and Collins & Lacy Law Firm *in re* the underlying action.

ANSWER: **Harleysville objects to this request on the basis of work product privilege, attorney client privilege and that the information contained in any emails is not relevant and not likely to lead to discoverable information. Riverwalk HOA and Magnolia North HOA are not parties to the contract of insurance and are not entitled to any such information. The information contained in emails is not the subject of any cause of action or defense in any of the pleadings. Any emails between Robert Calamari and Eric Fosmire or Steve Brown are privileged as work product and have no bearing on the issues involved in this coverage action. All are protected by work product and attorney client privilege. All information requested is work product and attorney client privilege and important to the appeal pending in the underlying action and cannot be produced. Without waiving any objection, counsel is in possession of three emails prior to trial verdict that have been produced.**

49. Produce copies of any emails between Robert Calamari or other counsel, agents or employees of Harleysville and the Heritage entities or their counsel, *in re* the underlying action.

ANSWER: **Harleysville objects on the basis of work-product privilege, attorney client privilege and that the requested information is unlikely to lead to discoverable information. Riverwalk HOA is not a party to the contract of insurance so it is not entitled to any such information. The information contained in emails is not the subject of any cause of action or defense in any of the pleadings.**

50. Produce copies of all Harleysville inter-company emails, documents or correspondence in re the denial of claims of the Plaintiffs in the underlying action.

ANSWER: Harleysville objects on the basis of work-product privilege, attorney client privilege and that the requested information is unlikely to lead to discoverable information. Riverwalk HOA is not a party to the contract of insurance so it is not entitled to any such information. The information contained in emails is not the subject of any cause of action or defense in any of the pleadings.

51. Produce copies of any statements taken from the named insureds.

ANSWER: Attached is an affidavit of Roger Van Wie who is a shareholder of the Heritage entities. No statements have been taken from any other insureds.

52. Produce a copy of any reservation of rights letters sent to the named insureds.

ANSWER: Attached. There seem to be missing RORs. Harleysville will testify that the missing RORs were sent but we are unable to produce a copy. At all times, the insured representatives were aware that Harleysville had reserved its rights on all matters including those where we are unable to locate the RORs.

53. Produce a complete copy of the following policies with all amendments, endorsements and documents pertaining thereto:

a) MPA4D4650 6/18/97 – 6/18/01

b) BE – 4D4650 6/18/97 – 6/18/01

c) MPA3D9529 8/03/96 – 8/03/99

d) 3D9529 8/03/99 – 8/03/01

ANSWER: All policies have been produced.

Harleysville reserves the right to update these responses as information becomes available. Harleysville has opened its files to counsel for Riverwalk and Magnolia North. In many instances, counsel for Riverwalk and Magnolia North is in possession of much more detailed information that counsel for Harlesyville. All policies have been produced. All other relevant material is found in the trial transcripts which are in possession of counsel for Riverwalk and Magnolia North. The expert information being compiled by Mr. Baiden and Mr. Mathis is nearly completed and will be submitted upon receipt.

McANGUS, GOUDELOCK & COURIE, LLC

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October 15, 2010

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December 11, 2003

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Heritage Communities, Inc.
4728 Jenn Drive
Myrtle Beach, SC 29577

VIA REGULAR AND CERTIFIED MAIL

RE: Magnolia North Property Owners' Assoc., Inc. v. Heritage Communities, Inc., et al.,
Horry County, SC, Docket # 03-CP-26-3202

Named Insured: Heritage Communities, Inc.

Claim #: H0 46 7067

Ladies and Gentlemen:

The above-referenced claim was reported to Harleysville Mutual Insurance Company (HMIC) for indemnity and defense by Heritage Communities, Inc. (Heritage). This letter is addressed to you as a representative and/or principal of Heritage, or because you are counsel to either Heritage or a representative or principal of Heritage.

HMIC will provide a defense to Heritage under a full reservation of rights as explained below. HMIC has assigned defense counsel to Heritage, namely, Edward D. Buckley, Jr., of Young, Clement, Rivers & Tisdale. Mr. Buckley's telephone number is 843-724-6686.

Heritage may be referred to below as "you" or "your."

COMPLAINT

The complaint filed against you alleges that you were involved in the design and construction of the Magnolia North condominium development project, and that problems with water infiltration have occurred for which you and others are responsible. The causes of action against you sound in negligence, gross negligence, willfulness and wantonness, and breach of express and implied warranties. Compensatory and punitive damages are sought from you.

APPLICABLE POLICIES

The following HMIC policies may be applicable to this claim. See policy declarations and forms for further explanation of effective dates and liability limits.

Primary Coverages (with effective dates and liability limits):

OP3D9529	8/3/98 to 8/3/99	$1 million per occurrence/ $2 million in the aggregate, where applicable
OP3D9529	8/3/99 to 8/3/00	$1 million per occurrence/ $2 million in the aggregate, where applicable

Excess Coverages:

BEC3D9529	8/3/98 to 8/3/99	$4 million
BEC3D9529	8/3/99 to 11/29/99	$4 million

(Heritage also had an "Excess and Umbrella" policy in effect from 11/29/99 to 7/9/00 with another carrier, Fireman's Fund. Questions regarding that policy should be directed to Fireman's Fund, c/o Janice Johnson, PO Box 740010, Atlanta, GA 30374-0010, phone 678-393-4000.)

PRIMARY COVERAGE POLICY PROVISIONS

Pertinent portions of the relevant policy of insurance include but are not limited to:

[Terms within quotation marks are defined in the policy.]

SECTION I - COVERAGES

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the

insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

1. The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION III);

....

b. This insurance applies to "bodily injury" or "property damage" only if:

(1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory"; and

(2) The "bodily injury" or property damage" occurs during the policy period.

....

2. Exclusions

This insurance does not apply to:

a. Expected or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the reasonable force to protect persons or property.

b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) That the insured would have in the absence of the contract or agreement;

(2) Assumed in a contract or agreement that is an "insured contract," provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement.

....

j. Damage to Property

"Property damage" to:

(1) Property you own, rent, or occupy;

(2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;

(3) Property loaned to you;

(4) Personal property in the care, custody or control of the insured;

(5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or

(6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "product-completed operations hazard".

k. Damage to Your Product:

"Property damage" to "your product" arising out of it or any part of it.

l. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

m. Damage to Impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

n. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "your product";

(2) "Your work", or

(3) "Impaired property";

if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

....

SECTION V – DEFINITIONS

....

2. *"Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.*

....

7. *"Impaired property" means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:*

a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

b. You have failed to fulfill the terms of a contract or agreement;

if such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work"; or

b. Your fulfilling the terms of the contract or agreement.

8. *"Insured contract" means:*

....

f. That part of any other contract or agreement pertaining to your business .... under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

....

12. *"Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.*

....

14. *"Products-completed operations hazard":*

a. *Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:*

(1) *Products that are still in your physical possession; or*

(2) *Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:*

(a) *When all of the work called for in your contract has been completed.*

(b) *When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.*

(c) *When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.*

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

b. *Does not include "bodily injury" or "property damage" arising out of:*

(1) *The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;*

(2) *The existence of tools, uninstalled equipment or abandoned or unused materials; or*

(3) *Products or operations for which the classification, listed in the Declarations or in a policy schedule, states that products- completed operations are subject to the General Aggregate Limit.*

15. *"Property damage" means:*

a. *Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or*

b. *Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.*

....

18. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name;

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and

b. The providing of or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

19. "Your work" means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work"; and

b The providing of or failure to provide warnings or instructions.

See policy forms for other policy provisions which may apply to this claim.

EXCESS COVERAGE POLICY PROVISIONS

This claim may have exposure into your excess layers of coverage.

Pertinent portions of the relevant policy of insurance include but are not limited to:

[Terms within quotation marks are defined in the policy.]

SECTION I – COVERAGE A AND COVERAGE B

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

....

1. INSURING AGREEMENT

We will pay on behalf of the insured the "ultimate net loss" in excess of the "applicable underlying limit" which the insured becomes legally obligated to pay as damages because of:

a. "Bodily injury" or "property damage" covered by this policy and caused by an "occurrence" which occurs during the policy period;

....

2. DEFENSE AND SUPPLEMENTARY PAYMENTS

....

b. We will have the right and duty to defend any "suit" for damages which are payable under Coverages A or B (including damages wholly or partly within the "retained limit") but which are not payable by a policy of "underlying insurance," or any other available insurance, because:

1. Such damages are not covered; or

2. The "underlying insurance" has been exhausted by the payment of claims.

....

d Our right and duty in b. above end when we have used up the "applicable limit of insurance" in the payment of judgment or settlements.

....

3. EXCLUSIONS

This insurance does not apply to:

a. Expected or Intended Injury

"Bodily Injury" or "property damage" expected or intended from the standpoint of the insured. ....

....

4. CONTRACTUAL LIABILITY

"Bodily injury," " property damage," " "personal injury" or "advertising injury" for which the insured assumed liability under a contract or agreement if the damage or injury occurred prior to the effective date of the contract or agreement.

....

i. Damage to Property

"Property damage" to property:

(1) Owned or occupied by or rented to any insured;

(2) Used by any insured; or

(3) In the care, custody or control of any insured or as to which any insured is for any purpose exercising physical control.

....

j. Damage to Your Product

"Property damage" to "your product" arising our of it or any part of it.

k. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

l. Damage to Impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

m. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product;"

(2) "Your work;" or

(3) "Impaired property:"

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

SECTION V- DEFINITIONS

9. *"Impaired property' means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:*

(a) It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

(b) You have failed to fulfill the terms of a contract or agreement;

If such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work;" or

b. Your fulfilling the terms of the contract or agreement.

10. *"Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.*

All damages arising from continuous or repeated exposure to substantially the same general conditions shall be deemed one "occurrence."

13. *"Products-completed operations hazard" includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:*

(1) Products that are still in your physical possession; or

(2) Work that has not been completed or abandoned.

"Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) When that part of the work done at a job site has been put to its intended use by any person or organization other that another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

14. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property; and

b. Loss of use of tangible property that is not physically injured.

All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

....

21. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired;

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product" and

b. The providing or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

22. *"Your work" means:*

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

""Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance, or use of "your work; " and

b. The providing of or failure to provide warnings or instructions.

See policy forms for other policy provisions which may apply to this claim.

RESERVATION OF RIGHTS

This letter is not intended to waive any of HMIC's rights under any HMIC insurance policy or at law relating to this claim or any other claim. HMIC reserves its rights as set forth herein. This reservation of rights includes but is not limited to the following issues:

1) Whether property damage or bodily injury was caused by an occurrence as defined by any policy or policies and happened during an HMIC policy period;

2) Whether notice was provided to HMIC in compliance with the notice provision of the policy or policies;

3) Whether the cooperation clause of any policy or policies has been complied with;

4) Whether the applicable limits of any and all applicable primary or excess policies of insurance have, in fact, been exhausted;

5) Whether or not any exclusion applies to preclude coverage under any policy or policies; and

6) Any additional coverage defenses which may arise during the investigation of this matter.

The complaint filed against you seeks punitive damages. HMIC reserves the right to disclaim coverage for these since under all of your policies, they would not arise from an "occurrence," do not fit the definition of "bodily injury" or "property damage," and/or were "expected and intended" within the meaning of exclusions in the policies.

If there is available to you coverage from any other insurance carrier or source in addition to that provided by HMIC, you should immediately notify the carrier or source of all the facts and

circumstances surrounding this matter, and that you have been named as a defendant in this lawsuit. Please notify HMIC of the name and address of any such other insurance carrier, and of the policy number under which this additional coverage is available to you.

Nothing contained in this letter should be deemed a waiver of the terms or conditions of the HMIC policy. HMIC expressly reserves the right to rely upon any term or condition of the insurance contract or any other ground which may be found to limit or preclude coverage.

In the event that it is determined that there is no coverage for this action under the HMIC policy, HMIC expressly reserves the right to recover the amounts incurred in the defense of this action from you or any of your other insurers that may be liable for these costs.

Please advise us of any information that you have that you believe may affect our determination concerning the coverage available under the HMIC policy.

HMIC's position is based upon the facts which have been made available to it to date. HMIC expressly reserves the right to modify its determination concerning the potential for coverage under this policy if the information developed during our investigation of this claim warrants the modification.

UNINSURED EXPOSURE/ EXCESS POTENTIAL

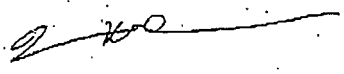
To the extent that you have an uninsured exposure or interest, HMIC recommends that you consider employing your own personal attorney at your own expense to represent such uninsured exposure or interest. The decision as to whether you should employ a personal attorney rests entirely with you.

Heritage and its principals may also have an uninsured exposure or interest to the extent that the amount sought by the plaintiffs or damages that could ultimately be awarded exceed policy limits. HMIC recommends that Heritage and its principals consider employing personal counsel at your/ their own expense to represent such uninsured exposures or interests. The decision as to whether Heritage and/or its principals should employ a personal attorney rests entirely with Heritage and its principals.

Should you have any questions, please do not hesitate to contact me.

Thank you for your consideration.

Very truly yours,



Francis M. Chmielewski, JD, CPCU, ARe
Claims Division Specialist - Specialty Lines
Home Office Claims
HARLEYSVILLE MUTUAL INSURANCE COMPANY

cc: Associated Insurers, Inc.
cc: Edward D. Buckley, Jr., Esq.
cc: Janice Johnson, Fireman's Fund

Francis M. Chmielewski, JD, CPCU, ARe
Claims Division Specialist, Home Office Claims
Phone: (215) 256-5266
Fax: (215) 256-5497
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Harleysville Insurance
355 Maple Ave
Harleysville, PA 19438
(800) 523-6344

December 12, 2003

Roger Van Wie
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Key West, FL 33040

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Key West, FL 33040

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Myrtle Beach, SC 29577

Otis Allen Jeffcoat, III, Esq.
PO Box 3678
Myrtle Beach, SC 29577



VIA REGULAR AND CERTIFIED MAIL

RE: Magnolia North Property Owners' Assoc., Inc. v. Heritage Magnolia North, Inc., et al., Horry County, SC, Docket # 03-CP-26-3202

Named Insured: Heritage Magnolia North, Inc.

Claim #: H0 465978

Ladies and Gentlemen:

The above-referenced claim was reported to Harleysville Mutual Insurance Company (HMIC) for indemnity and defense by Heritage Magnolia North, Inc. (Heritage). This letter is addressed to you as a representative and/or principal of Heritage, or because you are counsel to either Heritage or a representative or principal of Heritage.

HMIC will provide a defense to Heritage under a full reservation of rights as explained below. HMIC has assigned defense counsel to Heritage, namely, Eric G. Fosmire of Collins & Lacy, P.C. Mr. Fosmire's telephone number is 803-256-2660.

Heritage may be referred to below as "you" or "your."

COMPLAINT

The complaint filed against you alleges that you were involved in the design and construction of the Magnolia North condominium development project, and that problems with water infiltration

have occurred for which you and others are responsible. The causes of action against you sound in negligence, gross negligence, willfulness and wantonness, and breach of express and implied warranties. Compensatory and punitive damages are sought from you.

APPLICABLE POLICIES

The following HMIC policies may be applicable to this claim. See policy declarations and forms for further explanation of effective dates and liability limits.

Primary Coverages (with effective dates and liability limits):

MPA0E4290	9/1/98 – 5/19/00	$1 million per occurrence/ $2 million in the aggregate, where applicable

Excess Coverages (with effective dates and liability limits):

BE0E4290	9/1/98 – 11/30/00	$4 million

PRIMARY COVERAGE POLICY PROVISIONS

Pertinent portions of the relevant policy of insurance include but are not limited to:

[Terms within quotation marks are defined in the policy.]

SECTION I - COVERAGES

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

1. The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION III);

....

b. This insurance applies to "bodily injury" or "property damage" only if:

(1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory"; and

(2) The "bodily injury" or property damage" occurs during the policy period.

....

2. Exclusions

This insurance does not apply to:

a. Expected or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the reasonable force to protect persons or property.

b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) That the insured would have in the absence of the contract or agreement;

(2) Assumed in a contract or agreement that is an "insured contract," provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement.

....

j. Damage to Property

"Property damage" to:

(1) Property you own, rent, or occupy;

(2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;

(3) Property loaned to you;

(4) Personal property in the care, custody or control of the insured;

(5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or ___

(6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "product-completed operations hazard".

k. Damage to Your Product:

"Property damage" to "your product" arising out of it or any part of it.

l. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

m. Damage to impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

n. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "your product";

(2) "Your work", or

(3) "Impaired property";

if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

SECTION V – DEFINITIONS

. . . .

2. *"Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.*

. . . .

7. *"Impaired property" means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:*

a. *It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or*

b. *You have failed to fulfill the terms of a contract or agreement;*

if such property can be restored to use by:

a. *The repair, replacement, adjustment or removal of "your product" or "your work"; or*

b. *Your fulfilling the terms of the contract or agreement.*

8. *"Insured contract" means:*

. . . .

f. *That part of any other contract or agreement pertaining to your business . . . . under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.*

. . . .

12. *"Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.*

. . . .

14. *"Products-completed operations hazard":*

a. *Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:*

(1) *Products that are still in your physical possession; or*

(2) Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:

(a) When all of the work called for in your contract has been completed.

(b) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.

(c) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

b. Does not include "bodily injury" or "property damage" arising out of:

(1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;

(2) The existence of tools, uninstalled equipment or abandoned or unused materials; or

(3) Products or operations for which the classification, listed in the Declarations or in a policy schedule, states that products- completed operations are subject to the General Aggregate Limit.

15. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or

b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

. . . .

18. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name;

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and

b. The providing of or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

19. "Your work" means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work"; and

b The providing of or failure to provide warnings or instructions.

See policy forms for other policy provisions which may apply to this claim.

EXCESS COVERAGE POLICY PROVISIONS

This claim may have exposure into your excess layers of coverage.

Pertinent portions of the relevant policy of insurance include but are not limited to:

[Terms within quotation marks are defined in the policy.]

SECTION I – COVERAGE A AND COVERAGE B

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

....

1. INSURING AGREEMENT

We will pay on behalf of the insured the "ultimate net loss" in excess of the "applicable underlying limit" which the insured becomes legally obligated to pay as damages because of:

a. *"Bodily injury" or "property damage" covered by this policy and caused by an "occurrence" which occurs during the policy period;*

....

2. *DEFENSE AND SUPPLEMENTARY PAYMENTS*

....

b. *We will have the right and duty to defend any "suit" for damages which are payable under Coverages A or B (including damages wholly or partly within the "retained limit") but which are not payable by a policy of "underlying insurance," or any other available insurance, because:*

1. *Such damages are not covered; or*

2. *The "underlying insurance" has been exhausted by the payment of claims.*

....

d *Our right and duty in b. above end when we have used up the "applicable limit of insurance" in the payment of judgment or settlements.*

....

3. *EXCLUSIONS*

This insurance does not apply to:

a. *Expected or Intended Injury*

"Bodily Injury" or "property damage" expected or intended from the standpoint of the insured. ....

....

4. *CONTRACTUAL LIABILITY*

"Bodily injury," " property damage," " "personal injury" or "advertising injury" for which the insured assumed liability under a contract or agreement if the damage or injury occurred prior to the effective date of the contract or agreement.

....

i. *Damage to Property*

"Property damage" to property:

(1) Owned or occupied by or rented to any insured;

(2) Used by any insured; or

(3) In the care, custody or control of any insured or as to which any insured is for any purpose exercising physical control.

. . . .

j. Damage to Your Product

"Property damage" to "your product" arising our of it or any part of it.

k. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

l. Damage to Impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

m. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product;"

(2) "Your work;" or

(3) "Impaired property:"

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

....

SECTION V- DEFINITIONS

....

9. *"Impaired property' means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:*

(a) It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

(b) You have failed to fulfill the terms of a contract or agreement;

If such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work;" or

b. Your fulfilling the terms of the contract or agreement.

10. *"Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.*

All damages arising from continuous or repeated exposure to substantially the same general conditions shall be deemed one "occurrence."

....

13. *"Products-completed operations hazard" includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:*

(1) Products that are still in your physical possession; or

(2) Work that has not been completed or abandoned.

"Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) When that part of the work done at a job site has been put to its intended use by any person or organization other that another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

14. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property; and

b. Loss of use of tangible property that is not physically injured.

All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

. . . .

21. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired;

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product" and

b. The providing or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

22. "Your work" means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

""Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance, or use of "your work; " and

b. The providing of or failure to provide warnings or instructions.

See policy forms for other policy provisions which may apply to this claim.

RESERVATION OF RIGHTS

This letter is not intended to waive any of HMIC's rights under any HMIC insurance policy or at law relating to this claim or any other claim. HMIC reserves its rights as set forth herein. This reservation of rights includes but is not limited to the following issues:

1) Whether property damage or bodily injury was caused by an occurrence as defined by any policy or policies and happened during an HMIC policy period;

2) Whether notice was provided to HMIC in compliance with the notice provision of the policy or policies;

3) Whether the cooperation clause of any policy or policies has been complied with;

4) Whether the applicable limits of any and all applicable primary or excess policies of insurance have, in fact, been exhausted;

5) Whether or not any exclusion applies to preclude coverage under any policy or policies; and

6) Any additional coverage defenses which may arise during the investigation of this matter.

The complaint filed against you seeks punitive damages. HMIC reserves the right to disclaim coverage for these since under all of your policies, they would not arise from an "occurrence," do not fit the definition of "bodily injury" or "property damage," and/or were "expected and intended" within the meaning of exclusions in the policies.

If there is available to you coverage from any other insurance carrier or source in addition to that provided by HMIC, you should immediately notify the carrier or source of all the facts and circumstances surrounding this matter, and that you have been named as a defendant in this lawsuit. Please notify HMIC of the name and address of any such other insurance carrier, and of the policy number under which this additional coverage is available to you.

Nothing contained in this letter should be deemed a waiver of the terms or conditions of the HMIC policy. HMIC expressly reserves the right to rely upon any term or condition of the insurance contract or any other ground which may be found to limit or preclude coverage.

In the event that it is determined that there is no coverage for this action under the HMIC policy, HMIC expressly reserves the right to recover the amounts incurred in the defense of this action from you or any of your other insurers that may be liable for these costs.

Please advise us of any information that you have that you believe may affect our determination concerning the coverage available under the HMIC policy.

HMIC's position is based upon the facts which have been made available to it to date. HMIC expressly reserves the right to modify its determination concerning the potential for coverage under this policy if the information developed during our investigation of this claim warrants the modification.

UNINSURED EXPOSURE/ EXCESS POTENTIAL

To the extent that you have an uninsured exposure or interest, HMIC recommends that you consider employing your own personal attorney at your own expense to represent such uninsured exposure or interest. The decision as to whether you should employ a personal attorney rests entirely with you.

Heritage and its principals may also have an uninsured exposure or interest to the extent that the amount sought by the plaintiffs or damages that could ultimately be awarded exceed policy limits. HMIC recommends that Heritage and its principals consider employing personal counsel at your/ their own expense to represent such uninsured exposures or interests. The decision as to whether Heritage and/or its principals should employ a personal attorney rests entirely with Heritage and its principals.

Should you have any questions, please do not hesitate to contact me.

Thank you for your consideration.

Very truly yours,

Kenneth Mayer, CPCU
Claims Division Specialist
Home Office Claims
HARLEYSVILLE MUTUAL INSURANCE COMPANY

cc: Eric G. Fosmire, Esq.

Harleysville

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Harleysville, PA 19438
(800) 523-6344



January 23, 2004

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Jimmy Watson
Heritage Communities, Inc.
4728 Jenn Drive
Myrtle Beach, SC 2957

Heritage Communities,
4728 Jenn Drive
Myrtle Beach, SC 295

VIA REGULAR AND CERTIFIED MAIL

RE: Riverwalk at Arrowhead Country Club POA v. Heritage Communities, [illegible]
County Docket # 03-CP-26-7169

Named Insured: Heritage Communities, Inc.

Claim #: H0 49 4770

Ladies and Gentlemen:

The above-referenced claim was reported to Harleysville Mutual Insurance Company (HMIC) for indemnity and defense by Heritage Communities, Inc. (Heritage). This letter is addressed to you as a representative and/or principal of Heritage, or because you are counsel to either Heritage or a representative or principal of Heritage.

HMIC will provide a defense to Heritage under a full reservation of rights as explained below. HMIC assigned defense counsel to Heritage, namely, Edward D. Buckley, Jr., of Young, Clement, Rivers & Tisdale. Mr. Buckley's telephone number is 843-724-6686.

Heritage may be referred to below as "you" or "your."

PLEADINGS

The Complaint filed against you by the property owners' association alleges that you are responsible for construction defects in the Riverwalk condominium project which have caused damage. It alleges that you were negligent and grossly negligent and in breach of warranties and fiduciary duties in that regard. Compensatory and punitive damages are sought from you.

APPLICABLE POLICIES

The following HMIC policies may be applicable to this claim. Investigation as to which policies are affected is continuing. See policy declarations and forms for further explanation of effective dates and liability limits.

Primary Coverages (with effective dates and liability limits):

GL707244	8/3/94 to 8/3/95	$1 million/ $2 million
MPA704407	8/3/95 to 8/3/96	"
MPA3D9529	8/3/96 to 8/3/97	"
MPA3D9529	8/3/97 to 8/3/98	"
OP3D9529	8/3/98 to 8/3/99	"
OP3D9529	8/3/99 to 8/3/00	"

The policy for the 12/14/94 to 8/3/95 period contained an exclusion for products/ completed operations hazard coverage.)

Excess Coverages:

BEC3D9529	8/3/96 to 8/3/97	$4 million
BEC3D9529	8/3/97 to 8/3/98	"
BEC3D9529	8/3/98 to 8/3/99	"
BEC3D9529	8/3/99 to 11/29/99	"

Heritage also had an "Excess and Umbrella" policy in effect from 11/29/99 to 7/9/00 with another carrier, Fireman's Fund. Questions regarding that policy should be directed to Fireman's Fund. The Fireman's Fund policy number is XYZ 83976811, the claim number is 400 L 01 010761, and the claims specialist is Janice Johnson, telephone number 678-393-4000.)

PRIMARY COVERAGE POLICY PROVISIONS

Your primary coverage policies included, depending on the effective dates, either Commercial General Liability form CG 0001 (Ed. 10/93) or form CG 0001 (Ed. 01/96). The provisions of these two forms as they affect this claim are essentially the same. (See also the aforementioned reservation of rights letter, as well as policy forms, for other policy provisions which may apply to this claim.)

