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THE STATE OF SOUTH CAROLINA
In the Court of Appeals

APPEAL FROM HORRY COUNTY
Court of Common Pleas

Steven H. John, Circuit Court Judge

Case No. 2004-CP-26-0084

RECEIVED

JUN 25 2013

SC Court of Appeals

Crossmann Communities of North Carolina, Inc.
and Beazer Homes Investment Corp.,..... *Appellants,*

vs.

Harleysville Mutual Insurance Company and
Cincinnati Insurance Company, Defendants,

Of Whom Cincinnati Insurance Company is *Respondent.*

RECORD ON APPEAL - VOLUME III

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**RECORD ON APPEAL
TABLE OF CONTENTS**

VOLUME I (ROA 1-365)

ORDERS AND JUDGMENTS:

1. Final Order, May 3, 2007.....	1
2. Final Order as to Defendant Harleysville Mutual Insurance Company, May 23, 2012	19
3. Order (Cincinnati Insurance), May 23, 2012.....	57
4. Order (Cincinnati Insurance), Sept. 12, 2012	77

PLEADINGS:

5. Summons & Complaint, January 8, 2004	82
6. Second Amended Complaint, June 2, 2005	124
a. Exhibit A, Schedule of Insurance	164
b. Exhibit B, Beach Amended Summons and Complaint and Rose Complaint.....	166
c. Exhibit C, Buck Creek Summons and Complaint	198
d. Exhibit D, Lightkeepers Village – Third Amended Summons and Complaint.....	220
e. Exhibit E, River Oaks I Second Amended Summons and Complaint.....	239
f. Exhibit F, River Oaks II Summons and Complaint	267
g. Exhibit G, Waterway Village Amended Summons and Complaint.....	295
7. Cincinnati Insurance Company’s Answer to Second Amended Complaint, June 7, 2005	319
8. Plaintiffs’ Memorandum of Law in Support of their Motion for Partial Summary Judgment Regarding the Insurers’ Joint And Several Obligation to Pay Defense and Indemnity Costs, March 30, 2006.....	328
9. Plaintiffs’ Third Supplemental Responses to Defendants Harleysville Mutual Insurance Company, Cincinnati Insurance Company, and Associated Insurors, Inc. of Myrtle Beach’s Interrogatories, July 24, 2006..	339

10. Cincinnati Insurance Company's Memorandum of Authority on Stipulated Issues, February 13, 2007	345

VOLUME II (ROA 366-840)

11. Brief of Plaintiffs Crossmann Communities of North Carolina, Inc., Beazer Homes Investment Corp., and Daniel Rogers Regarding Damages Issues to be Addressed on Remand, November 2, 2011	366
a. Exhibit H, ¹ Beazer Homes USA, Inc. Payment Documentation	394
b. Exhibit I, Harleysville and Cincinnati Damage per Building Calculations.....	400
c. Exhibit J, Report of L.G. Lewis, Jr., H2L Consulting Engineers.....	408
d. Exhibit K, Report of David C. McCandless, Dynamic Technical Consultants, Inc.....	436
e. Exhibit L, Expert Report Summary	471
f. Exhibit N, Chart of Applicable Primary and Excess Coverage ...	474
g. Exhibit P, Plaintiffs' Pre-Trial Brief, October 9, 2006	476
h. Exhibit Q, Massachusetts Bay Maximum Set-Off Calculations.....	517
12. Cincinnati Insurance Company's Brief on Issues to be Considered on Remand, November 2, 2011	525
13. Cincinnati Insurance Company's Reply Brief on Issues to be Considered on Remand, December 13, 2011	537
14. Cincinnati Insurance Proposed Order, January 25, 2012.....	549
15. Brief of Plaintiffs Crossmann Communities of North Carolina, Inc., Beazer Homes Investment Corp., and Daniel Rogers Regarding Cincinnati's Joint and Several Liability and the Exhaustion of the Underlying Insurance, February 3, 2012	571
a. Exhibit H, ² Cincinnati Insurance Company's Memorandum in Opposition to Plaintiffs' Motion for Partial Summary Judgment Regarding the Insurers' Joint and Several Obligation to Pay Defense and Indemnity Costs, April 10, 2006.....	595

¹ Some exhibits omitted to avoid duplication or attaching material irrelevant to the appeal.

² Some exhibits omitted to avoid duplication.

b. Exhibit M, Plaintiffs' Exhibit List	608
c. Exhibit N, Plaintiffs' Witness List.....	638
16. Plaintiffs' Notice of Motion and Motion to Alter, or Amend, or Reconsider Pursuant to Rule 59(e) of the SCRCP (Cincinnati Insurance Company Issues), June 11, 2012.....	640
17. Reply Brief in Support of Plaintiffs Crossmann Communities of North Carolina, Inc. and Beazer Homes Investment Corp.'s Motion to Alter, Amend, or Reconsider the May 23, 2012 Order as to the Issues Relating to Cincinnati Insurance Company, August 20, 2012	653
18. Notice of Amended Appeal, October 18, 2012.....	657

TRANSCRIPTS:

19. January 5, 2012 Hearing Transcript.....	689

VOLUME III (ROA 841-1257)

20. March 1, 2012 Hearing Transcript.....	841
21. August 27, 2012 Hearing Transcript.....	955

OTHER:

22. Cincinnati Policies, Policy Number CCC 444 58 40 for years:.....	1013
a. 7/1/1998 through 7/1/2001	1013
b. 7/1/2001 through 7/1/2002.....	1045
23. Harleysville Policies, Policy Number CB 9A 5801 for years:.....	1074
a. 7/29/1993 through 7/29/1994.....	1074
b. 7/29/1994 through 7/29/1995.....	1156
c. 7/29/1995 through 7/29/1996.....	1178
d. 7/29/1996 through 7/29/1997.....	1192
e. 7/29/1997 through 7/29/1998.....	1210
f. 7/29/1998 through 8/29/1998.....	1247