Pertinent portions of the relevant policy of insurance include but are not limited to:

[Terms within quotation marks are defined in the policy.]

SECTION I - COVERAGES

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

1. The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION III);

....

b. This insurance applies to "bodily injury" or "property damage" only if:

(1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory"; and

(2) The "bodily injury" or property damage" occurs during the policy period.

....

2. Exclusions

This insurance does not apply to:

a. Expected or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the reasonable force to protect persons or property.

b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) That the insured would have in the absence of the contract or agreement;

(2) Assumed in a contract or agreement that is an "insured contract," provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement.

. . . .

j. Damage to Property

"Property damage" to:

(1) Property you own, rent, or occupy;

(2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;

(3) Property loaned to you;

(4) Personal property in the care, custody or control of the insured;

(5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or

(6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

. . . .

Paragraph (6) of this exclusion does not apply to "property damage" included in the "product-completed operations hazard".

k. Damage to Your Product:

"Property damage" to "your product" arising out of it or any part of it.

l. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

m. Damage to impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" pr property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

n. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "your product";

(2) "Your work", or

(3) "Impaired property";

if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

SECTION V – DEFINITIONS

2. *"Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.*

7. *"Impaired property" means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:*

a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

b. You have failed to fulfill the terms of a contract or agreement;

if such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work"; or

b. Your fulfilling the terms of the contract or agreement.

8. "Insured contract" means:

. . . .

f. That part of any other contract or agreement pertaining to your business . . . . under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

. . . .

12. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

. . . .

14. "Products-completed operations hazard":

a. Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:

(a) When all of the work called for in your contract has been completed.

(b) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.

(c) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

b. Does not include "bodily injury" or "property damage" arising out of:

(1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;

(2) The existence of tools, uninstalled equipment or abandoned or unused materials; or

(3) Products or operations for which the classification, listed in the Declarations or in a policy schedule, states that products- completed operations are subject to the General Aggregate Limit.

15. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or

b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

. . . .

18. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name;

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and

b. The providing of or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

19. "Your work" means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work"; and

c. The providing of or failure to provide warnings or instructions.

EXCESS COVERAGE POLICY PROVISIONS

Investigation reveals that this claim may have exposure into your excess layers of coverage. Your excess policies included, depending on the effective dates, either Commercial Blanket Excess Liability Policy form PT 0401 (Ed. 08/87) or Commercial Umbrella Liability Policy form PT 0410 (Ed. 09/97). The provisions of these two forms as they affect this claim are essentially the same.

Pertinent portions of the relevant policy of insurance include but are not limited to:

[Terms within quotation marks are defined in the policy.]

SECTION I – COVERAGE A AND COVERAGE B

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

. . . .

1. *INSURING AGREEMENT*

We will pay on behalf of the insured the "ultimate net loss" in excess of the "applicable underlying limit" which the insured becomes legally obligated to pay as damages because of:

a. *"Bodily injury" or "property damage" covered by this policy and caused by an "occurrence" which occurs during the policy period;*

. . . .

2. *DEFENSE AND SUPPLEMENTARY PAYMENTS*

. . . .

c. *We will have the right and duty to defend any "suit" for damages which are payable under Coverages A or B (including damages wholly or partly within the "retained limit") but which are not payable by a policy of "underlying insurance," or any other available insurance, because:*

1. *Such damages are not covered; or*

2. *The "underlying insurance" has been exhausted by the payment of claims.*

. . . .

d. *Our right and duty in b. above end when we have used up the "applicable limit of insurance" in the payment of judgment or settlements.*

. . . .

3. *EXCLUSIONS*

This insurance does not apply to:

a. *Expected or Intended Injury*

"Bodily Injury" or "property damage" expected or intended from the standpoint of the insured. . . .

. . . .

e. *CONTRACTUAL LIABILITY*

"Bodily injury," " property damage," " "personal injury" or "advertising injury" for which the insured assumed liability under a contract or agreement if the damage or injury occurred prior to the effective date of the contract or agreement.

. . . .

l. Damage to Property

"Property damage" to property:

(1) Owned or occupied by or rented to any insured;

(2) Used by any insured; or

(3) In the care, custody or control of any insured or as to which any insured is for any purpose exercising physical control.

. . . .

j. Damage to Your Product

"Property damage" to "your product" arising our of it or any part of it.

k. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

l. Damage to Impaired Property or P{property Not Physically Injured
"Property damage" to "impaired property" or property that has not been physically injured arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

m. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product;"

(2) "Your work;" or

(3) "Impaired property:"

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

....

SECTION V- DEFINITIONS

---

9. "Impaired property' means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:

(a) It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

(b) You have failed to fulfill the terms of a contract or agreement;

If such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work;" or

b. Your fulfilling the terms of the contract or agreement.

10. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

All damages arising from continuous or repeated exposure to substantially the same general conditions shall be deemed one "occurrence."

. . . .

13. *"Products-completed operations hazard" includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:*

(1) Products that are still in your physical possession; or

(2) Work that has not been completed or abandoned.

"Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) When that part of the work done at a job site has been put to its intended use by any person or organization other that another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

14. *"Property damage" means:*

a. *Physical injury to tangible property, including all resulting loss of use of that property; and*

b. *Loss of use of tangible property that is not physically injured.*

All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

. . . .

21. *"Your product" means:*

a. *Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:*

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired;

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product" and

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22. "Your work" means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

""Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance, or use of "your work; " and

b. The providing of or failure to provide warnings or instructions.

See policy forms for other policy provisions which may apply to this claim.

RESERVATION OF RIGHTS

This letter is not intended to waive any of HMIC's rights under any HMIC insurance policy or at law. HMIC continues to reserve it rights as set forth in its prior reservation of rights, and as set forth herein, including but not limited to the following issues:

1) Whether property damage or bodily injury was caused by an occurrence as defined by any policy or policies and happened during an HMIC policy period;

2) Whether notice was provided to HMIC in compliance with the notice provision of the policy or policies;

3) Whether the cooperation clause of any policy or policies has been complied with;

4) Whether the applicable limits of any and all applicable primary or excess policies of insurance have, in fact, been exhausted;

5) Whether or not any exclusion applies to preclude coverage under any policy or policies; and

6) Any additional coverage defenses which may arise during the investigation of this matter.

The pleadings seek punitive damages. HMIC reserves the right to disclaim coverage for these since under all of your policies, they would not arise from an "occurrence," do not fit the definition of "bodily injury" or "property damage," and/or were "expected and intended" within the meaning of exclusions in the policies.

If there is available to you coverage from any other insurance carrier or source in addition to that provided by HMIC, you should immediately notify the carrier or source of all the facts and circumstances surrounding this matter, and that you have been named as a defendant in this lawsuit. Please notify HMIC of the name and address of any such other insurance carrier, and of the policy number under which this additional coverage is available to you.

Nothing contained in this letter should be deemed a waiver of the terms or conditions of the HMIC policy. HMIC expressly reserves the right to rely upon any term or condition of the insurance contract or any other ground which may be found to limit or preclude coverage.

In the event that it is determined that there is no coverage for this action under the HMIC policy, HMIC expressly reserves the right to recover the amounts incurred in the defense of this action from you or any of your other insurers that may be liable for these costs.

Please advise us of any information that you have that you believe may affect our determination concerning the coverage available under the HMIC policy.

HMIC's position is based upon the facts which have been made available to it to date. HMIC expressly reserves the right to modify its determination concerning the potential for coverage under this policy if the information developed during our investigation of this claim warrants the modification.

UNINSURED EXPOSURE AND EXCESS POTENTIAL

To the extent that you have an uninsured exposure or interest, HMIC recommends that you consider employing your own personal attorney at your own expense to represent such uninsured exposure or interest. The decision as to whether you should employ a personal attorney rests entirely with you.

Heritage and its principals may also have an uninsured exposure or interest to the extent that the amount sought by the plaintiffs or damages that could ultimately be awarded exceed policy limits. HMIC recommends that Heritage and its principals consider employing personal counsel at your/ their own expense to represent such uninsured exposures or interests. The decision as to whether Heritage and/or its principals should employ a personal attorney rests entirely with Heritage and its principals.

Thank you for your consideration.

Very truly yours,

Francis M. Chmielewski, JD, CPCU, ARe
Claims Division Specialist - Specialty Lines
Home Office Claims
HARLEYSVILLE MUTUAL INSURANCE COMPANY

cc: Associated Insurers, Inc.
cc: Edward D. Buckley, Jr., Esq.
cc: Janice Johnson, Fireman's Fund
cc: John Choate, Esq.

Sincerely,

Anna M. Torres
Claims Specialist
NATIONAL SURETY
FIREMAN'S FUND INSURANCE COMPANY
SOUTHWEST FIELD CLAIM REGION

cc:
Heritage Communities
4728 Jenn Drive
Myrtle Beach, SC 29577

Associated Insurors, Inc.
P.O. Drawer 7188
Myrtle Beach, SC 29572

Attn: Jennifer Roth, Esq.
Law Offices of Collins & Lacy
P.O.Box 12487
Columbia, SC 29211

Harleysville.
Good people to know

Harleysville Insurance
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Harleysville, PA 19438

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January 27, 2004

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Jimmy Watson
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Buildstar Corporation
4728 Jenn Drive
Myrtle Beach, SC 29577

RE: Insured: Buildstar Corporation
Suit: Riverwalk At Arrowhead Country Club Property Owners' Association, Inc., vs. Heritage Communities, Inc., Heritage Riverwalk, Inc., Buildstar Corporation, Right Way Construction, Inc., Pegram Associates, Inc., Tuscan Architectural Group, Inc. and Louisiana-Pacific Corporation, Court of Common Pleas, 15th Judicial Circuit, County of Horry, SC, Case No. 03-CP-26-7169
Claim No.: H0-494578

Ladies and Gentlemen:

The above-referenced claim was reported to Harleysville Mutual Insurance Company (HMIC) for indemnity and defense of Buildstar Corporation (Buildstar). This letter is addressed to you as a representative and/or principal of Buildstar, or because you are counsel to either Buildstar or a representative or principal of Buildstar.

HMIC will provide a defense to Buildstar under a full reservation of rights as explained below. HMIC has assigned defense counsel to Buildstar, namely, William E. Lawson, of Lawson & Associates, P.C. Mr. Lawson's telephone number is 843-626-7887.

Buildstar may be referred to below as "you" or "your."

* * *

COMPLAINT

The complaint filed against you alleges that you were involved in the design and construction of the Riverwalk At Arrowhead Country Club development project and that problems with construction defects and water infiltration have occurred for which you and others are responsible. The causes of action against you sound in negligence, gross negligence, willfulness and wantonness, and breach of express and implied warranties. Compensatory and punitive damages are sought from you.

APPLICABLE POLICIES

The following HMIC policies may be applicable to this claim. See policy declarations and forms for further explanation of effective dates and liability limits.

Primary Coverages (with effective dates and liability limits):

CB1D6198	4/1/97 to 8/1/00	$1 million per occurrence/ $2 million in the aggregate, where applicable

Excess Coverages:

BEC1D6198	4/1/97 to 8/1/00	$1 million

PRIMARY COVERAGE POLICY PROVISIONS

[Terms within quotation marks are defined in the policy.]

The following HMIC policies may be applicable to this claim. See policy declarations and forms for further explanation of effective dates and liability limits.

Section II – Business Owners Liability Coverage

A. Coverage

1. Business Liability

We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury," "property damage," "personal injury" or "advertising injury" to which this insurance applies. No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under COVERAGE EXTENSION - SUPPLEMENTARY PAYMENTS.

(a) This insurance applies only:

(1) To "bodily injury" or "property damage:"
(a) That occurs during the policy period; and

(b) That is caused by an "occurrence." The "occurrence" must take place in the "coverage territory."

* * *

B. Exclusions

1. Applicable to Business Liability Coverage - This insurance does not apply to:

a. "Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the reasonable force to protect persons or property.

b. "Bodily injury" or "property damage" for which the insured is obligated to pay damages by the reasons of the assumption of liability in contract or agreement. This exclusion does not apply to liability for damages:

(1) assumed in a contractor agreement that is an "insured contract;" or

(2) that the insured would have in the absence of the contract or agreement.

k. "Property Damage" to

(1) Property you own, rent or occupy;

(2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;

(3) Property loaned to you;

(4) Personal property in the care, custody or control;

(5) That particular part of real property on which you or any contractor or subcontractor working directly or indirectly on your behalf is performing operations, if the "property damage" arises out of those operations; or

(6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "product-completed operations hazard".

l. "Property damage" to "your product" arising out of it or any part of it.

m. "Property damage" to "your work" arising out of it or any part of it and included in the "products completed-operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

n. "Property Damage" to "impaired property" or property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

o. Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product";

(2) "Your work", or

(3) "Impaired property";

if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

* * *

F. LIABILITY AND MEDICAL EXPENSES DEFINITIONS

5. "Impaired Property" means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:

a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

b. You have failed to fulfill the terms of a contract or agreement;
If such property can be restored to use by:

(1) The repair, replacement, adjustment or removal of "your product" or "your work;" or
(2) Your fulfilling the terms of the contract or agreement.

6. "Insured Contract" means:

g. That part of any other contract or agreement pertaining to your business under which you assume the tort liability of another to pay damages because of "bodily injury" or "property damage" to a third person or organization, if the contract or agreement is made prior to the "bodily injury" or "property damage." Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

An "insured contract" does not include that part of any contract or agreement:

(1) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:

(a) Preparing, approving or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications; or

(b) Giving directions or instructions, or failing to give them, if that is the primary cause of injury or damage.

(2) Under which the insured, if an architect, engineer or surveyor, assumes liability for injury or damage arising out of the insured's rendering or failure to render professional services, including those listed in (a) above and supervisory, inspection or engineering services; or

(3) That indemnifies any person or organization for damage by fire or explosion to premises rented or loaned to you.

9. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions

11. a. "Products – Completed Operations Hazard: includes all "bodily injury" and "property damage" arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not yet been completed or abandoned.

The "bodily injury" or "property damage" must occur away from premises you own or rent, unless your business includes the selling, handling or distribution of "your product" for consumption on premises you own or rent.

b. "Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) When the part of the work done at the site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

c. This hazard does not include "bodily injury" or "property damage" arises out of:

(1) The transportation of property, unless the injury or damage arising out of a condition in or on a vehicle created by the "loading of unloading" of it; or

(2) The existence of tools, uninstalled equipment or abandoned or unused materials.

12. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property; or

b. Loss of use of tangible property that is not physically injured.

14. "Your Product" means:

a. Any goods or products, other than real property, manufactured, sold handled, distributed or disposed of by :

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials parts or equipment furnished in connection with such goods or products.

"Your product" includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any items included in a. and b. above.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

15. "Your work" means:

a. Work or operation performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any items included in a . and b. above.

See policy forms for other policy provisions which may apply to this claim.

EXCESS COVERAGE POLICY PROVISIONS

This claim may have exposure into your excess layers of coverage.

Pertinent portions of the relevant policy of insurance include but are not limited to:

[Terms within quotation marks are defined in the policy.]

SECTION I – COVERAGE A AND COVERAGE B

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY. . . .

1. INSURING AGREEMENT

We will pay on behalf of the insured the "ultimate net loss" in excess of the "applicable underlying limit" which the insured becomes legally obligated to pay as damages because of:

a. "Bodily injury" or "property damage" covered by this policy and caused by an "occurrence" which occurs during the policy period;

2. DEFENSE AND SUPPLEMENTARY PAYMENTS. . . .

b. We will have the right and duty to defend any "suit" for damages which are payable under Coverages A or B (including damages wholly or partly within the "retained limit") but which are not payable by a policy of "underlying insurance," or any other available insurance, because:

1. Such damages are not covered; or

2. The "underlying insurance" has been exhausted by the payment of claims.

d. Our right and duty in b. above end when we have used up the "applicable limit of insurance" in the payment of judgment or settlements.

* * *

3. EXCLUSIONS

This insurance does not apply to:

a. Expected or Intended Injury

"Bodily Injury" or "property damage" expected or intended from the standpoint of the insured.

e. Contractual Liability

"Bodily injury," "property damage," "personal injury" or "advertising injury" for which the insured assumed liability under a contract or agreement if the damage or injury occurred prior to the effective date of the contract or agreement.

l. Damage to Property

"Property damage" to property:

(1) Owned or occupied by or rented to any insured;

(2) Used by any insured; or

(3) In the care, custody or control of any insured or as to which any insured is for any purpose exercising physical control.

j. Damage to Your Product

"Property damage" to "your product" arising out of it or any part of it.

k. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

l. Damage to Impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

m. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product;"

(2) "Your work;" or

(3) "Impaired property:"

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

* * *

SECTION V- DEFINITIONS

8. "Impaired property' means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:

(a) It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

(b) You have failed to fulfill the terms of a contract or agreement;

If such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work;" or

b. Your fulfilling the terms of the contract or agreement.

10. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

All damages arising from continuous or repeated exposure to substantially the same general conditions shall be deemed one "occurrence."

13. "Products-completed operations hazard" includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not been completed or abandoned.

"Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

14 "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property; and

b. Loss of use of tangible property that is not physically injured.

All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

21. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired;

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product" and

b. The providing or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

22. "Your work" means:

a. Work or operations performed by you or on your behalf; and
b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance, or use of "your work; " and

b. The providing of or failure to provide warnings or instructions.

See policy forms for other policy provisions which may apply to this claim.

RESERVATION OF RIGHTS

This letter is not intended to waive any of HMIC's rights under any HMIC insurance policy or at law relating to this claim or any other claim. HMIC reserves its rights as set forth herein. This reservation of rights includes but is not limited to the following issues:

1) Whether property damage or bodily injury was caused by an occurrence as defined by any policy or policies and happened during an HMIC policy period;

2) Whether notice was provided to HMIC in compliance with the notice provision of the policy or policies;

3) Whether the cooperation clause of any policy or policies has been complied with;

4) Whether the applicable limits of any and all applicable primary or excess policies of insurance have, in fact, been exhausted;

5) Whether or not any exclusion applies to preclude coverage under any policy or policies; and

6) Any additional coverage defenses which may arise during the investigation of this matter.

The complaint filed against you seeks punitive damages. HMIC reserves the right to disclaim coverage for these since under all of your policies, they would not arise from an "occurrence," do not fit the definition of "bodily injury" or "property damage," and/or were "expected and intended" within the meaning of exclusions in the policies.

If there is available to you coverage from any other insurance carrier or source in addition to that provided by HMIC, you should immediately notify the carrier or source of all the facts and circumstances surrounding this matter, and that you have been named as a defendant in this lawsuit. Please notify HMIC of the name and address of any such other insurance carrier, and of the policy number under which this additional coverage is available to you.

Nothing contained in this letter should be deemed a waiver of the terms or conditions of the HMIC policy. HMIC expressly reserves the right to rely upon any term or condition of the insurance contract or any other ground which may be found to limit or preclude coverage.

In the event that it is determined that there is no coverage for this action under the HMIC policy, HMIC expressly reserves the right to recover the amounts incurred in the defense of this action from you or any of your other insurers that may be liable for these costs.

Please advise us of any information that you have that you believe may affect our determination concerning the coverage available under the HMIC policy.

HMIC's position is based upon the facts which have been made available to it to date. HMIC expressly reserves the right to modify its determination concerning the potential for coverage under this policy if the information developed during our investigation of this claim warrants the modification.

UNINSURED EXPOSURE/ EXCESS POTENTIAL

To the extent that you have an uninsured exposure or interest, HMIC recommends that you consider employing your own personal attorney at your own expense to represent such uninsured exposure or interest. The decision as to whether you should employ a personal attorney rests entirely with you.

Buildstar and its principals may also have an uninsured exposure or interest to the extent that the amount sought by the plaintiffs or damages that could ultimately be awarded exceed policy limits. HMIC recommends that Buildstar and its principals consider employing personal counsel at your/ their own expense to represent such uninsured exposures or interests. The decision as to whether Buildstar and/or its principals should employ a personal attorney rests entirely with Buildstar and its principals.

Should you have any questions, please do not hesitate to contact me.

Very truly yours,

Wayne C. Moore
Environmental Litigation Specialist
/wcm

cc: William E. Lawson, Esquire
Lawson & Associates, P.C.
2110 Oak Street
First Union Building
Myrtle Beach, SC 29577

Associated Insurers, Inc.
PO Box 7188
Myrtle Beach, SC 29572

Kenneth Mayer, CPCU
Claims Division Specialist, Home Office Claims
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355 Maple Ave
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February 9, 2004

Roger Van Wie
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34 Floral Avenue
Key West, FL 33040

Jack L. Green, Jr.
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Susan Hinton
1415 48th Avenue, North
Myrtle Beach, SC 29577

Otis Allen Jeffcoat, III, Esq.
PO Box 3678
Myrtle Beach, SC 29577



VIA REGULAR AND CERTIFIED MAIL

RE: Riverwalk at Arrowhead Country Club POA Inc. v. Heritage Riverwalk Inc., et al., Horry County, SC, Docket # 03-CP-26-7169

Named Insured: Heritage Riverwalk, Inc.

Claim #: H0 496785

Ladies and Gentlemen:

The above-referenced claim was reported to Harleysville Mutual Insurance Company (HMIC) for indemnity and defense by Heritage Riverwalk, Inc. (Heritage). This letter is addressed to you as a representative and/or principal of Heritage, or because you are counsel to either Heritage or a representative or principal of Heritage.

HMIC will provide a defense to Heritage under a full reservation of rights as explained below. HMIC has assigned defense counsel to Heritage, namely, Eric G. Fosmire of Collins & Lacy, P.C. Mr. Fosmire's telephone number is 803-256-2660.

Heritage may be referred to below as "you" or "your."

COMPLAINT

The complaint filed against you alleges that you were involved in the development and/or design and/or construction of the Riverwalk At Arrowhead Country Club condominium development

project, and that construction defects led to moisture intrusion problems resulting in damage for which you and others are responsible. The causes of action against you include negligence, gross negligence, willfulness and wantonness, and breach of express and implied warranties. Compensatory and punitive damages are sought from you.

APPLICABLE POLICIES

The following HMIC policies may be applicable to this claim. See policy declarations and forms for further explanation of effective dates and liability limits.

Primary Coverages (with effective dates and liability limits):

MPA4D4650	6/18/97 - 6/18/98	$1 million/occurrence, $2 million aggregate
	6/18/98 – 6/18/99	$1 million/occurrence, $2 million aggregate
	6/18/99 – 6/18/00	$1 million/occurrence, $2 million aggregate
	6/18/00 – 6/18/01	$1 million/occurrence, $2 million aggregate

Excess Coverages (with effective dates and liability limits):

BE-4D4650	6/18/97 – 6/18/98	$4 million
	6/18/98 – 6/18/99	$4 million
	6/18/99 – 6/18/00	$4 million
	6/18/00 – 6/18/01	$4 million

PRIMARY COVERAGE POLICY PROVISIONS

Pertinent portions of the relevant policy of insurance include but are not limited to:

[Terms within quotation marks are defined in the policy.]

SECTION I - COVERAGES

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

1. The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION III);

b. *This insurance applies to "bodily injury" or "property damage" only if:*

(1) *The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory"; and*

(2) *The "bodily injury" or property damage" occurs during the policy period.*

2. *Exclusions*

This insurance does not apply to:

a. *Expected or Intended Injury*

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the reasonable force to protect persons or property.

b. *Contractual Liability*

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) That the insured would have in the absence of the contract or agreement;

(2) Assumed in a contract or agreement that is an "insured contract," provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement.

j. *Damage to Property*

"Property damage" to:

(1) Property you own, rent, or occupy;

(2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;

(3) Property loaned to you;

(4) Personal property in the care, custody or control of the insured;

(5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or ___

(6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "product-completed operations hazard".

k. Damage to Your Product:

"Property damage" to "your product" arising out of it or any part of it.

l. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

m. Damage to impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

n. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "your product";

(2) "Your work", or

(3) "Impaired property";

if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

. . . .

SECTION V – DEFINITIONS

. . . .

2. *"Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.*

. . . .

7. *"Impaired property" means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:*

a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

b. You have failed to fulfill the terms of a contract or agreement;

if such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work"; or

b. Your fulfilling the terms of the contract or agreement.

8. *"Insured contract" means:*

. . . .

f. That part of any other contract or agreement pertaining to your business . . . . under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

. . . .

12. *"Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.*

. . . .

14. *"Products-completed operations hazard":*

a. Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:

(a) When all of the work called for in your contract has been completed.

(b) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.

(c) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

b. Does not include "bodily injury" or "property damage" arising out of:

(1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;

(2) The existence of tools, uninstalled equipment or abandoned or unused materials; or

(3) Products or operations for which the classification, listed in the Declarations or in a policy schedule, states that products- completed operations are subject to the General Aggregate Limit.

15. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or

b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

. . . .

18. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name;

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and

b. The providing of or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

19. "Your work" means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work"; and

b The providing of or failure to provide warnings or instructions.

See policy forms for other policy provisions which may apply to this claim.

EXCESS COVERAGE POLICY PROVISIONS

This claim may have exposure into your excess layers of coverage.

Pertinent portions of the relevant policy of insurance include but are not limited to:

[Terms within quotation marks are defined in the policy.]

SECTION I – COVERAGE A AND COVERAGE B

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

. . . .

1. INSURING AGREEMENT

We will pay on behalf of the insured the "ultimate net loss" in excess of the "applicable underlying limit" which the insured becomes legally obligated to pay as damages because of:

a. "Bodily injury" or "property damage" covered by this policy and caused by an "occurrence" which occurs during the policy period;

. . . .

2. DEFENSE AND SUPPLEMENTARY PAYMENTS

. . . .

b. We will have the right and duty to defend any "suit" for damages which are payable under Coverages A or B (including damages wholly or partly within the "retained limit") but which are not payable by a policy of "underlying insurance," or any other available insurance, because:

1. Such damages are not covered; or

2. The "underlying insurance" has been exhausted by the payment of claims.

. . . .

d Our right and duty in b. above end when we have used up the "applicable limit of insurance" in the payment of judgment or settlements.

. . . .

3. EXCLUSIONS

This insurance does not apply to:

a. Expected or Intended Injury

"Bodily Injury" or "property damage" expected or intended from the standpoint of the insured. . . . .

. . . .

4. CONTRACTUAL LIABILITY

"Bodily injury," " property damage," " "personal injury" or "advertising injury" for which the insured assumed liability under a contract or agreement if the damage or injury occurred prior to the effective date of the contract or agreement.

. . . .

i. Damage to Property

"Property damage" to property:

(1) Owned or occupied by or rented to any insured;

(2) Used by any insured; or

(3) In the care, custody or control of any insured or as to which any insured is for any purpose exercising physical control.

. . . .

j. Damage to Your Product

"Property damage" to "your product" arising our of it or any part of it.

k. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

l. Damage to Impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

m. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product;"

(2) "Your work;" or

(3) "Impaired property:"

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

. . . .

SECTION V- DEFINITIONS

. . . .

9. *"Impaired property' means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:*

(a) It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

(b) You have failed to fulfill the terms of a contract or agreement;

If such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work;" or

b. Your fulfilling the terms of the contract or agreement.

10. *"Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.*

All damages arising from continuous or repeated exposure to substantially the same general conditions shall be deemed one "occurrence."

. . . .

13. *"Products-completed operations hazard" includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:*

(1) Products that are still in your physical possession; or

(2) Work that has not been completed or abandoned.

"Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) *When that part of the work done at a job site has been put to its intended use by any person or organization other that another contractor or subcontractor working on the same project.*

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

14. *"Property damage" means:*

a. *Physical injury to tangible property, including all resulting loss of use of that property; and*

b. *Loss of use of tangible property that is not physically injured.*

All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

. . . .

21. *"Your product" means:*

a. *Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:*

(1) *You;*

(2) *Others trading under your name; or*

(3) *A person or organization whose business or assets you have acquired;*

b. *Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.*

"Your product" includes:

a. *Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product" and*

b. *The providing or failure to provide warnings or instructions.*

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

22. *"Your work" means:*

a. *Work or operations performed by you or on your behalf; and*

b. *Materials, parts or equipment furnished in connection with such work or operations.*

""Your work" includes:

Insured	Policy Number	Inception Date	Expiration Date	Limits	Aggregate	Aggregate Remaining Prior to RW/MN
Heritage Communities, Inc.	MPA-3D9529	8/3/1997	8/3/1998	$ 1,000,000.00	$ 2,000,000.00	$856,554.72
Heritage Communities, Inc.	BEC-3D9529	8/3/1997	8/3/1998	$ 4,000,000.00	$ 4,000,000.00	$4,000,000.00
Heritage Communities, Inc.	MPA-3D9529	8/3/1998	8/3/1999	$ 1,000,000.00	$ 2,000,000.00	$196,824.56
Heritage Communities, Inc.	BEC-3D9529	8/3/1998	8/3/1999	$ 4,000,000.00	$ 4,000,000.00	$3,796,545.64
Heritage Communities, Inc.	OP-3D9529	8/3/1999	8/3/2000	$ 1,000,000.00	$ 2,000,000.00	$0.00
Heritage Communities, Inc.	BEC-3D9529	8/3/1999	11/29/1999	$ 4,000,000.00	$ 4,000,000.00	$3,357,413.24
Buildstar	CB-1D6198	4/1/1997	4/1/1998	$ 1,000,000.00	$ 2,000,000.00	$1,482,924.74
Buildstar	BEC-1D6198	4/1/1997	4/1/1998	$ 1,000,000.00	$ 1,000,000.00	$1,000,000.00
Buildstar	CB-1D6198	4/1/1998	4/1/1999	$ 1,000,000.00	$ 2,000,000.00	$1,053,649.06
Buildstar	BEC-1D6198	4/1/1998	4/1/1999	$ 1,000,000.00	$ 1,000,000.00	$1,000,000.00
Buildstar	CB-1D6198	4/1/1999	4/1/2000	$ 1,000,000.00	$ 2,000,000.00	$0.00
Buildstar	BEC-1D6198	4/1/1999	4/1/2000	$ 1,000,000.00	$ 1,000,000.00	$0.00
Buildstar	CB-1D6198	4/1/2000	8/1/2000	$ 1,000,000.00	$ 2,000,000.00	$1,285,241.34
Buildstar	BEC-1D6198	4/1/2000	8/1/2000	$ 1,000,000.00	$ 1,000,000.00	$1,000,000.00
Heritage Riverwalk	MPA-4D4650	6/18/1997	6/18/1998	$ 1,000,000.00	$ 2,000,000.00	$2,000,000.00
Heritage Riverwalk	MPA-4D4650	6/18/1998	6/18/1999	$ 1,000,000.00	$ 2,000,000.00	$2,000,000.00
Heritage Riverwalk	MPA-4D4650	6/18/1999	6/18/2000	$ 1,000,000.00	$ 2,000,000.00	$2,000,000.00
Heritage Riverwalk	MPA-4D4650	6/18/2000	6/18/2001	$ 1,000,000.00	$ 2,000,000.00	$2,000,000.00
Heritage Riverwalk	BEC-4D4650	6/18/1997	6/18/1998	$ 4,000,000.00	$ 4,000,000.00	$4,000,000.00
Heritage Riverwalk	BEC-4D4650	6/18/1998	6/18/1999	$ 4,000,000.00	$ 4,000,000.00	$4,000,000.00
Heritage Riverwalk	BEC-4D4650	6/18/1999	6/18/2000	$ 4,000,000.00	$ 4,000,000.00	$4,000,000.00
Heritage Riverwalk	BEC-4D4650	6/18/2000	6/18/2001	$ 4,000,000.00	$ 4,000,000.00	$4,000,000.00
Heritage Magnolia North	MPA-0E4290	9/1/1998	9/1/1999	$ 1,000,000.00	$ 2,000,000.00	$2,000,000.00
Heritage Magnolia North	MPA-0E4290	9/1/1999	5/19/2000	$ 1,000,000.00	$ 2,000,000.00	$2,000,000.00
Heritage Magnolia North	BE-0E4290	9/1/1998	9/1/1999	$ 4,000,000.00	$ 4,000,000.00	$4,000,000.00
Heritage Magnolia North	BE-0E4290	9/1/1999	9/1/2000	$ 4,000,000.00	$ 4,000,000.00	$4,000,000.00
Heritage Magnolia North	BE-0E4290	9/1/2000	11/30/2000	$ 4,000,000.00	$ 4,000,000.00	$4,000,000.00

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CONTRACTOR'S BUSINESS OWNERS POLICY



Section I - Property Coverage

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

Other words and phrases that appear in quotation marks have special meaning. Refer to SECTION H - PROPERTY DEFINITIONS.

A. COVERAGE

We will pay for direct physical loss of or damage to Covered Property at the premises described in the Declarations caused by or resulting from any Covered Cause of Loss.

1. Covered Property

Covered Property, as used in this policy, means the following types of property for which a Limit of Insurance is shown in the Declarations:

a. **Buildings**, meaning the buildings and structures at the premises described in the Declarations, including:

(1) Garages and storage buildings;
(2) Completed additions;
(3) Permanently installed: (a) fixtures; (b) machinery; and (c) equipment;
(4) Outdoor fixtures;
(5) Personal Property owned by you that is used to maintain or service the buildings or structures or the premises, including:
(a) Fire extinguishing equipment;
(b) Outdoor furniture;
(c) Floor coverings; and
(d) Appliances used for refrigerating, ventilating, cooking, dishwashing or laundering;
(6) If not covered by other insurance:
(a) Additions under construction, alterations and repairs to the buildings or structures;
(b) Materials, equipment, supplies and temporary structures, on or within 100 feet of the described premises, used for making additions, alterations or repairs to the buildings or structures.

b. **Business Personal Property** located in or on the buildings at the described premises or in the open (or in a vehicle) within 500 feet of the described premises, including:

(1) Property you own that is used in your business;
(2) Property of others that is in your care, custody or control; but this property is not covered for more than the amount for which you are legally liable, plus the cost of labor, materials or services furnished or arranged by you on personal property of others; and
(3) Tenant's improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions.
(a) Made a part of the building or structure you occupy but do not own; and
(b) You acquired or made at your expense but cannot legally remove.

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2. Property Not Covered

Covered Property does not include:

a. Accounts, bills, currency, deeds, evidences of debt, money, notes or securities, bullion;

b. Animals;

c. Automobiles held for sale;

d. Bridges, roadways, walks, patios or other paved surfaces;

e. Contraband, or property in the course of illegal transportation or trade;

f. The cost of excavations, grading, backfilling or filling;

g. Foundations of buildings, structures, machinery or boilers if their foundations are below:

(1) The lowest basement floor; or

(2) The surface of the ground, if there is no basement;

h. Land (including land on which the property is located), water, growing crops or lawns;

i. Pilings, piers, wharves or docks;

j. Property that is covered under another coverage form of this or any other policy in which it is more specifically described;

k. Retaining walls that are not part of the building described in the Declarations;

l. Underground pipes, flues or drains;

m. The cost to research, replace or restore the information on valuable papers and records, including those which exist on electronic or magnetic media, except as provided in the Coverage Extensions;

n. Vehicles or self-propelled machines (including aircraft or watercraft) that:

(1) Are licensed for use on public roads;

(2) Are operated principally away from the described premises; but this paragraph does not apply to property covered under paragraph 6B, Coverage Extensions; or

(3) You do not manufacture, process, warehouse or hold for sale. But this paragraph does not apply to rowboats or canoes out of the water at the described premises;

o. The following property while outside of buildings:

(1) Grain, hay, straw or other crops;

(2) Signs (other than signs attached to buildings), trees, shrubs or plants, all except as provided in the Coverage Extensions.

p. Outdoor swimming pools, beach or diving platforms or appurtenances;

q. Property sold by you under conditional sale, trust agreement, installment payment, or other deferred payment plan, after delivery to customers;

r. Property as part of a joint venture, unless specifically designated in this policy as a named insured in the Declarations;

s. Household and personal effects contained in living quarters occupied by you or any officer director, stockholder or partner except as provided in Section I.

3. Covered Causes of Loss

RISKS OF DIRECT PHYSICAL LOSS unless the loss is:

a. Excluded in Section B., Exclusions; or

b. Limited in Paragraph A4., Limitations;

that follow.

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4. Limitations

a. We will not pay for loss of or damage to:

(1) Steam boilers, steam pipes, steam engines or steam turbines caused by or resulting from any condition or event inside such equipment. But we will pay for loss of or damage to such equipment caused by or resulting from an explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

(2) Hot water boilers or other water heating equipment caused by or resulting from a condition or event inside such boilers or equipment, other than an explosion.

(3) Property that is missing, but there is no physical evidence to show what happened to it, such as shortage disclosed on taking inventory. This limitation does not apply to the Optional Coverage for Money and Securities.

(4) Property that has been transferred to a person or to a place outside the described premises on the basis of unauthorized instructions.

b. We will not pay more for loss of or damage to glass that is part of a building or structure than $100 for each plate, pane, multiple plate insulating unit, radiant or solar heating panel, jalousie, louver or shutter. We will not pay more than $500 for all loss of or damage to building glass that occurs at any one time.

This Limitation does not apply to loss or damage by the "specified causes of loss," except vandalism.

c. We will not pay for loss of or damage to fragile articles such as glassware, statuary, marbles, chinaware and porcelains, if broken, unless caused by the "specified causes of loss" or building glass breakage. This restriction does not apply to:

(1) Glass that is part of a building or structure;

(2) Containers of property held for sale; or

(3) Photographic or scientific instrument lenses.

d. For loss or damage by theft, the following types of property are covered only up to the limits shown:

(1) $2,500 for furs, fur garments and garments trimmed with fur.

(2) $2,500 for jewelry, watches, watch movements, jewels, pearls, precious and semi-precious stones, bullion, gold, silver, platinum and other precious alloys or metals. This limit does not apply to jewelry and watches worth $100 or less per item.

(3) $2,500 for patterns, dies, molds and forms.

5. Additional Coverages

a. Debris Removal

(1) We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of.

(a) The date of direct physical loss or damage; or

(b) The end of the policy period.

(2) The most we will pay under this Additional Coverage is 25% of:

(a) The amount we pay for the direct loss or damage; plus

(b) The deductible in this policy applicable to that loss or damage.

But this limitation does not apply to any additional debris removal limit provided in paragraph (4) below.

(3) This Additional Coverage does not apply to costs to:

(a) Extract "pollutants" from land or water; or

(b) Remove, restore or replace polluted land or water.

(4) If:

(a) The sum of loss or damage and debris removal expense exceeds the Limit of Insurance; or

(b) The debris removal expense exceeds the amount payable under the 25% Debris Removal coverage limitation in paragraph 5 a. (2) above;

We will pay up to an additional $5,000 for each location in any one occurrence under the Debris Removal Additional Coverage.

b. Preservation of Property

If it is necessary to move Covered Property from the described premises to preserve it from loss or damage by a Covered Cause of Loss, we will pay for any direct physical loss of or damage to that property:

(1) While it is being moved or while temporarily stored at another location; and

(2) Only if the loss or damage occurs within 10 days after the property is first moved.

c. Fire Department Service Charge

When the fire department is called to save or protect Covered Property from a Covered Cause of Loss, we will pay up to $1,000 for your liability for fire department service charges:

(1) Assumed by contract or agreement prior to loss; or

(2) Required by local ordinance.

d. Collapse

We will pay for loss or damage caused by or resulting from risks of direct physical loss involving collapse of a building or any part of a building caused only by one or more of the following:

(1) The "specified causes of loss "or breakage of building glass, all only as insured against in this policy;

(2) Hidden decay;

(3) Hidden insect or vermin damage;

(4) Weight of people or personal property;

(5) Weight of rain that collects on a roof;

(6) Use of defective material or methods in construction, remodeling or renovation if the collapse occurs during the course of the construction, remodeling or renovation.

We will not pay for loss of or damage to the following types of property, if otherwise covered in this policy, under items (2), (3), (4), (5) and (6) unless the loss or damage is a direct result of the collapse of a building:

awnings; gutters and downspouts; yard fixtures; outdoor swimming pools; piers, wharves and docks; beach or diving platforms or appurtenances; retaining walls; walks, roadways and other paved surfaces.

Collapse does not include settling, cracking, shrinkage, bulging or expansion.

e. Water Damage

If loss or damage caused by or resulting from a covered water damage loss occurs, we will also pay the cost to tear out and replace any part of the building or structure to repair damage to the system or appliance from which the water or steam escapes.

We will not pay the cost of repairing or replacing the system or appliance itself; but we will pay the cost to repair or replace damaged parts of fire extinguishing equipment if the damage:

(1) Results in sprinkler leakage; or

(2) Is directly caused by freezing.

f. Pollutant Clean Up and Removal

We will pay your expense to extract "pollutants" from land or water at the described premises if the release, discharge or dispersal of the "pollutants" is caused by or results from a Covered Cause of Loss that occurs during the policy period. The expenses will be paid only if they are reported to us in writing within 180 days of the earlier of:

(1) The date of direct physical loss or damage; or

(2) The end of the policy period.

The most we will pay for each location under this Additional Coverage is $10,000 for the sum of all such expenses arising out of Covered Causes of Loss occurring during each separate 12 month period of this policy. This limit is in addition to the Limits of Insurance.

g. Money and Securities

(1) We will pay for loss of money and securities used in your business while at a bank or savings institution, within your living quarters or the living quarters of your partners or any employee having use and custody of the property, at the described premises, or in transit between any of these places, resulting directly from:

(a) Theft, meaning any act of stealing;

(b) Disappearance; or

(c) Destruction.

(2) In addition to the Limitations and Exclusions applicable to property coverage, we will not pay for loss:

(a) Resulting from accounting or arithmetical errors or omissions;

(b) Due to the giving or surrendering of property in any exchange or purchase; or

(c) Of property contained in any money-operated device unless the amount of money deposited in it is recorded by a continuous recording instrument in the device.

(3) The most we will pay for loss in any one occurrence is:

(a) The limit shown in the Declarations for "Inside the Premises" for money and securities while:

(i) In or on the described premises; or

(ii) Within a bank or savings institution; and

(b) The limit shown in the Declarations for "Outside the Premises" for money and securities while anywhere else.

(4) All loss:

(a) Caused by one or more persons; or

(b) Involving a single act or series of related acts:

is considered one occurrence.

(5) You must keep records of all money and securities so we can verify the amount of any loss or damage.

h. Damage to Rented Buildings

We will pay your expense to repair damage caused by criminal acts of others to the building rented by you.

The most we will pay under this additional coverage is $250 in any one occurrence.

6. Coverage Extensions

In addition to the Limits of Insurance, you may extend the insurance provided by this policy as follows:

a. Newly Acquired or Constructed Property

(1) You may extend the insurance that applies to the building to apply to:

(a) Your new buildings while being built on the described premises; and

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(b) Buildings you acquire at locations, other than the described premises, intended for:

(i) Similar use as the building described in the Declarations; or

(ii) Use as a warehouse.

The most we will pay for loss or damage under this Extension is 25% of the Limit of Insurance for Building shown in the Declarations, but not more than $100,000 at each building.

(2) You may extend the insurance that applies to Your Business Personal Property to apply to that property at any location you acquire other than at fairs or exhibitions.

The most we will pay for loss or damage under this Extension is 25% of the Limit of Insurance for Your Business Personal Property shown in the Declarations, but not more than $50,000 at each building.

(3) Insurance under this Extension for each newly acquired or constructed property will end when any of the following first occurs:

(a) This policy expires.

(b) 60 days expire after you acquire or begin to construct the property; or

(c) You report values to us.

We will charge you additional premium for values reported from the date construction begins or you acquire the property.

b. **Personal Property Off Premises**

You may extend the insurance that applies to Business Personal Property to apply to Covered Business Personal Property and similar Personal Property of Others, other than money and securities, while it is in course of transit or temporarily at a premises you do not own, lease, have charge or control or operate. The most we will pay for loss or damage under this Extension is $25,000 per occurrence.

Coverage under this Extension shall cease after your operations have been completed or abandoned. Your operations are deemed completed at the earliest of the following times:

(1) When the covered property is installed and accepted by the owner or purchaser, or

(2) Thirty days after completion of the project; or

(3) At the expiration of this policy,

whichever occurs first.

Work that may need service, maintenance, correction, repair or replacment, but which is otherwise complete, will be treated as completed.

c. **Property of Others**

You may extend the insurance that applies to Your Business Personal Property to apply to direct damage to Personal Property of others in your care, custody or control.

The most we will pay for loss or damage under this Extension is $2,500 at each described premises. Our payment for loss of or damage to personal property of others will only be for the account of the owner of the property.

d. **Outdoor Property**

You may extend the insurance provided by this policy to apply to your trees, shrubs and plants, including debris removal expense.

The most we will pay for loss or damage under this Extension is $2,500, but not more than $500 for any one tree, shrub or plant.

e. **Valuable Papers and Records-Cost of Research**

You may extend the insurance that applies to Business Personal Property to apply to your costs to research, replace or restore the lost information on lost or damaged valuable papers and records, including those which exist on electronic or magnetic media, for which duplicates do not exist. The most we will pay under this Extension is $2,500 at each described premises.

f. Personal Effects

You may extend the insurance provided by this policy to apply to personal effects, while located on the premises described in the Declarations, belonging to you, your officers, partners or employees. The most we will pay for loss or damage under this extension is $500, but not more than $100 on personal effects owned by one individual.

g. Accounts Receivable

(1) We will pay:

(a) All amounts due from your customers that you are unable to collect;

(b) Interest charges on any loan required to offset amounts you are unable to collect pending our payment of these amounts;

(c) Collection expenses in excess of your normal collection expenses that are made necessary by loss or damage; and

(d) Other reasonable expenses that you incur to re-establish your records of accounts receivable;

that result from direct physical loss or damage by any covered causes of loss to your records of accounts receivable.

(2) Exclusions

(a) Section B., Exclusions, of Section I - Property Coverage does not apply to this Accounts Receivable Coverage, except for:

(i) Paragraph B.1.c., Governmental Action;

(ii) Paragraph B.1.d., Nuclear Hazard;

(iii) Paragraph B.1.f., War and Military Action;

(b) We will not pay for loss or damage caused by or resulting from any of the following:

(i) Dishonest acts by you, anyone else with an interest in the property, or your or their employees or authorized representatives, or anyone entrusted with the property, whether or not acting alone or in collusion with other persons or occurring during the hours of employment.

But this exclusion does not apply to a carrier for hire.

(ii) Alteration, falsification, concealment or destruction of records of accounts receivable done to conceal the wrongful giving, taking or withholding of money, securities or other property.

This exclusion applies only to the extent of the wrongful giving, taking or withholding.

(iii) Bookkeeping, accounting or billing errors or omissions.

(iv) Electrical or magnetic injury, disturbance or erasure of electronic recordings. But we will pay for direct loss or damage caused by lightning.

(v) Voluntary parting with any property by you or anyone entrusted with the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

(vi) Unauthorized instructions to transfer property to any person or to any place.

(c) We will not pay for loss or damage that requires any audit of records or any inventory computation to prove its factual existence.

(d) We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

(i) Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph a(i), (ii), or (iii) above to produce the loss or damage.

(ii) Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

(iii) Faulty, inadequate or defective:

a. Planning, zoning, development, surveying, siting;

b. Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

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c. Materials used in repair, construction, renovation or remodeling; or

d. Maintenance;

of part or all of any property on or off the described premises.

(3) Preservation of Records

If you give us written notice within 10 days of removal of your records of accounts receivable because of imminent danger of loss or damage, we will pay for loss or damage while they are:

(a) At a safe place away from the described premises;

(b) Being taken to and returned from that place.

This Coverage Extension is included within the Limit of Insurance applicable to the premises from which the Covered Property is removed.

(4) The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Accounts Receivable shown in the Declarations.

For Accounts Receivable not at any premises described in this policy, the most we will pay is $2,500.

B. EXCLUSIONS

1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

a. Ordinance or Law

The enforcement of any ordinance or law:

(1) Regulating the construction, use or repair of any property; or

(2) Requiring the tearing down of any property, including the cost of removing its debris.

b. Earth Movement

(1) Any earth movement (other than sinkhole collapse), such as an earthquake, landslide or earth sinking, rising or shifting. But if loss or damage by fire or explosion results, we will pay for that resulting loss or damage.

(2) Volcanic eruption, explosion or effusion. But if loss or damage by fire, building glass breakage or volcanic action results, we will pay for that resulting loss or damage.

Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

(a) Airborne volcanic blast or airborne shock waves;

(b) Ash, dust, or particulate matter; or

(c) Lava flow.

All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence.

Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss of or damage to Covered Property.

c. Governmental Action

Seizure or destruction of property by order of governmental authority.

But we will pay for acts of destruction ordered by governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this policy.

d. Nuclear Hazard

Nuclear reaction or radiation, or radioactive contamination, however caused.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

e. Power Failure

The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises.

But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

f. War and Military Action

(1) War, including undeclared or civil war;

(2) Warlike action by a military force, including action in hindering or defending against an actual or expected attack, by any government, sovereign or other authority using military personnel or other agents; or

(3) Insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.

g. Water

(1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;

(2) Mudslides or mudflow;

(3) Water that backs up from a sewer or drain; or

(4) Water under the ground surface pressing on, or flowing or seeping through:

(a) Foundations, walls, floors or paved surfaces;

(b) Basements, whether paved or not; or

(c) Doors, windows or other openings.

But if loss or damage by fire, explosion or sprinkler leakage results, we will pay for that resulting loss or damage.

2. We will not pay for loss or damage caused by or resulting from any of the following:

a. Electrical Apparatus: Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires.

But if loss or damage by fire results, we will pay for that resulting loss or damage.

b. Consequential Losses: Delay, loss of use or loss of market.

c. Smoke, Vapor, Gas: Smoke, vapor or gas from agricultural smudging or industrial operations.

d. Maintenance Types of Loss:

(1) Wear and tear;

(2) Rust, corrosion, fungus, decay, deterioration, hidden or latent defect of any quality in property that causes it to damage or destroy itself;

(3) Smog;

(4) Settling, cracking, shrinking or expansion;

(5) Insects, birds, rodents or other animals;

(6) Mechanical breakdown, including rupture or bursting caused by centrifugal force; or

(7) The following causes of loss to personal property:

(a) Dampness or dryness of atmosphere;

(b) Changes in or extremes of temperature; or

(c) Marring or scratching.

But if loss or damage by the "specified causes of loss" or building glass breakage results, we will pay for that resulting loss or damage.

e. **Steam Apparatus:** Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control.

But if loss or damage by fire or combustion explosion results, we will pay for that resulting loss or damage. We will also pay for loss or damage caused by or resulting from the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass.

f. **Frozen Plumbing:** Water that leaks or flows from plumbing, heating, air conditioning or other equipment (except fire protective systems) caused by or resulting from freezing, unless:

(1) You do your best to maintain heat in the building or structure; or

(2) You drain the equipment and shut off the water supply if the heat is not maintained.

g. **Dishonesty:** Dishonest or criminal act by you, any of your partners, employees, directors, trustees, authorized representatives or anyone to whom you entrust the property for any purpose:

(1) Acting alone or in collusion with others; or

(2) Whether or not occurring during the hours of employment.

This exclusion does not apply to acts of destruction by your employees; but theft by employees is not covered.

h. **False Pretense:** Voluntary parting with any property by you or anyone else to whom you have entrusted the property if induced to do so by any fraudulent scheme, trick, device or false pretense.

i. **Exposed Property:** Rain, snow, ice or sleet to personal property in the open.

j. **Collapse:** Collapse, except as provided in the Additional Coverage for Collapse. But if loss or damage by a Covered Cause of Loss results at the described premises, we will pay for that resulting loss or damage.

k. **Pollution:** We will not pay for loss or damage caused by or resulting from the release, discharge or dispersal of "pollutants" unless the release, discharge or dispersal is itself caused by any of the "specified causes of loss." But if loss or damage by the "specified causes of loss" results, we will pay for the resulting damage caused by the "specified cause of loss."

3. We will not pay for loss or damage caused by or resulting from any of the following. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

a. **Weather Conditions:** Weather conditions. But this exclusion only applies if weather conditions contribute in any way with a cause or event excluded in paragraph 1. above to produce the loss or damage.

b. **Acts or Decisions:** Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.

c. **Negligent Work:** Faulty, inadequate or defective:

(1) Planning, zoning, development, surveying, siting;

(2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, compaction;

(3) Materials used in repair, construction, renovation or remodeling; or

(4) Maintenance;

of part or all of any property on or off the described premises.

C. LIMITS OF INSURANCE

1. The most we will pay for loss or damage in any one occurrence is the applicable Limit of Insurance shown in the Declarations.

2. The limits applicable to the Coverage Extensions and the Fire Department Service Charge and Pollutant Clean Up and Removal Additional Coverages are in addition to the Limits of Insurance.

3. **Business Personal Property Limit - Seasonal Increase**

   a. The Limit of Insurance for Business Personal Property will automatically increase by 25% to provide for seasonal variations.

   b. This increase will apply only if the Limit of Insurance shown for Business Personal Property in the Declarations is at least 100% of your average monthly values during the lesser of:

      (1) The 12 months immediately preceding the date the loss or damage occurs; or

      (2) The period of time you have been in business as of the date the loss or damage occurs.

D. DEDUCTIBLES

1. We will not pay for loss or damage in any one occurrence until the amount of loss or damage exceeds the Deductible shown in the Declarations. We will then pay the amount of loss or damage in excess of the Deductible up to the applicable Limit of Insurance.

2. No deductible applies to the following Additional Coverages:

   a. Fire Department Service Charge;

   b. Accounts Receivable;

   c. Money and Securities;

   d. Valuable Papers;

3. No deductible applies to the following Optional Coverages;

   a. Outdoor Signs;

   b. Exterior Grade Floor Glass; and

   c. Employee Dishonesty;

   d. Combined Business Income-Extra Expense

E. PROPERTY LOSS CONDITIONS

1. **Abandonment**

   There can be no abandonment of any property to us.

2. **Appraisal**

   If we and you disagree on the amount of loss, either may make written demand for an appraisal of the loss. In this event, each party will select a competent and impartial appraiser. The two appraisers will select an umpire. If they cannot agree, either may request that selection be made by a judge of a court having jurisdiction. The appraisers will state separately the amount of loss. If they fail to agree, they will submit their differences to the umpire. A decision agreed to by any two will be binding. Each party will:

a. Pay its chosen appraiser; and

b. Bear the other expenses of the appraisal and umpire equally.

If we submit to an appraisal, we will still retain our right to deny the claim.

3. Duties In The Event Of Loss Or Damage

You must see that the following are done in the event of loss or damage to Covered Property:

a. Notify the police if a law may have been broken.

b. Give us prompt notice of the loss or damage. Include a description of the property involved.

c. As soon as possible, give us a description of how, when and where the loss or damage occurred.

d. Take all reasonable steps to protect the Covered Property from further damage by a Covered Cause of Loss. If feasible, set the damaged property aside and in the best possible order for examination. Also keep a record of your expenses for emergency and temporary repairs, for consideration in the settlement of the claim. This will not increase the Limit of Insurance.

e. At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.

f. Permit us to inspect the property and records proving the loss or damage. Also permit us to take samples of damaged property for inspection, testing and analysis.

g. If requested, permit us to question you under oath at such times as may be reasonably required about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.

h. Send us a signed, sworn statement of loss containing the information we request to settle the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.

i. Cooperate with us in the investigation or settlement of the claim.

j. Resume all or part of your "operations" as quickly as possible.

4. Legal Action Against Us

No one may bring a legal action against us under this insurance unless:

a. There has been full compliance with all of the terms of this insurance; and

b. The action is brought within 2 years after the date on which the direct physical loss or damage occurred.

5. Loss Payment

In the event of loss or damage covered by this policy:

a. We will not pay you more than your financial interest in the Covered Property.

b. We will either:

(1) Pay the value of lost or damaged property, as described in paragraph d. below;

(2) Pay the cost of repairing or replacing the lost or damaged property, plus any reduction in value of repaired items;

(3) Take all or any part of the property at an agreed or appraised value; or

(4) Repair, rebuild or replace the property with other property of like kind and quality.

c. We will give notice of our intentions within 30 days after we receive the sworn statement of loss.

d. We will determine the value of Covered Property as follows:

(1) At actual cash value as of the time of loss or damage, except as provided in (2), (3), (4), (5) and (6) below.

(2) If the Limit of Insurance for Building satisfies the Additional Condition, Coinsurance, and the cost to repair or replace the damaged building property is $2,500 or less, we will pay the cost of building repairs or replacement.

This provision does not apply to the following even when attached to the building:

(a) Awnings or floor coverings;

(b) Appliances for refrigerating, ventilating, cooking, dishwashing or laundering; or

(c) Outdoor equipment or furniture.

(3) "Stock" you have sold but not delivered at the selling price less discounts and expenses you otherwise would have had.

(4) Glass at the cost of replacement with safety glazing material if required by law.

(5) Tenant's Improvements and Betterments at:

(a) Actual cash value of the lost or damaged property if you make repairs promptly.

(b) A proportion of your original cost if you do not make repairs promptly. We will determine the proportionate value as follows:

(i) Multiply the original cost by the number of days from the loss or damage to the expiration of the lease; and

(ii) Divide the amount determined in (i) above by the number of days from the installation of improvements to the expiration of the lease.

If your lease contains a renewal option, the expiration of the renewal option period will replace the expiration of the lease in this procedure.

(iii) Nothing if others pay for repairs or replacement.

(6) Valuable Papers and Records, including those which exist on electronic or magnetic media (other than prepackaged software programs), at the cost of:

(a) Blank materials for reproducing the records; and

(b) Labor to transcribe or copy the records when there is a duplicate.

(7) Applicable only to Accounts Receivable

(a) If you cannot accurately establish the amount of accounts receivable outstanding as of the time of loss or damage, the following method will be used:

(i) Determine the total of the average monthly amounts of accounts receivable for the 12 months immediately preceding the month in which the loss or damage occurs; and

(ii) Adjust that total for any normal fluctuations in the amount of accounts receivable for the month in which the loss or damage occurred or for any demonstrated variance from the average for that month.

(b) The following will be deducted from the total amount of accounts receivable, however that amount is established:

(i) The amount of the accounts for which there is no loss or damage;

(ii) The amount of the accounts that you are able to re-establish or collect;

(iii) An amount to allow for probable bad debts that you are normally unable to collect; and

(iv) All unearned interest and service charges.

(8) Money at its face value.

(9) Securities at their value at the close of business on the day the loss is discovered.

e. Our payment for loss of or damage to personal property of others will only be for the account of the owners of the property. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owner's property. We will not pay the owners more than their financial interest in the Covered Property.

f. We may elect to defend you against suits arising from claims of owners of property. We will do this at our expense.

g. We will pay for covered loss or damage within 30 days after we receive the sworn statement of loss, if:

(1) You have complied with all of the terms of this policy; and

(2) (a) We have reached agreement with you on the amount of loss; or

(b) An appraisal award has been made.

6. Recovered Property

If either you or we recover any property after loss settlement, that party must give the other prompt notice. At your option, you may retain the property. But then you must return to us the amount we paid to you for the property. We will pay recovery expenses and the expenses to repair the recovered property, subject to the Limit of Insurance.

7. Vacancy

If the building where loss or damage occurs has been vacant for more than 60 consecutive days before that loss or damage, we will:

a. Not pay for any loss or damage caused by:

(1) Vandalism; or

(2) Sprinkler leakage, unless you have protected the system against freezing.

(3) Building glass breakage;

(4) Water damage;

(5) Theft; or

(6) Attempted theft.

b. Reduce the amount we would otherwise pay for the loss or damage by 15%. Buildings under construction are not considered vacant.

PROPERTY GENERAL CONDITIONS

1. Coinsurance

a. We will not pay the full amount of any loss if the value of Covered Property at the time of loss times the Coinsurance percentage shown for it in the Declarations is greater than the Limit of Insurance for the property.

Instead, we will determine the most we will pay using the following steps:

(1) Multiply the value of Covered Property at the time of loss by the Coinsurance percentage;

(2) Divide the Limit of Insurance of the property by the figure determined in step (1);

(3) Multiply the total amount of the covered loss, before the application of any deductible, by the figure determined in step (2); and

(4) Subtract the deductible from the figure determined in step (3).

The amount determined in step (4) is the most we will pay. For the remainder, you will either have to rely on other insurance or absorb the loss yourself.

Example No. 1 (Underinsurance):
When:

The value of the property is	$250,000
The Coinsurance percentage for it is	80%
The Limit of Insurance for it is	$100,000
The Deductible is	$250
The amount of loss is	$ 40,000

Step (1): $250,000 x 80% = $200,000 (the minimum amount of insurance to meet your Coinsurance Requirements)

Step (2): $100,000 @ $200,000 = .50

Step (3): $ 40,000 x .50 = $20,000

Step (4): $ 20,000 - $250 = $19,750

We will pay no more than $19,750. The remaining $20,250 is not covered.

Example No. 2 (Adequate Insurance):
When:

The value of the property is	$250,000
The Coinsurance percentage for it is	80%
The Limit of Insurance for it is	$200,000
The Deductible is	$250
The amount of loss is	$ 40,000

Step (1): $250,000 x 80% = $200,000 (the minimum amount of insurance to meet your Coinsurance Requirements)

Step (2): $200,000 @ $200,000 = 1.00

Step (3): $ 40,000 x 1.00 = $40,000

Step (4): $ 40,000 - $250 = $39,750

We will cover the $39,750 loss in excess of the Deductible. No penalty applies.

2. Control of Property

Any act or neglect of any person other than you beyond your direction or control will not affect this insurance.

If you violate a condition of this policy, we will not pay for loss or damage at the involved location. But your coverage will continue for other locations at which the violation does not apply.

3. Mortgage Holders

a. The term "mortgage holder" includes trustee.

b. We will pay for covered loss of or damage to buildings or structures to each mortgage holder shown in the Declarations in their order of precedence, as interests may appear.

c. The mortgage holder has the right to receive loss payment even if the mortgage holder has started foreclosure or similar action on the building or structure.

d. If we deny your claim because of your acts or because you have failed to comply with the terms of this policy, the mortgage holder will have the right to receive loss payment if the mortgage holder:

(1) Pays any premium due under this policy at our request if you have failed to do so;

(2) Submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so; and

(3) Has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgage holder.

All of the terms of this policy will then apply directly to the mortgage holder.

e. If we pay the mortgage holder for any loss or damage and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:

(1) The mortgage holder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and

(2) The mortgage holder's right to recover the full amount of the mortgage holder's claim will not be impaired.

At our option, we may pay to the mortgage holder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

f. If we cancel this policy, we will give written notice to the mortgage holder at least:

(1) 10 days before the effective date of cancellation if we cancel for your non-payment of premium; or

(2) 30 days before the effective date of cancellation if we cancel for any other reason.

g. If we do not renew this policy, we will give written notice to the mortgage holder at least 10 days before the expiration date of this policy.

4. No Benefit to Bailee

No person or organization, other than you, having custody of Covered Property will benefit from this insurance.

5. Policy Period, Coverage Territory

Under this form:

a. We cover loss or damage commencing:

(1) During the policy period shown in the Declarations; and

(2) Within the coverage territory or, with respect to property in transit, while it is between points in the coverage territory.

b. The coverage territory is:

(1) The United States of America (including its territories and possessions);

(2) Puerto Rico; and

(3) Canada.

G. OPTIONAL COVERAGES

If shown as applicable in the Declarations, the following Optional Coverages also apply. These coverages are subject to the terms and conditions applicable to property coverage in this policy, except as provided below.

1. Outdoor Signs

a. We will pay for direct physical loss of or damage to all outdoor signs at the described premises:

(1) Owned by you; or

(2) Owned by others but in your care, custody or control.

b. Paragraph A.3., Covered Cause of Loss, and Section B., Exclusions, do not apply to this Optional Coverage except for:

(1) Paragraph B.1.c., Governmental Action;

(2) Paragraph B.1.d., Nuclear Hazard; and

(3) Paragraph B.1.f., War and Military Action.

c. We will not pay for loss or damage caused by or resulting from:

(1) Wear and tear;

(2) Hidden or latent defect;

(3) Rust;

(4) Corrosion; or

(5) Mechanical breakdown.

d. The most we will pay for loss of or damage in any one occurrence is the Limit of Insurance for Outdoor Signs shown in the Declarations.

e. The provisions of this Optional Coverage supersede all other references to outdoor signs in this policy.

2. **Exterior Grade Floor Glass**

a. We will pay for direct physical loss of or damage to all exterior grade floor and basement glass, including all lettering and ornamentation, located at the described premises and:

(1) Owned by you; or

(2) Owned by others but in your care, custody or control.

b. We will also pay for necessary:

(1) Expenses incurred to put up temporary plates or board up openings;

(2) Repair or replacement of encasing frames; and

(3) Expenses incurred to remove or replace obstructions.

c. Paragraph A.3., Covered Causes of Loss, and Section B., Exclusions, do not apply to this Optional Coverage, except for:

(1) Paragraph B.1.c., Governmental Action;

(2) Paragraph B.1.d., Nuclear Hazard; and

(3) Paragraph B.1.f., War and Military Action.

d. We will not pay for loss or damage caused by or resulting from:

(1) Wear and tear;

(2) Hidden or latent defect;

(3) Corrosion; or

(4) Rust.

e. This Optional Coverage supersedes all limitations in this policy that apply to exterior grade floor glass.

3. **Employee Dishonesty**

a. We will pay for direct loss of or damage to Business Personal Property, including money and securities, resulting from dishonest acts committed by any of your employees acting alone or in collusion with other persons (except you or your partner) with the manifest intent to:

(1) Cause you to sustain loss or damage; and also

(2) Obtain financial benefit (other than salaries, commissions, fees, bonuses, promotions, awards, profit sharing, pensions or other employee benefits earned in the normal course of employment) for:

(a) Any employee; or

(b) Any other person or organization.

b. We will not pay for loss or damage:

(1) Resulting from any dishonest or criminal act that you or any of your partners commit whether acting alone or in collusion with other persons.

(2) The only proof of which as to its existence or amount is:

(a) An inventory computation; or

(b) A profit and loss computation.

c. The most we will pay for loss or damage in any one occurrence is the Limit of Insurance for Employee Dishonesty shown in the Declarations.

d. All loss or damage:

(1) Caused by one or more persons; and

(2) Involving a single act or series of related acts;

is considered one occurrence.

e. We will pay only for loss or damage you sustain through acts committed or events occurring during the Policy Period. Regardless of the number of years this policy remains in force or the number of premiums paid, no Limit of Insurance cumulates from year to year or period to period.

f. This Optional Coverage does not apply to any employee immediately upon discovery by:

(1) You; or

(2) Any of your partners, officers or directors not in collusion with the employee;

of any dishonest act committed by that employee before or after being hired by you.

g. We will pay only covered loss or damage discovered no later than one year from the end of the Policy Period.

h. If you (or any predecessor in interest) sustained loss or damage during the period of any prior insurance that you could have recovered under that insurance except that the time within which you discover loss or damage had expired, we will pay for it under this Optional Coverage, provided:

(1) This Optional Coverage became effective at the time of cancellation or termination of the prior insurance; and

(2) The loss or damage would have been covered by this Optional Coverage had it been in effect when the acts or events causing the loss or damage were committed or occurred.

i. The insurance under paragraph h. above is part of, not in addition to, the Limit of Insurance applying to this Optional Coverage and is limited to the lesser of the amount recoverable under:

(1) This Optional Coverage as of its effective date; or

(2) The prior insurance had it remained in effect.

4. **Building Limit - Automatic Increase**

a. The Limit of Insurance for Buildings will automatically increase by the annual percentage shown in the Declarations.

b. The amount of increase will be:

(1) The Building limit that applied on the most recent of the policy inception date, the policy anniversary date, or any other policy change amending the Building limit, times

(2) The percentage of annual increase shown in the Declarations, expressed as a decimal (example: 8% is .08), times

(3) The number of days since the beginning of the current policy year or the effective date of the most recent policy change amending the Building limit, divided by 365.

Example:

If: The applicable Building limit is $100,000. The annual percentage increase is 8%. The number of days since the beginning of the policy year (or last policy change) is 146.

The amount of increase is

$100,000 x .08 x 146 / 365 = $3,200.

5. Combined Business Income - Extra Expense

The most we will pay for loss in any one occurance for Combined Business Income-Extra Expense is the applicable Limit of Insurance shown in the Declarations.

a. Business Income

We will pay for the actual loss of Business Income you sustain due to the necessary suspension of your "operations" during the "period of restoration." The suspension must be caused by direct physical loss of or damage to property at the described premises, including personal property in the open (or in a vehicle within 100 feet, caused by or resulting from any Covered Cause of Loss.

We will only pay for loss of Business Income that occurs within 12 consecutive months after the date of direct physical loss or damage.

Business Income means the:

(1) Net Income (Net Profit or Loss before income taxes) that would have been earned or incurred; and

(2) Continuing normal operation expenses incurred, including payroll.

b. Extra Expense

We will pay necessary Extra Expense you incur during the "period of restoration" that you would not have incurred if there had been no direct physical loss or damage to property at the described premises, including personal property in the open (or in a vehicle) within 100 feet, caused by or resulting from a Covered Cause of Loss.

Extra Expense means expense incurred:

(1) To avoid or minimize the suspension of business and to continue "operations:"
  (a) At the described premises; or
  (b) At replacement premises or at temporary locations, including:
    Relocation expenses; and
    Costs to equip and operate the replacement or temporary locations.

(2) To minimize the suspension of business if you cannot continue "operations".

(3) (a) To repair or replace any property; or
  (b) To research, replace, or restore the lost information on damaged valuable papers and records;

We will only pay for Extra Expense that occurs within 12 consecutive months after the date of direct physical loss or damage.

c. Civil Authority

We will pay for the actual loss of Business Income you sustain and necessary Extra Expense caused by action of civil authority that prohibits access to the described premises due to direct physical loss of or damage to property, other than at the described premises, caused by or resulting from any Covered Cause of Loss. This coverage will apply for a period of up to two consecutive weeks from the date of that action.

d. Limitation-Electronic Media and Records

We will not pay for any loss of Business Income caused by direct physical loss of or damage to Electronic Media and Records after the longer of:

(1) 60 consecutive days from the date of direct physical loss or damage; or

(2) The period, beginning with the date of direct physical loss or damage, necessary to repair, rebuild or replace with reasonable speed and similar quality, other property at the described premises, due to loss or damage caused by the same occurrence.

Electronic Media and Records are:

(a) Electronic data processing, recording or storage media such as films, tapes, discs, drums or cells;

(b) Data stored on such media; or

(c) Programming records used for electronic data processing or electronically controlled equipment.

Example No. 1:

A Covered Cause of Loss damages a computer on June 1. It takes until September 1 to replace the computer, and until October 1 to restore the data that was lost when the damage occurred. We will only pay for the Business Income loss sustained during the period June 1 - September 1. Loss during the period September 2 - October 1 is not covered.

Example No. 2:

A Covered Cause of Loss results in the loss of data processing programming records on August 1.

The records are replaced on October 15. We will only pay for the Business Income loss sustained during the period August 1 - September 29 (60 consecutive days). Loss during the period September 30 - October 15 is not covered.

e. Resumption of Operations

We will reduce the amount of your:

Business Income loss, other than Extra Expense, to the extent you can resume your "operations," in whole or in part, by using damaged or undamaged property (including merchandise or stock) at the described premises or elsewhere.

Extra Expense loss to the extent you can return "operations" to normal and discontinue such Extra Expense.

f. Business Income and Extra Expense Exclusions. We will not pay for:

(1) Any Extra Expense, or increase of Business Income loss, caused by or resulting from:

(a) Delay in rebuilding, repairing or replacing the property or resuming "operations," due to interference at the location of the rebuilding, repair or replacement by strikers or other persons; or

(b) Suspension, lapse or cancellation of any license, lease or contract. But if the suspension, lapse or cancellation is directly caused by the suspension of "operations," we will cover such loss that affects your Business Income during the "period of restoration."

(c) Theft of property not attached as part of the building or structure. This exclusion does not apply if the loss occurs at the time of a Riot or Civil Commotion. But if loss or damage by a Covered Cause of Loss results, we will pay for that resulting loss or damage.

(d) Loss to mobile equipment.

(2) Any other consequential loss.

6. Agreed Value

a. The Additional Condition, Coinsurance, does not apply to Covered Property to which this Optional Coverage applies. We will pay no more for loss of or damage to that property than the proportion that the Limit of Insurance under this Coverage Part for the property bears to the Agreed Value shown for it in the Declarations.

b. If the expiration date for this Optional Coverage shown in the Declarations is not extended, the Additional Condition, Coinsurance, is reinstated and this Optional Coverage expires.

c. The terms of this Optional Coverage apply only to loss or damage that occurs:

(1) On or after the effective date of this Optional Coverage; and

(2) Before the Agreed Value expiration date shown in the Declarations or the policy expiration date, whichever occurs first.

7. Replacement Cost

a. Replacement Cost (without deduction for depreciation) replaces actual Cash Value in the Loss Condition, Valuation, of this Coverage Form.

b. This Optional Coverage does not apply to:

(1) Property of others;

(2) Contents of a residence;

(3) Manuscripts;

(4) Works of art, antiques or rare articles, including etchings, pictures, statuary, marbles, bronzes, porcelains and bric-a-brac; or

(5) "Stock," unless the Including "Stock" option is shown in the Declarations.

c. You may make a claim for loss or damage covered by this insurance on an actual cash value basis instead of on a replacement cost basis. In the event you elect to have loss or damage settled on an actual cash value basis, you may still make a claim for the additional coverage this Optional Coverage provides if you notify us of your intent to do so within 180 days after the loss or damage.

d. We will not pay on a replacement cost basis for any loss or damage:

(1) Until the lost or damaged property is actually repaired or replaced; and

(2) Unless the repairs or replacement are made as soon as reasonably possible after the loss or damage.

e. We will not pay more for loss or damage on a replacement cost basis than the least of:

(1) The Limit of Insurance applicable to the lost or damaged property;

(2) The cost to replace, on the same premises, the lost or damaged property with other property:

(a) Of comparable material and quality; and

(b) Used for the same purpose; or

(3) The amount you actually spend that is necessary to repair or replace the lost or damaged property.

H. PROPERTY DEFINITIONS

1. "Operations" means your business activities occurring at the described premises.

2. "Period of Restoration" means the period of time that:

   a. Begins with the date of direct physical loss or damage caused by or resulting from any Covered Cause of Loss at the described premises; and

   b. Ends on the date when the property at the described premises should be repaired, rebuilt or replaced with reasonable speed and similar quality.

   "Period of restoration" does not include any increased period required due to the enforcement of any law that:

   (1) Regulates the construction, use or repair, or requires the tearing down of any property; or

   (2) Reguires any insured or others to test for, monitor, clean-up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of "pollutants."

   The expiration date of this policy will not cut short the "period of restoration."

3. "Pollutants" means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

4. "Stock" means merchandise held in storage or for sale, raw materials and in-process or finished goods, including supplies used in their packing or shipping.

5. "Specified Causes of Loss" means the following:

   Fire; lightning; explosion, windstorm or hail; smoke; aircraft or vehicles; riot or civil commotion; vandalism; leakage from fire extinguishing equipment; sinkhole collapse; volcanic action; falling objects; weight of snow, ice or sleet; water damage.

   a. Sinkhole collapse means the sudden sinking or collapse of land into underground empty spaces created by the action of water on limestone or similar rock formations. It does not include the cost of filling sinkholes.

   b. Falling objects does not include loss or damage to:

      (1) Personal property in the open; or

      (2) The interior of a building or structure, or property inside a building or structure, unless the roof or an outside wall of the building or structure is first damaged by a falling object.

   c. Water damage means accidental discharge or leakage of water or steam as the direct result of the breaking or cracking of any part of a system or appliance containing water or steam.

Section II - Business Owners Liability Coverage

Words and phrases that appear in quotation marks have special meaning. Refer to SECTION F -LIABILITY AND MEDICAL EXPENSES DEFINITIONS.

A. COVERAGE

1. Business Liability. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury," "property damage," "personal injury" or "advertising injury" to which this insurance applies. No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under COVERAGE EXTENSION - SUPPLEMENTARY PAYMENTS.

   a. This insurance applies only:

      (1) To "bodily injury" or "property damage:"

         (a) That occurs during the policy period; and

         (b) That is caused by an "occurrence." The "occurrence" must take place in the coverage territory."

      (2) To "personal injury" caused by an offense:

         (a) Committed in the "coverage territory" during the policy period; and

         (b) Arising out of the conduct of your business, excluding advertising, publishing, broadcasting or telecasting done by or for you.

      (3) To "advertising injury" caused by an offense committed:

         (a) In the "coverage territory" during the policy period; and

         (b) In the course of advertising your goods, products or services.

   b. We will have the right and duty to defend any "suit" seeking those damages. But

      (1) The amount we will pay for damages is limited as described in Section D - Liability and Medical Expenses Limits of Insurance;

      (2) We may investigate and settle any claim or "suit" at our discretion; and

      (3) Our right and duty to defend ends when we have used up the applicable limit of insurance in the payment of judgements or settlements or medical expenses.

   c. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury."

   d. "Property damage" that is loss of use of tangible property that is not physically injured will be deemed to occur at the time of the "occurrence" that caused it.

   c. Coverage Extension - Supplementary Payments

      In addition to the Limit of Insurance, we will pay, with respect to any claim or "suit" we defend:

      (1) All expenses we incur.

      (2) Up to $250 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which Business Liability Coverage for "bodily injury" applies. We do not have to furnish these bonds.

      (3) The cost of bonds to release attachments, but only for bond amounts within our Limit of Insurance. We do not have to furnish these bonds.

      (4) All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings up to $100 a day because of time off from work.

      (5) All costs taxed against the insured in the "suit."

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(6) Prejudgement interest awarded against the insured on that part of the judgement we pay. If we make an offer to pay the Limit of Insurance, we will not pay any prejudgement interest based on that period of time after the offer.

(7) All interest on the full amount of any judgement that accrues after entry of the judgement and before we have paid, offered to pay, or deposited in court the part of the judgement that is within our Limit of Insurance.

2. Medical Expenses

a. We will pay medical expenses as described below for "bodily injury" caused by an accident:

(1) On premises you own or rent;

(2) On ways next to premises you own or rent; or

(3) Because of your operations;

provided that:

(a) The accident takes place in the "coverage territory" and during the policy period;

(b) The expenses are incurred and reported to us within one year of the date of the accident; and

(c) The injured person submits to examination, at our expense, by physicians of our choice as often as we reasonably require.

b. We will make these payments regardless of fault. These payments will not exceed the Limit of Insurance. We will pay reasonable expenses for:

(1) First aid at the time of an accident;

(2) Necessary medical, surgical, x-ray and dental services, including prosthetic devices; and

(3) Necessary ambulance, hospital, professional nursing and funeral services.

B. EXCLUSIONS

1. Applicable to Business Liability Coverage - This insurance does not apply to:

a. "Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

b. "Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) Assumed in a contract or agreement that is an "insured contract;" or

(2) That the insured would have in the absence of the contract or agreement.

c. "Bodily injury" or "property damage" for which any insured may be held liable by reason of:

(1) Causing or contributing to the intoxication of any persons;

(2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or

(3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

d. Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.

e. "Bodily injury" to:

(1) An employee of the insured arising out of and in the course of employment by the insured; or

(2) The spouse, child, parent, brother or sister of that employee as a consequence of (1) above.

This exclusion applies:

(a) Whether the insured may be liable as an employer or in any other capacity; and

(b) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract."

f. (1) "Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, release or escape of pollutants:

(a) At or from premises you own, rent or occupy;

(b) At or from any site or location used by or for you or others for the handling, storage, disposal, processing or treatment of waste;

(c) That are at any time transported, handled, stored, treated, disposed of, or processed as waste by or for you or any person or organization for whom you may be legally responsible; or

(d) At or from any site or location on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations:

(i) If the pollutants are brought on or to the site or location in connection with such operations; or

(ii) If the operations are to test for, monitor, cleanup, remove, contain, treat, detoxify or neutralize the pollutants.

(2) Any loss, cost or expense arising out of any governmental direction or request that you test for, monitor, clean up, remove, contain, treat, detoxify or neutralize the pollutants. Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed. Subparagraphs (a) and (d) (i) of paragraph (1) of this exclusion do not apply to "bodily injury" or "property damage" caused by heat, smoke or fumes from a hostile fire. As used in this exclusion, a hostile fire means one which becomes uncontrollable or breaks out from where it was intended to be.

g. "Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading."

This exclusion does not apply to:

(1) A watercraft while ashore on premises you own or rent;

(2) A watercraft you do not own that is:

(a) Less than 26 feet long; and

(b) Not being used to carry persons or property for a charge;

(3) Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the insured;

(4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft; or

(5) "Bodily injury" or "property damage" arising out of the operation of any of the following equipment:

(a) Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and

(b) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.

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h. "Bodily injury" or "property damage" arising out of:

(1) The transportation of "mobile equipment" by an "auto" owned or operated by or rented or loaned to any insured; or

(2) The use of "mobile equipment" in, or while in practice or preparation for, a prearranged racing, speed or demolition contest or in any stunting activity.

i. "Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

j. "Bodily injury" or "property damage" due to rendering or failure to render any professional service. This includes but is not limited to:

(1) Engineering, drafting, architectural, legal, accounting or advertising services;

(2) Preparing, approving, or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications.

(3) Supervisory, inspection or engineering services;

(4) Any cosmetic or tonsorial service or treatment;

(5) Optometry or optical or hearing aid services including the prescribing, preparation, fitting, demonstration or distribution of ophthalmic lenses and similar products or hearing aid devices;

(6) Ear piercing services; and

(7) Services in the practice of pharmacy; but this exclusion does not apply to an insured whose operations include those of a retail druggist or drugstore.

k. "Property damage" to:

(1) Property you own, rent or occupy;

(2) Premises you sell, give away or abandon. If the "property damage" arises out of any part of those premises;

(3) Property loaned to you;

(4) Personal property in your care, custody or control;

(5) That particular part of real property on which you or any contractor or subcontractor working directly or indirectly on your behalf is performing operations, if the "property damage" arises out of those operations; or

(6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

Paragraph (3), (4), (5), and (6) of this exclusion do not apply to liability assumed under a sidetrack agreement.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "products-completed operations hazard."

l. "Property damage" to "your product" arising out of it or any part of it.

m. "Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

n. "Property damage" to "impaired property" or property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of a sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

o. Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product;"

(2) "Your work;" or

(3) "Impaired property;"

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

p. "Personal injury" or "advertising injury:"

(1) Arising out of oral or written publication or material, if done by or at the direction of the insured with knowledge of its falsity;

(2) Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;

(3) Arising out of the willful violation of penal statute or ordinance committed by or with the consent of the insured; or

(4) For which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement.

q. "Advertising injury" arising out of:

(1) Breach of contract, other than misappropriation of advertising ideas under an implied contract;

(2) The failure of goods, products or services to conform with advertised quality or performance;

(3) The wrong description of the price of goods, products or services; or

(4) An offense committed by an insured whose business is advertising, broadcasting, publishing or telecasting.

r. "Bodily injury" due to rendering or failure to render, any professional service by an insured whose operations include those of:

(1) Medical, surgical, dental, x-ray, or nursing service or treatments;

(2) Any health service or treatment.

Exclusions c., d., e., f., g., h., i., k., l., m., n., and o. do not apply to damage by fire or explosion to premises rented to you. A separate Limit of Insurance applies to this coverage as described in Section D., Liability and Medical Expenses Limits of Insurance.

2. Applicable to Medical Expenses Coverage - We will not pay expenses for "bodily injury:"

a. To any insured.

b. To a person hired to do work for or on behalf of any insured or a tenant of any insured.

c. To a person injured on that part of premises you own or rent that the person normally occupies.

d. To a person, whether or not an employee of any insured, if benefits for the "bodily injury" are payable or must be provided under a workers compensation or disability benefits law or a similar law.

e. To a person injured while taking part in athletics.

f. Included within the "products-completed operations hazard."

g. Excluded under Business Liability Coverage.

h. Due to war, whether or not declared, or any act or condition incident to war. War include civil war, insurrection, rebellion or revolution.

3. **Applicable to both Business Liability Coverage and Medical Coverage - Nuclear Energy Liability Exclusion.**

This insurance does not apply:

a. Under Business Liability Coverage, to "bodily injury" or "property damage:"

(1) With respects to which an insured under the policy is also an insured under a nuclear energy liability policy issued by the Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or

(2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which:

(a) Any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof; or

(b) The insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization.

b. Under Medical Expenses Coverage, to expenses incurred with respect to "bodily injury" resulting from the "hazardous properties" of "nuclear material" and arising out of the operation of a "nuclear facility" by any person or organization.

c. Under Business Liability Coverage, to "bodily injury" or "property damage" resulting from the "hazardous properties" of the "nuclear material;" if:

(1) the "nuclear material:"

(a) Is at any "nuclear facility:" owned by, or operated by or on behalf of, an insured; or

(b) Has been discharged or dispersed therefrom;

(2) The "nuclear material" is contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported, or disposed of by or on behalf of an insured; or

(3) The "bodily injury" or "property damage" arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility;" but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (3) applies only to "property damage" to such "nuclear facility" and any property thereat.

As used in this exclusion:

"by-product material" has the meaning given it in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"hazardous properties" include radioactive; toxic or explosive properties;

"nuclear facility" means:

(a) Any "nuclear reactor;"

(b) Any equipment or device designed or used for:

(1) Separating the isotopes of uranium or plutonium;

(2) Processing or utilizing "spent fuel;" or

(3) Handling, processing or packaging "waste;"

(c) Any equipment or device used for the processing, fabricating or alloying of "special nuclear material;" if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof; or more than 250 grams of uranium 235;

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(d) Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste;" and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations;

"nuclear material" means "source material," "special nuclear material" or "by-product material;"

"nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material;

"property damage" includes all forms of radioactive contamination of property;

"source material" has the meaning given it in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"special nuclear material" has the meaning given it in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor;"

"waste" means any waste material:

(a) Containing "by-product material" other than the tailings of waste produced by extraction or concentration of uranium or thorium from any ore processed primarily for its "source material" content; and

(b) Resulting from the operation by any person or organization of any "nuclear facility" including under paragraphs (a) and (b) of the definition of "nuclear facility."

C. WHO IS AN INSURED

1. If you are designated in the Declarations as:

   a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.

   b. A partnership or joint venture, you are an insured. Your members, your partners and their spouses are also insureds, but only with respect to the conduct of your business.

   c. An organization other than a partnership or joint venture, you are an insured. Your executive officers and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.

2. Each of the following is also an insured:

   a. Your employees, other than your executive officers, but only for acts within the scope of their employment by you. However, none of these employees is an insured for:

      (1) "Bodily injury" or "personal injury" to you or to a co-employee while in the course of his or her employment;

      (2) "Bodily injury" or "personal injury" arising out of his or her providing or failing to provide professional health care services; or

      (3) "Property damage" to property owned or occupied by or rented or loaned to that employee, any of your other employees, or any of your partners or members (if you are a partnership or joint venture).

   b. Any person (other than your employee), or any organization while acting as your real estate manager.

   c. Any person or organization having proper temporary custody of your property if you die, but only:

      (1) With respect to liability arising out of the maintenance or use of that property; and

      (2) Until your legal representative has been appointed.

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d. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this policy.

3. With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:

   a. "Bodily injury" to a co-employee of the person driving the equipment; or

   b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.

No person or organization is an insured with respect to the conduct of any current or past partnership or joint venture that is not shown as a Named Insured in the Declarations.

D. LIABILITY AND MEDICAL EXPENSES LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

   a. Insureds;

   b. Claims made or "suits" brought; or

   c. Persons or organizations making claims or bringing "suits."

2. The most we will pay for the sum of all damages because of all:

   a. "Bodily injury," "property damage" and medical expenses arising out of any one "occurrence;" and

   b. "Personal injury" and "advertising injury" sustained by any one person or organization;

   is the Business Liability and Medical Expenses limit shown in the Declarations. But the most we will pay for all medical expenses because of "bodily injury" sustained by any one person is the Medical Expenses limit shown in the Declarations.

3. The most we will pay under Business Liability Coverage for damages because of "property damage" to premises rented to you arising out of any one fire or explosion is the Fire Legal Liability limit shown in the Declarations.

4. Aggregate Limits

   a. General Aggregate Limit (Other than Products-Completed Operations)

      The most we will pay for all injury or damage including medical expenses arising from all "occurrences" during the policy period is twice the Liability and Medical Expenses limit. This limitation does not apply to "property damage" to premises rented to you arising out of fire or explosion.

   b. Products-Completed Operations Aggregate Limit

      The most we will pay for injury or damage under the "products-completed operations hazard arising from all "occurrences" during the policy period is twice the Liability and Medical Expenses limit.

      The limits of this policy apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Limits of Insurance.

E. LIABILITY AND MEDICAL EXPENSES GENERAL CONDITIONS

1. Bankruptcy

Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this policy.

2. Duties In the Event of Occurrence, Claim or Suit

a. You must see to it that we are notified promptly of an "occurrence" that may result in a claim. Notice should include:

(1) How, when and where the occurrence" took place; and

(2) The names and addresses of any injured persons and witnesses.

b. If a claim is made or "suit" is brought against any insured, you must see to it that we receive prompt written notice of the claim or "suit."

c. You and any other involved insured must:

(1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit;"

(2) Authorize us to obtain records and other information;

(3) Cooperate with us in the investigation, settlement or defense of the claim or "suit;" and

(4) Assist us, upon our request, in the enforcement of any right against any person or organization that may be liable to the insured because of injury or damage to which this insurance may also apply.

d. No insureds will, except at their own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

3. Financial Responsibility Laws

a. When this policy is certified as proof of financial responsibility for the future under the provisions of any motor vehicle financial responsibiiity law, the insurance provided by the policy for "bodily injury" liability and "property damage" liability will comply with the provisions of the law to the extent of the coverage and limits of insurance required by that law.

b. With respect to "mobile equipment" to which this insurance applies, we will provide any liability, uninsured motorists, underinsured motors, no-fault or other coverage required by any motor vehicle law. We will provide the required limits for those coverages.

4. Legal Action Against Us

No person or organization has a right under this policy:

a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or

b. To sue us on this policy unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgement against an insured obtained after an actual trial; but we will not be liable for damages that are not payable under the terms of this policy or that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

5. Separation of Insureds

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this policy to the first Named Insured, this insurance applies:

a. As if each Named Insured were the only Named Insured; and

b. Separately to each insured against whom claims is made or "suit" is brought.

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F. LIABILITY AND MEDICAL EXPENSES DEFINITIONS

1. "Advertising Injury" means injury arising out of one or more of the following offenses:
   a. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;
   b. Oral or written publication of material that violates a person's right of privacy;
   c. Misappropriation of advertising ideas or style of doing business; or
   d. Infringement of copyright, title or slogan.

2. "Auto" means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment. But "auto" does not include "mobile equipment."

3. "Bodily Injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.

4. "Coverage Territory" means:
   a. The United States of America (including its territories and possessions), Puerto Rico and Canada;
   b. International waters or airspace, provided the injury or damage does not occur in the course of travel or transportation to or from any place not included in a. above; or
   c. All parts of the world if:
      (1) The injury or damage arises out of:
         (a) Goods or products made or sold by your business in the territory described in a. above; or
         (b) The activities of a person whose home is in the territory described in a. above, but is away for a short time on your business; and
      (2) The insured's responsibility to pay damages is determined in a "suit" on the merits in the territory described in a. above or in a settlement we agree to.

5. "Impaired Property" means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:
   a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient inadequate or dangerous; or
   b. You have failed to fulfill the terms of a contract or agreement;

   if such property can be restored to use by:

   (1) The repair, replacement, adjustment or removal of "your product" or "your work;" or

   (2) Your fulfilling the terms of the contract or agreement.

6. "Insured Contract" means:
   a. A lease of premises;
   b. A sidetrack agreement;
   c. An easement or license agreement in connection with vehicle or pedestrian private railroad crossings at grade;
   d. Any other easement agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;
   e. An indemnification of a municipality as required by ordinance, except in connection with work for a municipality;
   f. An elevator maintenance agreement; or

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g. That part of any other contract or agreement pertaining to your business under which you assume the tort liability of another to pay damages because of "bodily injury" or "property damage" to a third person or organization, if the contract or agreement is made prior to the "bodily injury" or "property damage." Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

An "insured contract" does not include that part of any contract or agreement:

(1) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:

(a) Preparing, approving or failing to prepare or approve maps, drawings, opinions, reports, surveys, change orders, designs or specifications; or

(b) Giving directions or instructions, or failing to give them, if that is the primary cause of injury or damage.

(2) Under which the insured, if an architect, engineer or surveyor, assumes liability for injury or damage arising out of the insured's rendering or failing to render professional services, including those listed in (a) above and supervisory, inspection or engineering services; or

(3) That indemnifies any person or organization for damage by fire or explosion to premises rented or loaned to you.

7. **"Loading or Unloading,"** means the handling of property:

a. After it is moved from the place where it is accepted for movement into or onto an aircraft watercraft or "auto;"

b. While it is in or on aircraft, watercraft or "auto," or

c. While it is being moved from an aircraft, watercraft or "auto" to the place where it is finally delivered; but "loading or unloading" does not include the movement or property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or "auto."

8. **"Mobile Equipment"** means any of the following types of land vehicles, including any attached machinery or equipment:

a. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;

b. Vehicles maintained for use solely on or next to premises you own or rent;

c. Vehicles that travel on crawler treads;

d. Vehicles, whether self-propelled or not, on which are permanently mounted:

(1) Power cranes, shovels, loaders, diggers or drills; or

(2) Road construction or resurfacing equipment such as graders, scrapers or rollers;

e. Vehicles not described in a., b., c., or d. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:

(1) Air compressors pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or

(2) Cherry pickers and similar devices used to raise or lower workers;

f. Vehicles not described in a., b., c., or d. above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos:"

(1) Equipment designed primarily for:

(a) Snow removal;

(b) Road maintenance, but not construction or resurfacing;

(c) Street cleaning;

(2) Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and

(3) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.

9. **"Occurrence"** means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

10. **"Personal Injury"**, means injury other than "bodily injury," arising out of one or more of the following offenses:

a. False arrest, detention or imprisonment;

b. Malicious prosecution;

c. Wrongful entry into, or eviction of a person from, a room, dwelling or premises that the person occupies;

d. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services; or

e. Oral or written publication of material that violates a person's right of privacy.

11. a. **"Products - Completed Operations Hazard"** includes all "bodily injury" and "property damage" arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not yet been completed or abandoned.

The "bodily injury" or "property damage" must occur away from premises you own or rent, unless your business includes the selling, handling or distribution of "your product" for consumption on premises you own or rent.

b. "Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

c. This hazard does not include "bodily injury" or "property damage" arising out of:

(1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle created by the "loading or unloading" of it; or

(2) The existence of tools, uninstalled equipment or abandoned or unused materials.

12. **"Property Damage"** means:

a. Physical injury to tangible property, including all resulting loss of use of that property; or

b. Loss of use of tangible property that is not physically injured.

13. **Suit"** means a civil proceeding in which damages because of "bodily injury," property damage," "personal injury" or "advertising injury" to which this insurance applies are alleged. "Suit" includes an arbitration proceeding alleging such damages to which you must submit or submit with our consent.

14. "Your Product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any of the items included in a. and b. above.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

15. "Your Work" means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes warranties or representations made at any time with respect to the fitness, quality, durability or performance of any of the items included in a. or b. above.

Section III - Business Owners Common Policy Conditions

All coverages of this policy are subject to the following conditions.

A. CANCELLATION

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.

2. We may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:

   a. 5 days before the effective date of cancellation if any one of the following conditions exists at any building that is Covered Property in this policy.

      (1) The building has been vacant or unoccupied 60 or more consecutive days. This does not apply to:

         (a) Seasonal unoccupancy; or

         (b) Buildings in the course of construction, renovation or addition.

         Buildings with 65% or more of the rental units or floor area vacant or unoccupied are considered unoccupied under this provision.

      (2) After damage by a covered cause of loss, permanent repairs to the building:

         (a) Have not started, and

         (b) Have not been contracted for,

         within 30 days of initial payment of loss.

      (3) The building has:

         (a) An outstanding order to vacate;

         (b) An outstanding demolition order; or

         (c) Been declared unsafe by governmental authority.

      (4) Fixed and salvageable items have been or are being removed from the building and are not being replaced. This does not apply to such removal that is necessary or incidental to any renovation or remodeling.

      (5) Failure to:

         (a) Furnish necessary heat, water, sewer service or electricity for 30 consecutive days or more, except during a period of seasonal unoccupancy; or

         (b) Pay property taxes that are owing and have been outstanding for more than one year following the date due, except that this provision will not apply where you are in a bona fide dispute with the taxing authority regarding payment of such taxes.

   b. 10 days before the effective date of cancellation if we cancel for nonpayment of premium.

   c. 30 days before the effective date of cancellation if we cancel for any other reason.

3. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.

4. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.

5. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. The cancellation will be effective even if we have not made or offered a refund.

6. If notice is mailed, proof of mailing will be sufficient proof of notice.

B. CHANGES

This Policy contains all the agreements between you and us concerning the insurance afforded. The first Named Insured shown in the Declarations is authorized to make changes in the terms of this policy with our consent. This policy's terms can be amended or waived only by endorsements issued by us and made a part of this policy.

C. CONCEALMENT, MISREPRESENTATION OR FRAUD

This policy is void in any case of fraud by you at any time as it relates to this policy. It is also void if you or any other insured, at any time, intentionally conceal or misrepresent a material fact concerning:

1. This policy;
2. The Covered Property;
3. Your interest in the Covered Property; or
4. A claim under this policy.

D. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this policy at any time during the policy period and up to three years afterward.

E. INSPECTIONS AND SURVEYS

We have the right but are not obligated to:

1. Make inspections and surveys at any time;
2. Give you reports on the conditions we find; and
3. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. And we do not warrant that conditions:

1. Are safe or healthful; or
2. Comply with laws, regulations, codes or standards.

This condition applies not only to us, but also to any rating, advisory, rate service or similar organization which makes insurance inspections, surveys, reports or recommendations.

F. INSURANCE UNDER TWO OR MORE COVERAGES

If two or more of this policy's coverages apply to the same loss or damage, we will not pay more than the actual amount of the loss or damage.

G. LIBERALIZATION

If we adopt any revision that would broaden the coverage under this policy without additional premium. within 45 days prior to or during the policy period, the broadened coverage will immediately apply to this policy.

H. OTHER INSURANCE

1. If there is other insurance covering the same loss or damage, we will pay only for the amount of covered loss or damage in excess of the amount due from that other insurance, whether you can collect on it or not. But we will not pay more than the applicable Limit of Insurance.

2. Business Liability Coverage is excess over any other insurance that insures for direct physical loss or damage.

3. When this insurance is excess, we will have no duty under Business Liability Coverage to defend any claim or "suit" that any other insurer has a duty to defend. If no other insurer defends, we will undertake to do so; but we will be entitled to the insured's rights against all those other insurers.

I. PREMIUMS

1. The first Named Insured shown in the Declarations:

   a. Is responsible for the payment of all premiums; and

   b. Will be the payee for any return premiums we pay.

2. The premium shown in the Declarations was computed based on rates in effect at the time the policy was issued. On each renewal, continuation or anniversary of the effective date of this policy, we will compute the premium in accordance with our rates and rules then in effect.

3. With our consent, you may continue this policy in force by paying a continuation premium for each successive one-year period. The premium must be:

   a. Paid to us prior to the anniversary date; and

   b. Determined in accordance with paragraph 2. above.

   Our forms then in effect will apply. If you do not pay the continuation premium, this policy will expire on the first anniversary date that we have not received the premium.

4. Undeclared exposures or changes in your business operations, acquisition or use of locations may occur during the policy period that are not shown in the Declarations. If so, we may require an additional premium. That premium will be determined in accordance with our rates and rules then in effect.

J. TRANSFER OF RIGHTS OF RECOVERY AGAINST OTHERS TO US

1. Applicable to Business Owners Property coverage:

   If any person or organization to or for whom we make payment under this policy has rights to recover damages from another, those rights are transferred to us to the extent of our payment. That person or organization must do everything necessary to secure our rights and must do nothing after loss to impair them. But you may waive your rights against another party in writing:

a. Prior to a loss to your Covered Property.

b. After a loss to your Covered Property only if, at time of loss, that party is one of the following:

(1) Someone insured by this insurance;

(2) A business firm:

(a) Owned or controlled by you; or

(b) That owns or controls you; or

(3) Your tenant.

You may also accept the usual bills of lading or shipping receipts limiting the liability of carriers.

This will not restrict your insurance.

2. Applicable to Business Owners Liability coverage:

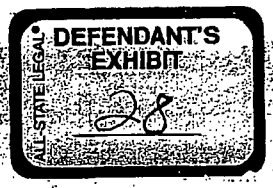
If the insured has rights to recover all or part of any payment we have made under this policy, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request the insured will bring "suit" or transfer those rights to us and help us enforce them. This condition does not apply to Medical Expenses Coverage.

K. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS POLICY

Your rights and duties under this policy may not be transferred without our written consent except in the case of death of an individual Named Insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

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COMMERCIAL GENERAL LIABILITY COVERAGE FORM

Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations, and any other person or organization qualifying as a Named Insured under this policy. The words "we", "us" and "our" refer to the company providing this insurance.

The word "insured" means any person or organization qualifying as such under WHO IS AN INSURED (SECTION II).

Other words and phrases that appear in quotation marks have special meaning. Refer to DEFINITIONS (SECTION V).

SECTION I - COVERAGES

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "bodily injury" or "property damage" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "bodily injury" or "property damage" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" and settle any claim or "suit" that may result. But:

(1) The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION III); and

(2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS - COVERAGES A AND B.

b. This insurance applies to "bodily injury" and "property damage" only if:

(1) The "bodily injury" or "property damage" is caused by an "occurrence" that takes place in the "coverage territory"; and

(2) The "bodily injury" or "property damage" occurs during the policy period.

c. Damages because of "bodily injury" include damages claimed by any person or organization for care, loss of services or death resulting at any time from the "bodily injury".

2. Exclusions

This insurance does not apply to:

a. Expected or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

b. Contractual Liability

"Bodily injury" or "property damage" for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:

(1) That the insured would have in the absence of the contract or agreement; or

(2) Assumed in a contract or agreement that is an "insured contract", provided the "bodily injury" or "property damage" occurs subsequent to the execution of the contract or agreement. Solely for the purposes of liability assumed in an "insured contract", reasonable attorney fees and necessary litigation expenses incurred by or for a party other than an insured are deemed to be damages because of "bodily injury" or "property damage", provided:

(a) Liability to such party for, or for the cost of, that party's defense has also been assumed in the same "insured contract"; and

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(b) Such attorney fees and litigation expenses are for defense of that party against a civil or alternative dispute resolution proceeding in which damages to which this insurance applies are alleged.

c. **Liquor Liability**

"Bodily injury" or "property damage" for which any insured may be held liable by reason of:

(1) Causing or contributing to the intoxication of any person;

(2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or

(3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

d. **Workers Compensation and Similar Laws**

Any obligation of the insured under a workers compensation, disability benefits or unemployment compensation law or any similar law.

e. **Employer's Liability**

"Bodily injury" to:

(1) An "employee" of the insured arising out of and in the course of:

(a) Employment by the insured; or

(b) Performing duties related to the conduct of the insured's business; or

(2) The spouse, child, parent, brother or sister of that "employee" as a consequence of paragraph (1) above.

This exclusion applies:

(1) Whether the insured may be liable as an employer or in any other capacity; and

(2) To any obligation to share damages with or repay someone else who must pay damages because of the injury.

This exclusion does not apply to liability assumed by the insured under an "insured contract".

f. **Pollution**

(1) "Bodily injury" or "property damage" arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:

(a) At or from any premises, site or location which is or was at any time owned or occupied by, or rented or loaned to, any insured;

(b) At or from any premises, site or location which is or was at any time used by or for any insured or others for the handling, storage, disposal, processing or treatment of waste;

(c) Which are or were at any time transported, handled, stored, treated, disposed of, or processed as waste by or for any insured or any person or organization for whom you may be legally responsible; or

(d) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations:

(i) If the pollutants are brought on or to the premises, site or location in connection with such operations by such insured, contractor or subcontractor; or

(ii) If the operations are to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants.

Subparagraph (d)(i) does not apply to "bodily injury" or "property damage" arising out of the escape of fuels, lubricants or other operating fluids which are needed to perform the normal electrical, hydraulic or mechanical functions necessary for the operation of "mobile equipment" or its parts, if such fuels, lubricants or other operating fluids escape from a vehicle part designed to hold, store or receive them. This exception does not apply if the fuels, lubricants or other operating fluids are intentionally discharged, dispersed or released, or if such fuels, lubricants or other operating fluids are brought on or to the premises, site or location with the intent to be discharged, dispersed or released as part of the operations being performed by such insured, contractor or subcontractor.

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Subparagraphs (a) and (d)(i) do not apply to "bodily injury" or "property damage" arising out of heat, smoke or fumes from a hostile fire.

As used in this exclusion, a hostile fire means one which becomes uncontrollable or breaks out from where it was intended to be.

(2) Any loss, cost or expense arising out of any:

(a) Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or

(b) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

g. Aircraft, Auto or Watercraft

"Bodily injury" or "property damage" arising out of the ownership, maintenance, use or entrustment to others of any aircraft, "auto" or watercraft owned or operated by or rented or loaned to any insured. Use includes operation and "loading or unloading".

This exclusion does not apply to:

(1) A watercraft while ashore on premises you own or rent;

(2) A watercraft you do not own that is:

(a) Less than 26 feet long; and

(b) Not being used to carry persons or property for a charge;

(3) Parking an "auto" on, or on the ways next to, premises you own or rent, provided the "auto" is not owned by or rented or loaned to you or the insured;

(4) Liability assumed under any "insured contract" for the ownership, maintenance or use of aircraft or watercraft; or

(5) "Bodily injury" or "property damage" arising out of the operation of any of the equipment listed in paragraph f.(2) or f.(3) of the definition of "mobile equipment".

h. Mobile Equipment

"Bodily injury" or "property damage" arising out of:

(1) The transportation of "mobile equipment" by an "auto" owned or operated by or rented or loaned to any insured; or

(2) The use of "mobile equipment" in, or while in practice for, or while being prepared for, any prearranged racing, speed, demolition, or stunting activity.

i. War

"Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

j. Damage to Property

"Property damage" to:

(1) Property you own, rent, or occupy;

(2) Premises you sell, give away or abandon, if the "property damage" arises out of any part of those premises;

(3) Property loaned to you;

(4) Personal property in the care, custody or control of the insured;

(5) That particular part of real property on which you or any contractors or subcontractors working directly or indirectly on your behalf are performing operations, if the "property damage" arises out of those operations; or

(6) That particular part of any property that must be restored, repaired or replaced because "your work" was incorrectly performed on it.

Paragraph (2) of this exclusion does not apply if the premises are "your work" and were never occupied, rented or held for rental by you.

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Paragraphs (3), (4), (5) and (6) of this exclusion do not apply to liability assumed under a sidetrack agreement.

Paragraph (6) of this exclusion does not apply to "property damage" included in the "products-completed operations hazard".

k. Damage to Your Product

"Property damage" to "your product" arising out of it or any part of it.

l. Damage to Your Work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard".

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

m. Damage to Impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured, arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

n. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product";

(2) "Your work"; or

(3) "Impaired property";

if such product, work, or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

Exclusions c. through n. do not apply to damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner. A separate limit of insurance applies to this coverage as described in LIMITS OF INSURANCE (Section III).

COVERAGE B. PERSONAL AND ADVERTISING INJURY LIABILITY

1. Insuring Agreement

a. We will pay those sums that the insured becomes legally obligated to pay as damages because of "personal injury" or "advertising injury" to which this insurance applies. We will have the right and duty to defend the insured against any "suit" seeking those damages. However, we will have no duty to defend the insured against any "suit" seeking damages for "personal injury" or "advertising injury" to which this insurance does not apply. We may, at our discretion, investigate any "occurrence" or offense and settle any claim or "suit" that may result. But:

(1) The amount we will pay for damages is limited as described in LIMITS OF INSURANCE (SECTION III); and

(2) Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements under Coverages A or B or medical expenses under Coverage C.

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under SUPPLEMENTARY PAYMENTS - COVERAGES A AND B.

b. This insurance applies to:

(1) "Personal injury" caused by an offense arising out of your business, excluding advertising, publishing, broadcasting or telecasting done by or for you;

(2) "Advertising injury" caused by an offense committed in the course of advertising your goods, products or services;

but only if the offense was committed in the "coverage territory" during the policy period.

2. Exclusions

This insurance does not apply to:

a. "Personal injury" or "advertising injury":

(1) Arising out of oral or written publication of material, if done by or at the direction of the insured with knowledge of its falsity;

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(2) Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;

(3) Arising out of the willful violation of a penal statute or ordinance committed by or with the consent of the insured;

(4) For which the insured has assumed liability in a contract or agreement. This exclusion does not apply to liability for damages that the insured would have in the absence of the contract or agreement; or

(5) Arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants at any time.

b. "Advertising injury" arising out of:

(1) Breach of contract, other than misappropriation of advertising ideas under an implied contract;

(2) The failure of goods, products or services to conform with advertised quality or performance;

(3) The wrong description of the price of goods, products or services; or

(4) An offense committed by an insured whose business is advertising, broadcasting, publishing or telecasting.

c. Any loss, cost or expense arising out of any:

(1) Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or

(2) Claim or suit by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants.

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned or reclaimed.

COVERAGE C. MEDICAL PAYMENTS

1. Insuring Agreement

a. We will pay medical expenses as described below for "bodily injury" caused by an accident:

(1) On premises you own or rent;

(2) On ways next to premises you own or rent; or

(3) Because of your operations;

provided that:

(1) The accident takes place in the "coverage territory" and during the policy period;

(2) The expenses are incurred and reported to us within one year of the date of the accident; and

(3) The injured person submits to examination, at our expense, by physicians of our choice as often as we reasonably require.

b. We will make these payments regardless of fault. These payments will not exceed the applicable limit of insurance. We will pay reasonable expenses for:

(1) First aid administered at the time of an accident;

(2) Necessary medical, surgical, x-ray and dental services, including prosthetic devices; and

(3) Necessary ambulance, hospital, professional nursing and funeral services.

2. Exclusions

We will not pay expenses for "bodily injury":

a. To any insured.

b. To a person hired to do work for or on behalf of any insured or a tenant of any insured.

c. To a person injured on that part of premises you own or rent that the person normally occupies.

d. To a person, whether or not an "employee" of any insured, if benefits for the "bodily injury" are payable or must be provided under a workers compensation or disability benefits law or a similar law.

e. To a person injured while taking part in athletics.

f. Included within the "products-completed operations hazard".

g. Excluded under Coverage A.

h. Due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution.

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SUPPLEMENTARY PAYMENTS - COVERAGES A AND B

We will pay, with respect to any claim we investigate or settle, or any "suit" against an insured we defend:

1. All expenses we incur.
2. Up to $250 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which the Bodily Injury Liability Coverage applies. We do not have to furnish these bonds.
3. The cost of bonds to release attachments, but only for bond amounts within the applicable limit of insurance. We do not have to furnish these bonds.
4. All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit", including actual loss of earnings up to $250 a day because of time off from work.
5. All costs taxed against the insured in the "suit".
6. Prejudgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the applicable limit of insurance, we will not pay any prejudgment interest based on that period of time after the offer.
7. All interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within the applicable limit of insurance.

These payments will not reduce the limits of insurance.

If we defend an insured against a "suit" and an indemnitee of the insured is also named as a party to the "suit", we will defend that indemnitee if all of the following conditions are met:

a. The "suit" against the indemnitee seeks damages for which the insured has assumed the liability of the indemnitee in a contract or agreement that is an "insured contract";

b. This insurance applies to such liability assumed by the insured;

c. The obligation to defend, or the cost of the defense of, that indemnitee, has also been assumed by the insured in the same "insured contract";

d. The allegations in the "suit" and the information we know about the "occurrence" are such that no conflict appears to exist between the interests of the insured and the interests of the indemnitee;

e. The indemnitee and the insured ask us to conduct and control the defense of that indemnitee against such "suit" and agree that we can assign the same counsel to defend the insured and the indemnitee; and

f. The indemnitee:

(1) Agrees in writing to:

(a) Cooperate with us in the investigation, settlement or defense of the "suit";

(b) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the "suit";

(c) Notify any other insurer whose coverage is available to the indemnitee; and

(d) Cooperate with us with respect to coordinating other applicable insurance available to the indemnitee; and

(2) Provides us with written authorization to:

(a) Obtain records and other information related to the "suit"; and

(b) Conduct and control the defense of the indemnitee in such "suit".

So long as the above conditions are met, attorneys fees incurred by us in the defense of that indemnitee, necessary litigation expenses incurred by us and necessary litigation expenses incurred by the indemnitee at our request will be paid as Supplementary Payments. Notwithstanding the provisions of paragraph 2.b.(2) of COVERAGE A - BODILY INJURY AND PROPERTY DAMAGE LIABILITY (Section I - Coverages), such payments will not be deemed to be damages for "bodily injury" and "property damage" and will not reduce the limits of insurance.

Our obligation to defend an insured's indemnitee and to pay for attorneys fees and necessary litigation expenses as Supplementary Payments ends when:

a. We have used up the applicable limit of insurance in the payment of judgments or settlements; or

b. The conditions set forth above, or the terms of the agreement described in paragraph f. above, are no longer met.

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SECTION II - WHO IS AN INSURED

1. If you are designated in the Declarations as:
   a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.
   b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.
   c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.
   d. An organization other than a partnership, joint venture or limited liability company, you are an insured. Your "executive officers" and directors are insureds, but only with respect to their duties as your officers or directors. Your stockholders are also insureds, but only with respect to their liability as stockholders.
2. Each of the following is also an insured:
   a. Your "employees", other than either your "executive officers" (if you are an organization other than a partnership, joint venture or limited liability company) or your managers (if you are a limited liability company), but only for acts within the scope of their employment by you or while performing duties related to the conduct of your business. However, none of these "employees" is an insured for:
      (1) "Bodily injury" or "personal injury":
         (a) To you, to your partners or members (if you are a partnership or joint venture), to your members (if you are a limited liability company), or to a co-"employee" while that co-"employee" is either in the course of his or her employment or performing duties related to the conduct of your business;
         (b) To the spouse, child, parent, brother or sister of that co-"employee" as a consequence of paragraph (1)(a) above;
         (c) For which there is any obligation to share damages with or repay someone else who must pay damages because of the injury described in paragraphs (1)(a) or (b) above; or
         (d) Arising out of his or her providing or failing to provide professional health care services.
      (2) "Property damage" to property:
         (a) Owned, occupied or used by,
         (b) Rented to, in the care, custody or control of, or over which physical control is being exercised for any purpose by

         you, any of your "employees", any partner or member (if you are a partnership or joint venture), or any member (if you are a limited liability company).
   b. Any person (other than your "employee"), or any organization while acting as your real estate manager.
   c. Any person or organization having proper temporary custody of your property if you die, but only:
      (1) With respect to liability arising out of the maintenance or use of that property; and
      (2) Until your legal representative has been appointed.
   d. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this Coverage Part.
3. With respect to "mobile equipment" registered in your name under any motor vehicle registration law, any person is an insured while driving such equipment along a public highway with your permission. Any other person or organization responsible for the conduct of such person is also an insured, but only with respect to liability arising out of the operation of the equipment, and only if no other insurance of any kind is available to that person or organization for this liability. However, no person or organization is an insured with respect to:
   a. "Bodily injury" to a co-"employee" of the person driving the equipment; or
   b. "Property damage" to property owned by, rented to, in the charge of or occupied by you or the employer of any person who is an insured under this provision.
4. Any organization you newly acquire or form, other than a partnership, joint venture or limited liability company, and over which you maintain ownership or majority interest, will qualify as a Named Insured if there is no other similar insurance available to that organization. However:
   a. Coverage under this provision is afforded only until the 90th day after you acquire or form the organization or the end of the policy period, whichever is earlier;

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b. Coverage A does not apply to "bodily injury" or "property damage" that occurred before you acquired or formed the organization; and

c. Coverage B does not apply to "personal injury" or "advertising injury" arising out of an offense committed before you acquired or formed the organization.

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

SECTION III - LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:
   a. Insureds;
   b. Claims made or "suits" brought; or
   c. Persons or organizations making claims or bringing "suits".
2. The General Aggregate Limit is the most we will pay for the sum of:
   a. Medical expenses under Coverage C;
   b. Damages under Coverage A, except damages because of "bodily injury" or "property damage" included in the "products-completed operations hazard"; and
   c. Damages under Coverage B.
3. The Products-Completed Operations Aggregate Limit is the most we will pay under Coverage A for damages because of "bodily injury" and "property damage" included in the "products-completed operations hazard".
4. Subject to 2. above, the Personal and Advertising Injury Limit is the most we will pay under Coverage B for the sum of all damages because of all "personal injury" and all "advertising injury" sustained by any one person or organization.
5. Subject to 2. or 3. above, whichever applies, the Each Occurrence Limit is the most we will pay for the sum of:
   a. Damages under Coverage A; and
   b. Medical expenses under Coverage C

   because of all "bodily injury" and "property damage" arising out of any one "occurrence".
6. Subject to 5. above, the Fire Damage Limit is the most we will pay under Coverage A for damages because of "property damage" to premises, while rented to you or temporarily occupied by you with permission of the owner, arising out of any one fire.
7. Subject to 5. above, the Medical Expense Limit is the most we will pay under Coverage C for all medical expenses because of "bodily injury" sustained by any one person.

The Limits of Insurance of this Coverage Part apply separately to each consecutive annual period and to any remaining period of less than 12 months, starting with the beginning of the policy period shown in the Declarations, unless the policy period is extended after issuance for an additional period of less than 12 months. In that case, the additional period will be deemed part of the last preceding period for purposes of determining the Limits of Insurance.

SECTION IV - COMMERCIAL GENERAL LIABILITY CONDITIONS

1. Bankruptcy

   Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this Coverage Part.

2. Duties In The Event Of Occurrence, Offense, Claim Or Suit
   a. You must see to it that we are notified as soon as practicable of an "occurrence" or an offense which may result in a claim. To the extent possible, notice should include:
      (1) How, when and where the "occurrence" or offense took place;
      (2) The names and addresses of any injured persons and witnesses; and
      (3) The nature and location of any injury or damage arising out of the "occurrence" or offense.
   b. If a claim is made or "suit" is brought against any insured, you must:
      (1) Immediately record the specifics of the claim or "suit" and the date received; and
      (2) Notify us as soon as practicable.

      You must see to it that we receive written notice of the claim or "suit" as soon as practicable.

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c. You and any other involved insured must:

(1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";

(2) Authorize us to obtain records and other information;

(3) Cooperate with us in the investigation or settlement of the claim or defense against the "suit"; and

(4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance may also apply.

d. No insured will, except at that insured's own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

3. Legal Action Against Us

No person or organization has a right under this Coverage Part:

a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or

b. To sue us on this Coverage Part unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an agreed settlement or on a final judgment against an insured obtained after an actual trial; but we will not be liable for damages that are not payable under the terms of this Coverage Part or that are in excess of the applicable limit of insurance. An agreed settlement means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

4. Other Insurance

If other valid and collectible insurance is available to the insured for a loss we cover under Coverages A or B of this Coverage Part, our obligations are limited as follows:

a. Primary Insurance

This insurance is primary except when b. below applies. If this insurance is primary, our obligations are not affected unless any of the other insurance is also primary. Then, we will share with all that other insurance by the method described in c. below.

b. Excess Insurance

This insurance is excess over any of the other insurance, whether primary, excess, contingent or on any other basis:

(1) That is Fire, Extended Coverage, Builder's Risk, Installation Risk or similar coverage for "your work";

(2) That is Fire insurance for premises rented to you or temporarily occupied by you with permission of the owner; or

(3) If the loss arises out of the maintenance or use of aircraft, "autos" or watercraft to the extent not subject to Exclusion g. of Coverage A (Section I).

When this insurance is excess, we will have no duty under Coverages A or B to defend the insured against any "suit" if any other insurer has a duty to defend the insured against that "suit". If no other insurer defends, we will undertake to do so, but we will be entitled to the insured's rights against all those other insurers.

When this insurance is excess over other insurance, we will pay only our share of the amount of the loss, if any, that exceeds the sum of:

(1) The total amount that all such other insurance would pay for the loss in the absence of this insurance; and

(2) The total of all deductible and self-insured amounts under all that other insurance.

We will share the remaining loss, if any, with any other insurance that is not described in this Excess Insurance provision and was not bought specifically to apply in excess of the Limits of Insurance shown in the Declarations of this Coverage Part.

c. Method of Sharing

If all of the other insurance permits contribution by equal shares, we will follow this method also. Under this approach each insurer contributes equal amounts until it has paid its applicable limit of insurance or none of the loss remains, whichever comes first.

If any of the other insurance does not permit contribution by equal shares, we will contribute by limits. Under this method, each insurer's share is based on the ratio of its applicable limit of insurance to the total applicable limits of insurance of all insurers.

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5. **Premium Audit**

   a. We will compute all premiums for this Coverage Part in accordance with our rules and rates.

   b. Premium shown in this Coverage Part as advance premium is a deposit premium only. At the close of each audit period we will compute the earned premium for that period. Audit premiums are due and payable on notice to the first Named Insured. If the sum of the advance and audit premiums paid for the policy period is greater than the earned premium, we will return the excess to the first Named Insured.

   c. The first Named Insured must keep records of the information we need for premium computation, and send us copies at such times as we may request.

6. Representations

   By accepting this policy, you agree:

   a. The statements in the Declarations are accurate and complete;

   b. Those statements are based upon representations you made to us; and

   c. We have issued this policy in reliance upon your representations.

7. Separation Of Insureds

   Except with respect to the Limits of Insurance, and any rights or duties specifically assigned in this Coverage Part to the first Named Insured, this insurance applies:

   a. As if each Named Insured were the only Named Insured; and

   b. Separately to each insured against whom claim is made or "suit" is brought.

8. Transfer Of Rights Of Recovery Against Others To Us

   If the insured has rights to recover all or part of any payment we have made under this Coverage Part, those rights are transferred to us. The insured must do nothing after loss to impair them. At our request, the insured will bring "suit" or transfer those rights to us and help us enforce them.

9. **When We Do Not Renew**

   If we decide not to renew this Coverage Part, we will mail or deliver to the first Named Insured shown in the Declarations written notice of the nonrenewal not less than 30 days before the expiration date.

   If notice is mailed, proof of mailing will be sufficient proof of notice.

SECTION V - DEFINITIONS

1. "Advertising injury" means injury arising out of one or more of the following offenses:

   a. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;

   b. Oral or written publication of material that violates a person's right of privacy;

   c. Misappropriation of advertising ideas or style of doing business; or

   d. Infringement of copyright, title or slogan.

2. "Auto" means a land motor vehicle, trailer or semitrailer designed for travel on public roads, including any attached machinery or equipment. But "auto" does not include "mobile equipment".

3. "Bodily injury" means bodily injury, sickness or disease sustained by a person, including death resulting from any of these at any time.

4. "Coverage territory" means:

   a. The United States of America (including its territories and possessions), Puerto Rico and Canada;

   b. International waters or airspace, provided the injury or damage does not occur in the course of travel or transportation to or from any place not included in a. above; or

   c. All parts of the world if:

      (1) The injury or damage arises out of:

         (a) Goods or products made or sold by you in the territory described in a. above; or

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(b) The activities of a person whose home is in the territory described in a. above, but is away for a short time on your business; and

(2) The insured's responsibility to pay damages is determined in a "suit" on the merits, in the territory described in a. above or in a settlement we agree to.

5. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".

6. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, by-laws or any other similar governing document.

7. "Impaired property" means tangible property, other than "your product" or "your work", that cannot be used or is less useful because:

   a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

   b. You have failed to fulfill the terms of a contract or agreement;

   if such property can be restored to use by:

   a. The repair, replacement, adjustment or removal of "your product" or "your work"; or

   b. Your fulfilling the terms of the contract or agreement.

8. "Insured contract" means:

   a. A contract for a lease of premises. However, that portion of the contract for a lease of premises that indemnifies any person or organization for damage by fire to premises while rented to you or temporarily occupied by you with permission of the owner is not an "insured contract";

   b. A sidetrack agreement;

   c. Any easement or license agreement, except in connection with construction or demolition operations on or within 50 feet of a railroad;

   d. An obligation, as required by ordinance, to indemnify a municipality, except in connection with work for a municipality;

   e. An elevator maintenance agreement;

   f. That part of any other contract or agreement pertaining to your business (including an indemnification of a municipality in connection with work performed for a municipality) under which you assume the tort liability of another party to pay for "bodily injury" or "property damage" to a third person or organization. Tort liability means a liability that would be imposed by law in the absence of any contract or agreement.

   Paragraph f. does not include that part of any contract or agreement:

   (1) That indemnifies a railroad for "bodily injury" or "property damage" arising out of construction or demolition operations, within 50 feet of any railroad property and affecting any railroad bridge or trestle, tracks, road-beds, tunnel, underpass or crossing;

   (2) That indemnifies an architect, engineer or surveyor for injury or damage arising out of:

      (a) Preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders or drawings and specifications; or

      (b) Giving directions or instructions, or failing to give them, if that is the primary cause of the injury or damage; or

   (3) Under which the insured, if an architect, engineer or surveyor, assumes liability for an injury or damage arising out of the insured's rendering or failure to render professional services, including those listed in (2) above and supervisory, inspection, architectural or engineering activities.

9. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker".

10. "Loading or unloading" means the handling of property:

    a. After it is moved from the place where it is accepted for movement into or onto an aircraft, watercraft or "auto";

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b. While it is in or on an aircraft, watercraft or "auto"; or

c. While it is being moved from an aircraft, watercraft or "auto" to the place where it is finally delivered;

but "loading or unloading" does not include the movement of property by means of a mechanical device, other than a hand truck, that is not attached to the aircraft, watercraft or "auto".

11. "Mobile equipment" means any of the following types of land vehicles, including any attached machinery or equipment:

a. Bulldozers, farm machinery, forklifts and other vehicles designed for use principally off public roads;

b. Vehicles maintained for use solely on or next to premises you own or rent;

c. Vehicles that travel on crawler treads;

d. Vehicles, whether self-propelled or not, maintained primarily to provide mobility to permanently mounted:

(1) Power cranes, shovels, loaders, diggers or drills; or

(2) Road construction or resurfacing equipment such as graders, scrapers or rollers;

e. Vehicles not described in a., b., c. or d. above that are not self-propelled and are maintained primarily to provide mobility to permanently attached equipment of the following types:

(1) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment; or

(2) Cherry pickers and similar devices used to raise or lower workers;

f. Vehicles not described in a., b., c. or d. above maintained primarily for purposes other than the transportation of persons or cargo.

However, self-propelled vehicles with the following types of permanently attached equipment are not "mobile equipment" but will be considered "autos":

(1) Equipment designed primarily for:

(a) Snow removal;

(b) Road maintenance, but not construction or resurfacing; or

(c) Street cleaning;

(2) Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and

(3) Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well servicing equipment.

12. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

13. "Personal injury" means injury, other than "bodily injury", arising out of one or more of the following offenses:

a. False arrest, detention or imprisonment;

b. Malicious prosecution;

c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies by or on behalf of its owner, landlord or lessor;

d. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services; or

e. Oral or written publication of material that violates a person's right of privacy.

14. "Products-completed operations hazard":

a. Includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not yet been completed or abandoned. However, "your work" will be deemed completed at the earliest of the following times:

(a) When all of the work called for in your contract has been completed.

(b) When all of the work to be done at the job site has been completed if your contract calls for work at more than one job site.

(c) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

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b. Does not include "bodily injury" or "property damage" arising out of:

(1) The transportation of property, unless the injury or damage arises out of a condition in or on a vehicle not owned or operated by you, and that condition was created by the "loading or unloading" of that vehicle by any insured;

(2) The existence of tools, uninstalled equipment or abandoned or unused materials; or

(3) Products or operations for which the classification, listed in the Declarations or in a policy schedule, states that products-completed operations are subject to the General Aggregate Limit.

15. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property. All such loss of use shall be deemed to occur at the time of the physical injury that caused it; or

b. Loss of use of tangible property that is not physically injured. All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

16. "Suit" means a civil proceeding in which damages because of "bodily injury", "property damage", "personal injury" or "advertising injury" to which this insurance applies are alleged. "Suit" includes:

a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit with our consent; or

b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits with our consent.

17. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

18. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product"; and

b. The providing of or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

19. "Your work" means:

a. Work or operations performed by you or on your behalf; and

b. Materials, parts or equipment furnished in connection with such work or operations.

"Your work" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work"; and

b. The providing of or failure to provide warnings or instructions.

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COMMERCIAL UMBRELLA LIABILITY POLICY

This policy has been issued in reliance upon the statements in the Declarations and in the application submitted for this insurance. Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

The word "insured" means any person or organization qualifying as such under SECTION II - WHO IS AN INSURED.

Words and phrases in this policy that appear in quotation marks have special meanings. Refer to SECTION V - DEFINITIONS when such meanings are not defined when used.



SECTION I - COVERAGE A AND COVERAGE B

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY.

COVERAGE B. PERSONAL INJURY AND ADVERTISING INJURY LIABILITY

1. INSURING AGREEMENT

We will pay on behalf of the insured the "ultimate net loss" in excess of the "applicable underlying limit" which the insured becomes legally obligated to pay as damages because of:

a. "Bodily injury" or "property damage" covered by this policy and caused by an "occurrence" which occurs during the policy period; or

b. "Personal injury" or "advertising injury" covered by this policy and caused by an "offense" committed during the policy period.

This insurance applies anywhere in the world.

2. DEFENSE AND SUPPLEMENTARY PAYMENTS

a. We will have no duty to defend any claim or "suit" that any other insurer has a duty to defend. If we elect to join in the defense of such claims or "suits," we will pay all expenses we incur.

b. We will have the right and duty to defend any "suit" for damages which are payable under Coverages A or B (including damages wholly or partly within the "retained limit") but which are not payable by a policy of "underlying insurance," or any other available insurance, because;

(1) Such damages are not covered; or

(2) The "underlying insurance" has been exhausted by the payment of claims.

c. We may investigate and settle any claim or "suit" in b. above at our discretion.

d. Our right and duty in b. above end when we have used up the "applicable limit of insurance" in the payment of judgments or settlements.

e. We will pay with respect to any claim or "suit" we defend in b. above:

(1) All expenses we incur.

(2) The cost of appeal bonds and bonds to release attachments, but only for bond amounts within the "applicable limit of insurance." We do not have to furnish these bonds.

(3) The cost of bail bonds up to $3,000. We do not have to furnish these bonds.

(4) All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings because of time off from work.

(5) All costs taxed against the insured in the "suit."

(6) Pre-judgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the "applicable limit of insurance," we will not pay any pre-judgment interest based on that period of time after the offer.

(7) All interest on the full amount of any judgment that accrues after entry of the judgment and before we have:

(a) paid, or offered to pay; or

(b) deposited in court;

the part of the judgment that is within the "applicable limit of insurance."

These payments will not reduce the limits of insurance.

In any jurisdiction outside the United States of America (including its territories and possessions), Puerto Rico or Canada where we may be prevented by law or otherwise from carrying out this agreement:

(1) You must arrange to investigate, defend or settle any claim or "suit."

(2) You will not make any settlement without our consent.

(3) We will pay expenses incurred with our consent.

3. EXCLUSIONS

This insurance does not apply to:

a. Expected or Intended Injury

"Bodily injury" or "property damage" expected or intended from the standpoint of the insured. This exclusion does not apply to "bodily injury" or "property damage" resulting from the use of reasonable force to protect persons or property.

b. Laws

Any liability or obligation of the insured under any of the following laws:

(1) Any workers' compensation or similar law, however, this exclusion does not apply to liability of others assumed by you under any valid contract in existence at the time of "occurrence";

(2) Any unemployment compensation, disability benefits, or similar law;

(3) Any unfair trade practices or similar law; or

(4) Any uninsured motorist, underinsured motorist, automobile no-fault or first party personal injury law.

c. Employment Related Practices

Any liability, defense costs, fines or damages arising out of any employment related practices, policies, acts or omissions, including but not limited to:

(1) Refusal to employ;

(2) Termination of employment;

(3) Coercion, demotion, evaluation, reassignment, discipline, defamation, harrassment, humiliation or discrimination; or

(4) Consequential "bodily injury" or "personal injury" as a result of any of the above.

This exclusion applies whether the insured may be held liable as an employer or in any other capacity and to any obligation of the insured to share damages with or to repay someone else who must pay damages because of the injury.

d. War

"Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

e. Contractual Liability

"Bodily injury," "property damage," "personal injury" or "advertising injury" for which the insured assumed liability under a contract or agreement if the damage or injury occurred prior to the effective date of the contract or agreement.

f. Aircraft or Watercraft

"Bodily injury" or "property damage" arising out of the ownership, maintenance, operation, use, including loading or unloading or entrustment to others of watercraft over 50 feet in length or any aircraft:

(1) Owned by any insured;

(2) Chartered without crew by or on behalf of any insured; or

(3) Owned and operated by an "employee" of any insured.

This exclusion does not apply to:

(1) A watercraft while ashore on premises you own or rent;

(2) Liability assumed under any contract or agreement; or

(3) Liability covered by valid and collectible "underlying insurance" for the full limits shown, and then only for such liability for which coverage is afforded under the "underlying insurance."

g. Advertising Injury

"Advertising injury" arising out of:

(1) Breach of contract, other than misappropriation of advertising ideas under an implied contract;

(2) The failure of goods, products or services to conform with advertised quality or performance;

(3) The wrong description of the price of goods, products or services; or

(4) An "offense" committed by an insured whose business is advertising, broadcasting, publishing or telecasting.

h. Falsity, Prior Publication, Willful Violation

Personal injury" or "advertising injury":

(1) Arising out of oral, written, televised or videotaped publication of material, if done by or at the direction of the insured with knowledge of its falsity;

(2) Arising out of oral, written, televised or videotaped publication of material whose first publication took place before the beginning of the policy period. All "personal injury" or "advertising injury" arising out of publication of the same or similar material subsequent to the beginning of the policy period is also excluded; or

(3) Arising out of the willful violation of a penal statute or ordinance committed by or with the consent of the insured.

i. Damage to Property

"Property damage" to property:

(1) Owned or occupied by or rented to any insured;

(2) Used by any insured; or

(3) In the care, custody or control of any insured or as to which any insured is for any purpose exercising physical control.

Paragraph (1) of this exclusion does not apply to damage to premises rented to you arising out of fire, lightning, explosion, smoke or leakage from fire protection systems which occurs during the first thirty (30) days after the date such premises were first rented to you.

j. Damage to Your Product

"Property damage" to "your product" arising out of it or any part of it.

k. Damage to Your work

"Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

l. Damage to Impaired Property or Property Not Physically Injured

"Property damage" to "impaired property" or property that has not been physically injured arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

m. Recall of Products, Work or Impaired Property

Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product";

(2) "Your work"; or

(3) "Impaired property";

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

n. Pollution

(1) Any liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:

(a) That are, or that are contained in any property that is:

(i) Being transported or towed by, handled, or handled for movement into, onto or from, the "auto";

(ii) Otherwise in the course of transit by or on behalf of the insured; or

(iii) Being stored, disposed of, treated or processed in or upon the "auto";

(b) Before the pollutants or any property in which the pollutants are contained are moved from the place where they are accepted by the insured for movement into or onto the "auto"; or

(c) After the pollutants or any property in which the pollutants are contained are moved from the "auto" to the place where they are finally delivered, disposed of or abandoned by the insured.

Paragraph (1)(a) above does not apply to fuels, lubricants, fluids, exhaust gases or other similar pollutants that are needed for or result from the normal electrical, hydraulic or mechanical functioning of the "auto" or its parts, if the pollutants escape, seep, migrate, or are discharged, dispersed or released directly from an "auto" part designed by its manufacturer to hold, store, receive or dispose of such pollutants.

Paragraphs (1)(b) and (1)(c) above do not apply to an "occurrence" that occurs away from premises owned by or rented to an insured with respect to pollutants not in or upon an "auto" if:

(i) The pollutants or any property in which the pollutants are contained are upset, overturned or damaged as a result of the maintenance or use of an "auto"; and

(ii) The discharge, dispersal, seepage, migration, release or escape of the pollutants is caused directly by such upset, overturn, or damage.

(2) Any liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:

(a) At or from any premises, site or location which is or was at any time owned or occupied by, or rented or loaned to, any insured; however, this does not apply to "bodily injury" if sustained within a building and caused by smoke, fumes, vapor or soot from equipment used to heat that building.

(b) At or from any premises, site or location which is or was at any time used by or for any Insured or others for the handling, storage, disposal, processing or treatment of waste;

(c) Which are or were at any time transported, handled, stored, treated, disposed of, or processed as waste by or for any insured or any person or organization for whom you may be legally responsible; or

(d) At or from any premises, site or location on which any insured or any contractors or subcontractors working directly or indirectly on any insured's behalf are performing operations:

(i) If the pollutants are brought on or to the premises, site or location in connection with such operations by such insured, contractor or subcontractor; or

(ii) If the operations are to test for, monitor, clean up, remove, contain, treat detoxify or neutralize, or in any way respond to, or assess the effects of pollutants.

Paragraphs 2(a) and 2(d)(i) do not apply to "bodily injury" or "property damage" arising out of heat, smoke or fumes from a hostile fire.

As used in this exclusion, a hostile fire means one which becomes uncontrollable or breaks out from where it was intended to be.

(3) Any loss, cost or expense arising out of any:

(a) Request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way respond to, or assess the effects of pollutants; or

(b) Claim or "suit" by or on behalf of a governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying or neutralizing, or in any way responding to, or assessing the effects of pollutants.

(4) Any liability caused by pollutants excluded by "underlying insurance." This exclusion applies in addition to items n.(1) through n.(3) above and it also overrides the exceptions in items n.(1) and n.(2).

Pollutants means any solid, liquid, gaseous or thermal irritant or contaminant, including smoke, vapor, soot, fumes, acids, alkalis, chemicals and waste. Waste includes materials to be recycled, reconditioned, or reclaimed. Pollutants include but are not limited to substances which are generally recognized in industry or government to be harmful or toxic to persons, property or the environment.

o. **Asbestos**

"Bodily injury," "personal injury" or "property damage" arising out of the "asbestos hazard."

We shall have no obligation under this policy:

(1) To investigate, settle or defend any claim or suit against any insured alleging actual or threatened injury or damage of any nature or kind to persons or property which arises out of or would not have occurred but for the "asbestos hazard"; or

(2) To pay, contribute to or indemnify another for damages, judgments, settlements, loss, costs or expenses that may be awarded or incurred by reason of any such claim or suit or any injury or damage, or in complying with any action authorized by law and relating to such injury or damage.

As used in this exclusion:

"Asbestos hazard" means:

(1) An actual exposure or threat of exposure to the harmful properties of "asbestos," or

(2) The presence of "asbestos" in any place, whether or not within a building or structure.

"Asbestos" means the mineral in any form, including but not limited to fibers or dust.

p. **Liquor Liability**

"Bodily injury" or "property damage" for which any insured may be held liable by reason of:

(1) Causing or contributing to the intoxication of any person;

(2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or

(3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

q. Nuclear Energy Liability

Injury, sickness, disease, death or destruction:

(1) With respect to which an insured under this policy is also an insured under a nuclear energy liability policy issued by the Nuclear Energy Liability Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under such policy but for its termination upon exhaustion of its limit of liability; or

(2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which (i) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (ii) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization; or

(3) Resulting from the "hazardous properties" of "nuclear material," if (i) the "nuclear material" is at any "nuclear facility" owned by or operated by or on behalf of an Insured or has been discharged or dispersed therefrom; (ii) the "nuclear material" if contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or (iii) the injury, sickness, disease, death or destruction arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "nuclear facility," but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (q.3 iii) applies only to injury to or destruction of property at such "nuclear facility."

As used in or applicable to this exclusion, the following are defined terms having special meaning:

"Hazardous properties" include radioactive, toxic or explosive properties;

"Source material," "special nuclear material," and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor;"

"Waste" means any waste material (a) containing "byproduct material," and (b) resulting from the operation by any person or organization of any "nuclear facility" included under paragraph (a) or (b) of the definition of "nuclear facility."

"Nuclear facility" means:

(1) Any "nuclear reactor";

(2) Any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing "spent fuel," or (3) handling, processing or packaging "waste";

(3) Any equipment or device used for processing, fabricating or alloying of "special nuclear material" if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25

grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

(4) Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste";

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.

"Nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

With respect to injury to or destruction of property, the word "injury" or "destruction" includes all forms of radioactive contamination of property.

SECTION II - WHO IS AN INSURED

1. If you are designated in the Declarations as:

   a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.

   b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.

   c. A limited liability company, you are an insured. Your members are also insureds, but only with respect to the conduct of your business. Your managers are insureds, but only with respect to their duties as your managers.

   d. An organization other than a partnership, joint venture or limited liability company, you are an insured and each of the following is also an insured:

      (1) Any subsidiary corporation of such organization, including any subsidiary corporation thereof:

         (a) Existing at the effective date of this policy; or

         (b) Acquired or newly formed during the policy period.

      (2) Any other corporation controlled and actively managed by such organization or any such subsidiary:

         (a) At the effective date of this policy; or

         (b) If the control and active management thereof was acquired during the policy period.

      However, coverage under d.(1) and (2) above does not appy to:

         (i) "Bodily injury" or "property damage" that occurred before you acquired or formed the organization; or

         (ii) "Personal injury" or "advertising injury" arising out of an "offense" committed before you acquired or formed the organization.

2. Each of the following is also an insured:

   a. As respects the "auto hazard:"

      (1) Anyone using an "auto" you own, hire or borrow including any person or organization legally responsible for such use provided it is with your permission; and

      (2) Any of your executive officers, directors, partners, "employees" or stockholders, operating an "auto" you do not own, hire or borrow while it is being used in your business.

None of the following is an insured under (1) or (2) above:

(1) Any person employed by or engaged in the duties of an auto sales agency, repair shop, service station, storage garage or public parking place that you do not operate;

(2) The owner or lessee of an "auto" hired by or for you or loaned to you, and any agency or employee of such owner or lessee.

b. As respects aircraft:

Anyone using an aircraft chartered with crew by you or on your behalf and anyone legally responsible for its use except:

(1) The owner or crew of the aircraft or any person operating such aircraft;

(2) Any manufacturer of the aircraft or any of its parts;

(3) Any sales, service or repair company;

(4) Any airport or hanger operator; or

(5) Any employee of (2), (3) or (4) above.

c. Except as respects aircraft and the "auto hazard":

(1) Your executive officers, "employees," directors or stockholders while acting within the scope of their duties; and

(2) Any person or organization while acting as real estate manager for you.

d. Any person or organization having proper temporary custody of your property if you die, but only:

(1) With respect to liability arising out of the maintenance or use of that property; and

(2) Until your legal representative has been appointed.

e. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this insurance.

f. Any person or organization for whom you agreed in writing to provide this insurance for operations you perform or facilities you own or use. This insurance is subject to your "applicable underlying limits" for such operations or facilities.

g. Any other person or organization insured under any policy of the "underlying insurance." This grant is subject to all the limitations upon coverage under such policy other than the limits of the "underlying insurers" liability.

No person or organization is an insured with respect to the conduct of any current or past partnership, joint venture or limited liability company that is not shown as a Named Insured in the Declarations.

No person is an insured as respects "bodily injury" to a fellow "employee" unless insurance for such liability is afforded by the "underlying insurance."

SECTION III - LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

a. Insureds;

b. Claims made or "suits" brought; or

c. Persons or organizations making claims or bringing "suits."

2. The Aggregate Limit is the most we will pay for all damages:

   a. Included in the "products-completed operations hazard";

   b. Because of "bodily injury" by disease sustained by your "employees" arising out of and in the course of their employment by you and not covered by any workers' compensation or similar law; or

   c. Arising out of the rendering or failure to render any professional services which are covered under this policy.

   The Aggregate Limit applies separately to a., b. and c.

3. The Personal and Advertising Injury Limit is the most we will pay under Coverage B for the sum of all damages because of all "personal injury" and all "advertising injury" sustained by any one person or organization.

4. Subject to 2. above, the Each Occurrence Limit is the most we will pay for the sum of damages under Coverage A because of all "bodily injury" and "property damage" arising out of any one "occurrence."

The limits of this insurance apply separately to each consecutive annual period and to any remaining period of less than 12 months. The policy period begins with the effective date shown in the Declarations. If the policy period is extended after issuance for an additional period of less than 12 months, the additional period will be deemed part of the last preceding period.

SECTION IV - CONDITIONS

1. APPEALS

   a. If the insured or the insured's "underlying insurer" elects not to appeal a judgment which exceeds the "applicable underlying limit," we may do so.

   b. If we do, we will pay all costs of the appeal. We will also pay all costs on appeals related to the defense of the insured as provided in SECTION I item 2. DEFENSE AND SUPPLEMENTARY PAYMENTS. These sums are in addition to the "applicable limit of insurance." In no event shall our liability for "ultimate net loss" exceed the "applicable limit of insurance."

2. BANKRUPTCY

   Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this insurance.

3. CANCELLATION

   a. The first Named Insured may cancel this insurance by mailing or delivering to us advance written notice of cancellation.

   b. We may cancel this insurance by mailing or delivering to the first Named Insured written notice of cancellation at least:

      (1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or

      (2) 60 days before the effective date of cancellation if we cancel for any other reason.

   c. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.

   d. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.

   e. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels the refund will be pro rata less 10% of the pro rata unearned premium. The cancellation will be effective even if we have not made or offered a refund.

   f. If notice is mailed, proof of mailing will be sufficient proof of notice.

4. CHANGES

This policy contains all the agreements between you and us concerning the insurance afforded. No change can be made in the terms of this insurance except with our consent. The terms of this insurance can be amended or waived only by endorsement issued by us and made a part of this insurance.

5. DUTIES IN THE EVENT OF OCCURRENCE, OFFENSE, CLAIM OR SUIT

a. You must see to it that we are notified promptly of an "occurrence" or an "offense" which may result in a claim under this insurance. Notice should include:

(1) How, when and where the "occurrence" or "offense" took place;

(2) The name and address of any injured persons or witnesses; and

(3) The nature and location of any injury or damage arising out of the "occurrence" or "offense."

This requirement applies only when the "occurrence" or "offense" is known to:

(1) You, if you are an individual;

(2) A partner, if you are a partnership;

(3) A member, if you are a joint venture;

(4) A member or manager, if you are a limited liability company; or

(5) An executive officer or insurance manager, if you are an organization other than a partnership, joint venture or limited liability company.

b. If a claim is made or "suit" is brought against any insured which may result in a claim against this insurance, you must:

(1) Immediately record the specifics of the claim or "suit" and the date received; and

(2) Notify us as soon as practicable.

This requirement will not be considered breached unless the breach occurs after such claim or "suit" is known to:

(1) You, if you are an individual;

(2) A partner, if you are a partnership;

(3) A member, if you are a joint venture;

(4) A member, if you are a limited liability company; or

(5) An executive officer or insurance manager, if you are an organization other than a partnership, joint venture or limited liability company.

c. You and any other involved insured must:

(1) Immediately send us copies of any demands, notices, summonses or legal papers received in connection with the claim or "suit";

(2) Authorize us to obtain records and other information;

(3) Cooperate with us in the investigation, settlement or defense of the claim or "suit";

(4) Assist us, upon our request, in the enforcement of any right against any person or organization which may be liable to the insured because of injury or damage to which this insurance or any "underlying insurance" may apply;

(5) Cooperate with the "underlying insurers"; and

(6) Comply with the terms of the "underlying insurance."

d. When we believe that a claim may exceed the "underlying insurance," we may join with the insured and the "underlying insurer" in the investigation, settlement and defense of all claims and "suits" in connection with such "occurrence" or "offense." In such event, the insured must cooperate with us.

e. No insured will, except at their own cost, voluntarily make a payment, assume any obligation or incur any expense, other than first aid, without our consent.

6. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this insurance:

a. At any time during the policy period;

b. Up to three years afterward; or

c. Within one year after final settlement of all claims under this insurance.

7. INSPECTIONS AND SURVEYS

We have the right but are not obligated to:

a. Make inspections and surveys at any time;

b. Give you reports on the conditions we find; and

c. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. We do not warrant that conditions:

a. Are safe or healthful; or

b. Comply with laws, regulations, codes or standards.

8. LEGAL ACTION AGAINST US

No person or organization has a right under this insurance:

a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or

b. To sue us on this insurance unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an "agreed settlement" or on a final judgement against an insured obtained after an actual trial. We will not be liable for damages that:

a. Are not payable under the terms of this insurance; or

b. Are in excess of the "applicable limit of insurance."

An "agreed settlement" means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

9. MAINTENANCE OF UNDERLYING INSURANCE

You shall maintain in force the insurance afforded by each policy listed in the Schedule of Underlying Insurance in the Declarations for the full term of this insurance. The terms, conditions and endorsements of "underlying insurance" will not materially change and renewals or replacements of "underlying insurance" will not be more restrictive in coverage. Limits of "underlying insurance" will not be reduced except for any reduction or exhaustion of the aggregate limit(s) of insurance due to the payment of claims or defense.

If you fail to comply with the above, this insurance is not invalidated. However, in the event of a loss, we will pay only to the extent that we would have paid had you so complied.

10. OTHER INSURANCE

This insurance is excess over any other valid and collectible insurance whether such other insurance is stated to be primary, contributing, excess, contingent or otherwise. This provision does not apply to a policy bought specifically to apply in excess of this insurance.

11. OUR RIGHT TO RECOVER FROM OTHERS

If we make a payment under this insurance, the insured will assist us and the "underlying insurer" in recovering what we paid by using the insured's right of recovery. Reimbursement will be made in the following order:

a. First, to any interest (including the insured) who has paid any amount in excess of the limits of this insurance;

b. Next, to us; and

c. Then to any interest (including the insured and the "underlying insurer") as are entitled to claim the remainder, if any.

A different order may apply if agreed upon by all interests. Expenses incurred in the process of recovery will be divided among all interests according to the ratio of their respective recoveries.

12. PREMIUM

The first Named Insured is responsible for the payment of all premiums and will be the payee for any return premium.

13. PREMIUM AUDIT

When this insurance is written on an adjustable premium basis the following items apply:

a. You must keep records of the information we need for premium computation, and send us copies at such times as we may request.

b. At the close of each audit period we will compute the earned premium for that period.

c. Audit premiums are due and payable on notice to the first Named Insured.

14. REPRESENTATION

By accepting this insurance you agree:

a. The statements in the Declarations and any subsequent notice relating to "underlying insurance" are accurate and complete;

b. Those statements are based upon representations you made to us;

c. We have issued this insurance in reliance upon your representation; and

d. Your failure to disclose all hazards existing as of the inception date of the policy shall not in itself prejudice the coverage otherwise afforded by this policy, provided such failure to disclose all hazards is not intentional.

15. SEPARATION OF INSUREDS

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned to you in this insurance, this insurance applies:

a. As if each Named Insured were the only Named Insured; and

b. Separately to each insured against whom claim is made or "suit" is brought.

16. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS INSURANCE

Your rights and duties under this insurance may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

17. WHEN LOSS IS PAYABLE

If we are liable under this insurance, we will pay for "ultimate net loss" after:

a. (1) The insured's liability is established by court decision and all appeals are exhausted; or

(2) There is a written agreement between the claimant, the insured, any "underlying insurer" and us; and

b. The amount of the "applicable underlying limit" is paid by or on behalf of the insured.

We will pay all claims expeditiously provided all terms of this insurance are met.

The insured will reimburse us for any payment we make for damages which are within the "retained limit."

18. FIRST NAMED INSURED

The person or organization first named in the Declarations will act on behalf of all other insureds where indicated in this policy.

19. LIBERALIZATION

If we revise this policy form to provide more coverage without additional premium charge, your policy will automatically provide the additional coverage as of the day the revision is effective in your state.

20. TWO OR MORE POLICIES ISSUED BY US

If this policy or any other blanket excess or umbrella policy issued to you by us or any company affiliated with us apply to the same "occurrence" or "offense," the maximum Limit of Insurance under all these policies shall not exceed the highest applicable Limit of Insurance under any one policy.

SECTION V - DEFINITIONS

1. "Advertising injury" means injury arising out of one or more of the following "offenses" committed during the policy period:

a. Oral, written, televised or videotaped publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;

b. Oral, written, televised or videotaped publication of material that violates a person's right of privacy;

c. Misappropriation of advertising ideas or style of doing business; or

d. Infringement of copyright, title or slogan.

Such "offenses" must be committed in the course of advertising your goods or products.

2. "Applicable limit of insurance" means the maximum amount we will pay as damages in accordance with SECTION III - LIMITS OF INSURANCE.

3. "Applicable underlying limit" means:

a. If the policies of "underlying insurance" apply to the "occurrence" or "offense," the greater of:

(1) The amount of insurance stated in the policies of "underlying insurance" in the Declarations or any other available insurance less the amount by which any aggregate limit so stated has been reduced by payment of claims or defense; or

(2) The "retained limit" shown in the Declarations; or

b. If the policies of "underlying insurance" do not apply to the "occurrence" or "offense," the amount stated in the Declarations as the "retained limit."

The limits of insurance in any policy of "underlying insurance" will apply even if:

a. The "underlying insurer" claims the insured failed to comply with any condition of the policy; or

b. The "underlying insurer" becomes bankrupt or insolvent.

4. "Auto" means a land motor vehicle, trailer or semi-trailer.

"Auto hazard" means all "bodily injury" and "property damage" for which liability insurance is afforded under the terms, other than limits of insurance, of the auto policy of "underlying insurance."

6. "Bodily injury" means bodily injury, sickness, or disease sustained by a person, including any resulting disability, humiliation, shock, fright, mental anguish, mental injury, care, loss of services or death.

7. "Employee" includes a "leased worker." "Employee" does not include a "temporary worker."

8. "Impaired property" means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:

a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

b. You have failed to fulfill the terms of a contact or agreement;

if such property can be restored to use by:

a. The repair, replacement, adjustment or removal of "your product" or "your work;" or

b. Your fulfilling the terms of the contract or agreement.

9. "Leased worker" means a person leased to you by a labor leasing firm under an agreement between you and the labor leasing firm, to perform duties related to the conduct of your business. "Leased worker" does not include a "temporary worker."

10. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

All damages arising from continuous or repeated exposure to substantially the same general conditions shall be deemed one "occurrence."

"Offense" means any of the offenses listed in the definition of "personal injury" or "advertising injury."

All damages that arise from the same act, publication or general conditions shall be deemed to arise from one "offense" regardless of:

a. The frequency of repetition;

b. The number or kind of media used; or

c. The number of claimants.

12. "Personal injury" means injury, other than "bodily injury," arising out of one or more of the following offenses:

a. False arrest, detention or imprisonment;

b. Malicious prosecution or abuse of process;

c. The wrongful eviction from, wrongful entry into, or invasion of the right of private occupancy of a room, dwelling or premises that a person occupies by or on behalf of its owner, landlord or lessor;

d. Oral or written publication of material that slanders or libels a person or organization or disparages a person's or organization's goods, products or services;

e. Oral or written publication of material that violates a person's right of privacy; or

f. Discrimination. This does not apply:

(1) To "offenses" committed by or at the direction of the insured; or

(2) If insurance for such "offense" is prohibited by law.

Such "offenses" must arise out of the conduct of your business, excluding advertising, publishing, broadcasting or telecasting done by or for you.

13. "Products-completed operations hazard" includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

(1) Products that are still in your physical possession; or

(2) Work that has not yet been completed or abandoned.

"Your work" will be deemed completed at the earliest of the following times:

(1) When all of the work called for in your contract has been completed.

(2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site.

(3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

14. "Property damage" means:

a. Physical injury to tangible property, including all resulting loss of use of that property; and

b. Loss of use of tangible property that is not physically injured.

All such loss of use shall be deemed to occur at the time of the "occurrence" that caused it.

"Retained limit" is the sum stated in the Declarations as such. If the policies of "underlying insurance" do not apply to the "occurrence" or "offense," the insured shall retain this amount as self insurance with respect to:

a. "Bodily injury" or "property damage" caused by each "occurrence"; or

b. "Personal injury" or "advertising injury" sustained by any one person or organization and caused by an "offense."

16. "Suit" means a civil proceeding in which damages because of "bodily injury," "property damage," "personal injury" or "advertising injury" to which this insurance applies are alleged. "Suit" includes:

a. An arbitration proceeding in which such damages are claimed and to which the insured must submit or does submit without our consent; or

b. Any other alternative dispute resolution proceeding in which such damages are claimed and to which the insured submits without our consent.

17. "Temporary worker" means a person who is furnished to you to substitute for a permanent "employee" on leave or to meet seasonal or short-term workload conditions.

18. "Ultimate net loss" means the sum actually paid or payable due to a claim for which the insured is liable either by a settlement to which we agreed or a final judgement. Such sum will include proper adjustments for recoveries and salvage.

19. "Underlying insurance" means the policies listed in the Schedule of Underlying insurance and includes:

a. Any renewal or replacement of such policies; and

b. Any other insurance available to the insured.

20. "Underlying insurer" means any insurer which provides a policy listed in the Schedule of Underlying Insurance or any other insurance available to the insured.

21. "Your product" means:

a. Any goods or products, other than real property, manufactured, sold, handled, distributed or disposed of by:

(1) You;

(2) Others trading under your name; or

(3) A person or organization whose business or assets you have acquired; and

b. Containers (other than vehicles), materials, parts or equipment furnished in connection with such goods or products.

"Your product" includes:

a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your product" and

b. The providing of or failure to provide warnings or instructions.

"Your product" does not include vending machines or other property rented to or located for the use of others but not sold.

22. "Your work" means:

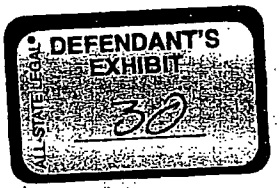
    a. Work or operations performed by you or on your behalf; and

    b. Materials, parts or equipment furnished in connection with such work or operations.

    "Your work" includes:

    a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of "your work"; and

    b. The providing of or failure to provide warnings or instructions.



COMMERCIAL BLANKET EXCESS LIABILITY POLICY

This policy has been issued in reliance upon the statements in the Declarations and in the application submitted for this insurance. Various provisions in this policy restrict coverage. Read the entire policy carefully to determine rights, duties and what is and is not covered.

Throughout this policy the words "you" and "your" refer to the Named Insured shown in the Declarations. The words "we," "us" and "our" refer to the Company providing this insurance.

The word "Insured" means any person or organization qualifying as such under SECTION II - WHO IS AN INSURED.

Words and phrases in this policy that appear in quotation marks have special meanings. Refer to SECTION V - DEFINITIONS when such meanings are not defined when used.

SECTION I - COVERAGE A AND COVERAGE B

COVERAGE A. BODILY INJURY AND PROPERTY DAMAGE LIABILITY.

COVERAGE B. PERSONAL INJURY AND ADVERTISING INJURY LIABILITY

1. Insuring Agreement

We will pay on behalf of the Insured the "ultimate net loss" in excess of the "applicable underlying limit" which the Insured becomes legally obligated to pay as damages because of "bodily injury," "property damage," "personal injury" or "advertising injury" to which this insurance applies caused by an "occurrence" happening anywhere in the world.

2. Exclusions

This insurance does not apply to:

a. "Bodily injury" or "property damage" expected or intended from the standpoint of the Insured. This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

b. Any obligation imposed by law under any automobile no-fault, uninsured motorist, underinsured motorist, workers compensation, disability benefits or unemployment compensation law or any similar law.

c. Any liability arising from discrimination:

(1) Suffered or allegedly suffered by employees or former employees of an Insured or applicants for employment by an Insured, or

(2) Due to unfair trade practices.

d. "Bodily injury" or "property damage" due to war, whether or not declared, or any act or condition incident to war. War includes civil war, Insurrection, rebellion or revolution. This exclusion applies only to liability assumed under a contract or agreement.

e. Any violation or alleged violation of the Employee Retirement Income Security Act of 1974 or any amendment or addition thereto or similar provisions of any federal, state or local law.

f. "Bodily injury," "property damage," "personal injury" or "advertising injury" for which the Insured assumed liability under a contract or agreement if the damage or injury occurred prior to the effective date of the contract or agreement.

g. "Bodily injury" or "property damage" arising out of the ownership, maintenance, operation, use, including loading or unloading or entrustment to others of watercraft over 50 feet in length or any aircraft:

(1) Owned by any Insured;

(2) Chartered without crew by or on behalf of any Insured; or

(3) Owned and operated by an employee of any Insured.

This exclusion does not apply to:

(1) A watercraft while ashore on premises you own or rent; or

(2) Liability assumed under any contract or agreement.

h. "Advertising injury" arising out of:

(1) Breach of contract, other than misappropriation of advertising ideas under an implied contract;

(2) The failure of goods, products or services to conform with advertised quality or performance;

(3) The wrong description of the price of goods, products or services; or

(4) An "offense" committed by an Insured whose business is advertising, broadcasting, publishing or telecasting.

i. "Personal injury" or "advertising injury:"

(1) Arising out of oral or written publication of material, if done by or at the direction of the Insured with knowledge of its falsity;

(2) Arising out of oral or written publication of material whose first publication took place before the beginning of the policy period. All "personal injury" or "advertising injury" arising out of publication of the same or similar material subsequent to the beginning of the policy period is also excluded; or

(3) Arising out of the willful violation of a penal statute or ordinance committed by or with the consent of the insured.

j. "Property damage" to property:

(1) Owned or occupied by or rented to an insured,

(2) Used by an insured, or

(3) In the care, custody or control of an insured or as to which an insured is for any purpose exercising physical control.

k. "Property damage" to "your product" arising out of it or any part of it.

l. "Property damage" to "your work" arising out of it or any part of it and included in the "products-completed operations hazard."

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor.

m. "Property damage" to "impaired property" or property that has not been physically injured arising out of:

(1) A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work;" or

(2) A delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to "your product" or "your work" after it has been put to its intended use.

n. Damages claimed for any loss, cost or expense incurred by you or others for the loss of use, withdrawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

(1) "Your product;"

(2) "Your work;" or

(3) "Impaired property;"

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy or dangerous condition in it.

o. "Bodily injury," "personal injury" or "property damage" arising out of the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminents or pollutants.

We shall have no obligation under this policy:

(1) To investigate, settle or defend any claim or suit against any insured alleging actual or threatened injury or damage of any nature or kind to persons or property which arises out of or would not have occurred but for the "polution hazard;" or

(2) To pay any damages, judgments, settlements, loss, costs or expenses that may be awarded or incurred by reason of any such claim or suit or any such injury or damage, or in complying with any action authorized by law and relating to such injury or damage.

As used in this exclusion:

"Pollution hazard" means an actual exposure or threat of exposure to the corrosive, toxic or other harmful properties of any solid, liquid, gaseous or thermal pollutants, contaminants, irritants or toxic substances, including smoke, vapors, soot, fumes, acids or alkalis and waste materials consisting of or containing any of the foregoing.

p. "Bodily injury," "personal injury" or "property damage" arising out of the "asbestos hazard."

We shall have no obligation under this policy:

(1) To investigate, settle or defend any claim or suit against any insured alleging actual or threatened injury or damage of any nature or kind to persons of property which arises out of or would not have occurred but for the "asbestos hazard;" or

(2) To pay, contribute to or indemnify another for damages, judgments, settlements, loss, costs or expenses that may be awarded or incurred by reason of any such claim or suit or any injury or damage, or in complying with any action authorized by law and relating to such injury or damage.

As used in this exclusion:

"Asbestos hazard" means:

(1) An actual exposure or threat of exposure to the harmful properties of "asbestos," or

(2) The presence of "asbestos" in any place, whether or not within a building or structure.

"Asbestos" means the mineral in any form, including but not limited to fibers or dust.

q. Any obligation to reimburse an insurer as provided by the terms of the "Endorsement For Motor Carrier Policies of Insurance For Public Liability Under Sections 29 and 30 of the Motor Carrier Act of 1980" or under the terms of any similar endorsement required by federal or state statute.

r. "Bodily injury" or "property damage" for which any insured may be held liable by reason of:

(1) Causing or contributing to the intoxication of any person;

(2) The furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol; or

(3) Any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This exclusion applies only if you are in the business of manufacturing, distributing, selling, serving or furnishing alcoholic beverages.

s. Injury, sickness, disease, death or destruction:

(1) With respect to which an insured under this policy is also an insured under a nuclear energy liability policy issued by the Nuclear Energy Liability Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under such policy but for its termination upon exhaustion of its limit of liability; or

(2) Resulting from the "hazardous properties" of "nuclear material" and with respect to which (i) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof, or (ii) the insured is, or had this policy not been issued would be, entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization; or

(3) Resulting from the "hazardous properties" of "nuclear material," if (i) the "nuclear material" is at any "nuclear facility" owned by or operated by or on behalf of an insured or has been discharged or dispersed therefrom; (ii) the "nuclear material" if contained in "spent fuel" or "waste" at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or (iii) the injury, sickness, disease, death or destruction arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation of use of any "nuclear facility," but if such facility is located within the United States of America, its territories or possessions or Canada, this exclusion (s.3 iii) applies only to injury to or destruction of property at such "nuclear facility."

As used in or applicable to this exclusion, the following are defined terms having special meaning:

"Hazardous properties" include radioactive, toxic or explosive properties;

"Source material," "special nuclear material," and "byproduct material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;

"Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor;"

"Waste" means any waste material (a) containing "byproduct material," and (b) resulting from the operation by any person or organization of any "nuclear facility" included under paragraph (a) or (b) of the definition of "nuclear facility."

"Nuclear facility" means:

(1) Any "nuclear reactor;"

(2) Any equipment or device designed or used for (1) separating the isotopes of uranium or plutonium, (2) processing or utilizing "spent fuel," or (3) handling, processing or packaging "waste;"

(3) Any equipment or device used for processing, fabricating or alloying of "special nuclear material" if at any time the total amount of such material in the custody of the insured at the premises where such equipment or device is located consists of or contains more than 25 grams of plutonium or uranium 233 or any combination thereof, or more than 250 grams of uranium 235;

(4) Any structure, basin, excavation, premises or place prepared or used for the storage or disposal of "waste;"

and includes the site on which any of the foregoing is located, all operations conducted on such site and all premises used for such operations.

"Nuclear reactor" means any apparatus designed or used to sustain nuclear fission in a self-supporting chain reaction or to contain a critical mass of fissionable material.

With respect to injury to or destruction of property, the word "injury" or "destruction" includes all forms of radioactive contamination of property.

3. Defense of Claims or Suits

a. We will have no duty to defend any claim or "suit" that any other insurer has a duty to defend. If we elect to join in the defense of such a claims or "suits," we will pay all expenses we incur.

b. We will have the right and duty to defend any "suit" for damages which are payable under Coverages A or B (including damages wholly or partly within the "retained limit") but which are not payable by a policy of "underlying insurance," or any other available insurance, because;

(1) Such damages are not covered; or

(2) The "underlying insurance" has been exhausted by the payment of claims.

c. We may investigate and settle any claim or "suit" in b. above at our discretion.

d. Our right and duty in b. above end when we have used up the "applicable limit of insurance" in the payment of judgements or settlements.

e. We will pay with respect to any claim or "suit" we defend in b. above:

(1) All expenses we incur.

(2) The cost of appeal bonds and bonds to release attachments, but only for bond amounts within the "applicable limit of insurance." We do not have to furnish these bonds.

(3) All reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or "suit," including actual loss of earnings up to $100 a day because of time off from work.

(4) All costs taxed against the insured in the "suit."

(5) Pre-judgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the "applicable limit of insurance," we will not pay any pre-judgment interest based on that period of time after the offer.

(6) All interest on the full amount of any judgment that accrues after entry of the judgment and before we have:

(a) paid, or offered to pay; or

(b) deposited in court;

the part of the judgment that is within the "applicable limit of insurance."

These payments will not reduce the limits of insurance.

In any jurisdiction outside the United States of America (including its territories and possessions), Puerto Rico or Canada where we may be prevented by law or otherwise from carrying out this agreement:

1. You must arrange to investigate, defend or settle any claim or "suit."

2. You will not make any settlement without our consent.

3. We will pay expenses incurred with our consent.

SECTION II - WHO IS AN INSURED

1. If you are designated in the Declarations as:

a. An individual, you and your spouse are insureds, but only with respect to the conduct of a business of which you are the sole owner.

b. A partnership or joint venture, you are an insured. Your members, your partners, and their spouses are also insureds, but only with respect to the conduct of your business.

c. An organization other than a partnership or joint venture, you are an insured.

2. Each of the following is also an insured:

a. As respects the "auto hazard:"

(1) Anyone using an "auto" you own, hire or borrow including any person or organization legally responsible for such use provided it is with your permission; and

(2) Any of your executive officers, directors, partners, employees or stockholders, operating an "auto" you do not own, hire or borrow while it is being used in your business.

None of the following is an insured under (1) or (2) above:

(1) Any person employed by or engaged in the duties of an auto sales agency, repair shop, service station, storage garage or public parking place that you do not operate;

(2) The owner or lessee of an "auto" hired by or for you or loaned to you, and any agency or employee of such owner or lessee.

b. As respects aircraft:

Anyone using an aircraft chartered with crew by you or on your behalf and anyone legally responsible for its use except:

(1) The owner or crew of the aircraft or any person operating such aircraft;

(2) Any manufacturer of the aircraft or any of its parts;

(3) Any sales, service or repair company;

(4) Any airport or hanger operator; or

(5) Any employee of (2), (3) or (4) above.

c. Except as respects aircraft and the "auto hazard:"

(1) Your executive officers, employees, directors or stockholders while acting within the scope of their duties; and

(2) Any person or organization while acting as real estate manager for you.

d. Any organization you newly acquire or form, other than a partnership or joint venture, and over which you maintain ownership or majority interest will be deemed to be a Named Insured. However, coverage does not apply:

(1) For a period greater than 90 days from the date of such acquisition or formation or the end of the policy period, whichever is earlier;

(2) To "bodily injury" or "property damage" that occurred before you acquired or formed the organization; and

(3) "Personal injury" or "advertising injury" arising out of an "offense" committed before you acquired or formed the organization.

e. Any person or organization having proper temporary custody of your property if you die, but only:

(1) With respect to liability arising out of the maintenance or use of that property; and

(2) Until your legal representative has been appointed.

f. Your legal representative if you die, but only with respect to duties as such. That representative will have all your rights and duties under this insurance.

g. Any person or organization for whom you agreed in writing to provide this insurance for operations you perform or facilities you own or use. This insurance is subject to your "applicable underlying limits" for such operations or facilities.

h. Any other person or organization insured under any policy of the "underlying insurance." This grant is subject to all the limitations upon coverage under such policy other than the limits of the "underlying insurers" liability.

No person or organization is an insured with respect to the conduct of any current or past partnership or joint venture that is not shown as a Named Insured in the Declarations.

No person is an insured as respects "bodily injury" to a fellow employee unless insurance, for such liability is afforded by the "underlying insurance."

SECTION III - LIMITS OF INSURANCE

1. The Limits of Insurance shown in the Declarations and the rules below fix the most we will pay regardless of the number of:

a. Insureds;

b. Claims made or "suits" brought; or

c. Persons or organizations making claims or bringing "suits."

2. The Products-Completed Operations Aggregate Limit is the most we will pay under Coverage A for damage because of injury and damage included in the "products-completed operations hazard."

3. The General Aggergate Limit is the most we will pay for damages under Coverage A and Coverage B, except;

a. Damages because of injury and damage included in the "products-completed operations hazard;" and

b. Damages because of injury and damage included in the "auto hazard."

4. Subject to 3. above, the Personal and Advertising Injury Limit is the most we will pay under Coverage B for the sum of all damages because of all "personal injury" and all "advertising injury" sustained by any one person or organization.

5. Subject to 2. or 3. above, whichever applies, the Each Occurrence Limit is the most we will pay for the sum of damages under Coverage A because of all "bodily injury" and "property damage" arising out of any one "occurrence."

To determine the limit of our liability, all "bodily injury" and "property damage" arising out of continuous or repeated exposure tot he same general conditions shall be considered one "occurrence."

The limits of this insurance apply separately to each consecutive annual period and to any remaining period of less than 12 months. The policy period begins with the effective date shown in the Declarations. If the policy period is extended after issuance for an additional period of less than 12 months, the additional period will be deemed part of the last preceding period.

SECTION IV - CONDITIONS

1. APPEALS

   a. If the insured or the insured's "underlying insurer" elects not to appeal a judgment which exceeds the "applicable underlying limit," we may do so.

   b. If we do, we will pay all costs of the appeal. We will also pay all costs on appeals related to the defense of the insured as provided in SECTION I item 3. Defense of Claims or Suits. These sums are in addition to the "applicable limit of insurance." In no event shall our liability for "ultimate net loss" exceed the "applicable limit of insurance."

2. BANKRUPTCY

   Bankruptcy or insolvency of the insured or of the insured's estate will not relieve us of our obligations under this insurance.

3. CANCELLATION

   a. The first Named Insured may cancel this insurance by mailing or delivering to us advance written notice of cancellation.

   b. We may cancel this insurance by mailing or delivering to the first Named Insured written notice of cancellation at least:

      (1) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or

      (2) 30 days before the effective date of cancellation if we cancel for any other reason.

   c. We will mail or deliver our notice to the first Named Insured's last mailing address known to us.

   d. Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.

   e. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels the refund will be pro rata less 10% of the pro rata unearned premium. The cancellation will be effective even if we have not made or offered a refund.

   f. If notice is mailed, proof of mailing will be sufficient proof of notice.

4. CHANGES

   This policy contains all the agreements between you and us concerning the insurance afforded. No change can be made in the terms of this insurance except with our consent. The terms of this insurance can be amended or waived only by endorsement issued by us and made a part of this insurance.

5. DUTIES IN THE EVENT OF OCCURRENCE OR OFFENSE, CLAIM OR SUIT

   a. You must see to it that we are notified promptly of an "occurrence" or an "offense" which may result in a claim under this insurance. Notice should include:

      (1) How, when and where the "occurrence" or "offense" took place;

      (2) The name and address of any injured persons or witnesses; and

      (3) The nature and location of any injury or damage arising out of the "occurrence."

   b. If a claim is made or "suit" is brought against any insured which may result in a claim against this insurance, you must see to it that we receive prompt written notice of the claim or "suit."

   c. The insured must:

      (1) Cooperate with the "underlying insurers;"

      (2) Comply with the terms of the "underlying insurance;" and

      (3) Pursue all rights of contribution or indemnity against any person or organization who may be liable to the insured because of "bodily injury," "property damage," "personal injury" or "advertising injury" with respect to which insurance is provided under this or any policy of "underlying insurance."

d. When we believe that a claim may exceed the "underlying insurance," we may join with the insured and the "underlying insurer" in the investigation, settlement and defense of all claims and "suits" in connection with such "occurrence" or "offense." In such event, the insured must cooperate with us.

6. EXAMINATION OF YOUR BOOKS AND RECORDS

We may examine and audit your books and records as they relate to this insurance:

a. At any time during the policy period;

b. Up to three years afterward; or

c. Within one year after final settlement of all claims under this insurance.

7. INSPECTIONS AND SURVEYS

We have the right but are not obligated to:

a. Make inspections and surveys at any time;

b. Give you reports on the conditions we find; and

c. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. We do not warrant that conditions:

a. Are safe or healthful; or

b. Comply with laws, regulations, codes or standards.

8. LEGAL ACTION AGAINST US

No person or organization has a right under this insurance:

a. To join us as a party or otherwise bring us into a "suit" asking for damages from an insured; or

b. To sue us on this insurance unless all of its terms have been fully complied with.

A person or organization may sue us to recover on an "agreed settlement" or on a final judgement against an insured obtained after an actual trial. We will not be liable for damages that:

a. Are not payable under the terms of this insurance; or

b. Are in excess of the "applicable limit of insurance."

An "agreed settlement" means a settlement and release of liability signed by us, the insured and the claimant or the claimant's legal representative.

9. MAINTENANCE OF UNDERLYING INSURANCE

The insurance afforded by each policy listed in the Schedule of Underlying Insurance in the Declarations will be maintained for the full term of this insurance. This provision does not apply to the reduction of the aggregate limit or limits due to payment of claims for "bodily injury," "personal injury," "property damage" or "advertising injury." As these policies expire you will renew them at limits at least equal to the expiring limits of insurance.

If you fail to comply with the above, this insurance is not invalidated. However, in the event of a loss, we will pay only to the extent that we would have paid had you so complied.

You must give us a written notice of any change in the "underlying insurance" as respects:

a. Coverage;

b. Limits of insurance;

c. Termination of any coverage; or

d. Exhaustion of aggregate limits.

10. OTHER INSURANCE

This insurance is excess over any other valid and collectible insurance whether such other insurance is stated to be primary, contributing, excess, contingent or otherwise. This provision does not apply to a policy bought specifically to apply in excess of this insurance.

11. OUR RIGHT TO RECOVER FROM OTHERS

If we make a payment under this insurance, the insured will assist us and the "underlying insurer" in recovering what we paid by using the insured's right of recovery. Reimbursement will be made in the following order:

a. First, to any interest (including the insured) who has paid any amount in excess of the limits of this insurance;

b. Next, to us; and

c. Then to any interest (including the insured and the "underlying insurer") as are entitled to claim the remainder, if any.

A different order may apply if agreed upon by all interests. Expenses incurred in the process of recovery will be divided among all interests according to the ratio of their respective recoveries.

12. PREMIUM

The first Named Insured is responsible for the payment of all premiums and will be the payee for any return premium.

13. PREMIUM AUDIT

When this insurance is written on an adjustable premium basis the following items apply:

a. You must keep records of the information we need for premium computation, and send us copies at such times as we may request.

b. At the close of each audit period we will compute the earned premium for that period.

c. Audit premiums are due and payable on notice to the first Named Insured.

14. REPRESENTATION

By accepting this insurance you agree:

a. The statements in the Declarations and any subsequent notice relating to "underlying insurance" are accurate and complete;

b. Those statements are based upon representations you made to us; and

c. We have issued this insurance in reliance upon your representation.

15. SEPARATION OF INSUREDS

Except with respect to the Limits of Insurance, and any rights or duties specifically assigned to you in this insurance, this insurance applies:

a. As if each Named Insured were the only Named Insured; and

b. Separately to each insured against whom claim is made or "suit" is brought.

16. TRANSFER OF YOUR RIGHTS AND DUTIES UNDER THIS INSURANCE

Your rights and duties under this insurance may not be transferred without our written consent except in the case of death of an individual named insured.

If you die, your rights and duties will be transferred to your legal representative but only while acting within the scope of duties as your legal representative. Until your legal representative is appointed, anyone having proper temporary custody of your property will have your rights and duties but only with respect to that property.

SECTION V - DEFINITIONS

1. "Advertising injury" means injury arising out of one or more of the following "offenses:"

   a. Oral or written publication of material that slanders or libels a person or organization's goods, products or services;

   b. Oral or written publication of material that vilates a person's right to privacy;

   c. Misappropriation of advertising ideas or style of doing business; or

   d. Infringement of copyright, title or slogan;

   committed during the policy period.

   Such "offenses" must be committed in the course of advertising your goods or products.

2. "Applicable limit of insurance" means the maximum amount we will pay as damages in accordance with SECTION III - LIMITS OF INSURANCE.

3. "Applicable underlying limit" means:

   a. If the policies of "underlying insurance" apply to the "occurrence" or "offense," the greater of:

      (1) The amount of insurance stated in the policies of "underlying insurance" in the Declarations or any other available insurance less the amount by which any aggregate limit so stated has been reduced solely due to payment of claims; or

      (2) The "retained limit" shown in the Declarations; or

   b. If the policies of "underlying insurance" do not apply to the "occurrence" or "offense," the amount stated in the Declarations as the "retained limit."

   The limits of insurance in any policy of "underlying insurance" will apply even if:

   a. The "underlying insurer" claims the insured failed to comply with any condition of the policy; or

   b. The "underlying insurer" becomes bankrupt or insolvent.

4. "Auto" means a land motor vehicle, trailer or semitrailer.

5. "Auto hazard" means all "bodily injury" and "property damage" for which liability insurance is afforded under the terms, other than limits of insurance, of the auto policy of "underlying insurance."

6. "Bodily injury" means bodily injury, sickenss, or disease sustained by a person, including death resulting from any of these at any time, which occurs during the policy period.

7. "Impaired property" means tangible property, other than "your product" or "your work," that cannot be used or is less useful because:

   a. It incorporates "your product" or "your work" that is known or thought to be defective, deficient, inadequate or dangerous; or

   b. You have failed to fulfill the terms of a contact or agreement;

   if such property can be restored to use by:

   a. The repair, replacement, adjustment or removal of "your product" or "your work;" or

   b. Your fulfilling the terms of the contract or agreement.

8. "Occurrence" means an accident, including continuous or repeated exposure to substantially the same general harmful conditions.

9. "Offense" means any of the offenses listed in the definition of "personal injury" or "advertising injury."

10. "Personal injury" means injury, other than "bodily injury," arising out of one or more of the following offenses:

   a. False arrest, detention or imprisonment;

   b. Malicious prosecution;

   c. Wrongful entry into, or eviction of a person from a room, dwelling or premises that the person occupies;

   d. Oral or written publication of material that slanders or libels a person or organization or disparages of a person's or organization's goods, products or services; or

   e. Oral or written publication of material that violates a person's right of privacy; or

   f. Discrimination because of race, religion, age, sex or physical disability. This does not apply:

      (1) To "offenses" committed by or at the direction of the insured; or

      (2) If insurance for such "offense" is prohibited by law;

   committed during the policy period.

   Such "offenses" must arise out of the conduct of your business, exclusing advertising, publishing, broadcasting or telecasting done by or for you.

11. a. "Products-completed operations hazard" includes all "bodily injury" and "property damage" occurring away from premises you own or rent and arising out of "your product" or "your work" except:

      (1) Products that are still in your physical possession; or

      (2) Work that has not yet been completed or abandoned.

   b. "Your work" will be deemed completed at the earliest of the following times:

      (1) When all of the work called for in your contract has been completed.

      (2) When all of the work to be done at the site has been completed if your contract calls for work at more than one site.

      (3) When that part of the work done at a job site has been put to its intended use by any person or organization other than another contractor or subcontractor working on the same project.

   Work that may need service, maintenance, correction, repair or replacement, but which is otherwise complete, will be treated as completed.

12. "Property damage" means:

   a. Physical injury to tangible property, including all resulting loss of use of that property; and

   b. Loss of use of tangible property that is not physically injured;

   which occurs during the policy period.

13. "Retained limit" is the sum stated in the Declarations as such. If the policies of "underlying insurance" do not apply to the "occurrence" or "offense," the insured shall retain this amount as self inusrance with respect to:

   a. "Bodily injury" or "property damage" caused by each "occurrence;" or

   b. "Personal injury" or "advertising injury" sustained by any one person or organization and caused by an "offense."