VOLUME IV (ROA 1258-1534)

24. Regent Insurance Company Settlement, May 17, 2005.....	1258
a. Appendix A, Coverage Actions	1273

b. Appendix B, Cumis Lawsuits	1275
c. Appendix C, Defended Lawsuits	1277
d. Appendix D, Certified Copy of Regent Policies.....	1279
e. Appendix E, Payments.....	1534

VOLUME V (ROA 1536-1920)

25. Indiana Insurance Company Settlement, December 29, 2005	1536
a. Appendix A, Certified Copy of Indiana Policies	1546
26. Massachusetts Bay Insurance Company Settlement, March 14, 2006 ..	1906
a. Appendix A, Underlying Lawsuits	1920

VOLUME VI (ROA 1921-2257)

b. Appendix B, Certified Copy of Massachusetts Bay Policies.....	1921
27. Affidavit of W. Mark Berry, March 29, 2006.....	2219
28. Stipulation, January 29, 2007.....	2228
29. Trinity Water Intrusion Claims Damage Summary	2231
30. Lexington Water Intrusion Claims Damage Summary.....	2234
31. Beazer-Cincinnati Settlement, November 14, 2011	2235
32. Certificate of Counsel	2257

1 STATE OF SOUTH CAROLINA) COURT OF COMMON PLEAS NONJURY
2 COUNTY OF HORRY) (04-CP-26-00084)
3)

4 Crossman Communities of)
5 North Carolina, Inc.,)
6 Beazer Homes Investment)
7 Corporation, et al)
8 vs.) TRANSCRIPT OF RECORD
9)
10 Harleysville Mutual)
11 Insurance Company,) March 1, 2012
12 Cincinnati Insurance) Conway, S. C.
13 Company, et al)
14)

15 B E F O R E:
16 HONORABLE STEVEN H. JOHN, Judge.
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E X H I B I T S

<u>NO.</u>	<u>DESCRIPTION</u>	<u>ID.</u>	<u>EV.</u>
(NUMBERING CONTINUES FROM HEARING ON JANUARY 5, 2012)			
P-6 (A)	Brief of Defendant Harleysville		31
D-1	Harleysville Mutual Insurance Policy (1/29/07)		34
D-2	Harleysville Mutual Insurance Policy (7/1/97 through 7/1/98)		34
C-1	Harleysville Mutual's Exhibit List for Trial		4
C-2	Plaintiffs' Exhibit List		4
C-3	Report of L.G. Lewis, Jr., P.E. (8/25/06)		4
C-4	Dynamic Technical Consultants, Inc. Report (10/05/06)		4
C-5	Stipulation		4
C-6	Parties on Demand (from slides)		113
C-7	The Cincinnati Insurance Company Commercial Liability Policy (7/1/98 through 7/1/2001)		113

1 (THE FOLLOWING TAKES PLACE ON MARCH 1, 2012.)

2 THE COURT: All right, good morning gentlemen.

3 MR. MILLER: Good morning, Your Honor.

4 MR. McNERNEY: Good morning, Your Honor.

5 MR. MACK: Good morning, Your Honor.

6 MR. DAVID BROWN: Good morning, Your Honor.

7 THE COURT: All right. A couple of things. I had
8 marked here -- I think it was important -- and I know it's a
9 part of the record also, does somebody have a clean copy of
10 the Stipulation, just a clean copy of the -- that original
11 three page stipulation that you have written?

12 MR. McNERNEY: I think we have one, Your Honor.

13 THE COURT: If you've got a clean copy of it could you
14 hand it to the Court Reporter and let her mark that as a
15 Court's exhibit, if you don't mind, because I think ---

16 MR. McNERNEY: May I approach, Your Honor?

17 THE COURT: Absolutely. And just hand it to the Court
18 Reporter, and make sure the other side agrees that's the
19 Stipulation document.

20 Any -- any problems, gentlemen? Is that the ---

21 All right, just hand it to the Court Reporter then, and
22 let her mark it as a Court's exhibit then.

23 MR. McNERNEY: Actually I have my handwriting on the
24 bottom as Court's Exhibit 1.

25 THE COURT: All right. I think it was at the original

1 hearing, but it will be different one this time.

2 All right, I had marked as -- for the purposes of this
3 particular hearing, a couple of documents. One of them was --
4 is Court's Exhibit 1, is labeled Harleysville Mutual Insurance
5 Company Exhibit List for Trial, and the other one is Exhibit
6 2, Court's 2, is the Plaintiffs' Exhibit List, because it may
7 come into play as to what the Court can or cannot look at.

8 (HARLEYSVILLE MUTUAL'S EXHIBIT LIST FOR TRIAL MARKED
9 COURT'S EXHIBIT NUMBER 1.)

10 (PLAINTIFFS' EXHIBIT LIST MARKED COURT'S EXHIBIT NUMBER
11 2.)

12 THE COURT: I also marked, as Court's Exhibit 3, the
13 Report by L.G. Lewis, Jr., P.E., H-2-L Consulting Engineers
14 from Greenville, South Carolina, his Report that -- it was
15 also part of the exhibits, but -- and his Report of August 25,
16 2006, his investigation of the properties evaluated, those
17 being the ones in question here, the Buck Creek Golf Villas,
18 the Lightkeeper Village, River Oaks I, River Oaks II, and
19 Waterway Village.

20 (REPORT OF L.G. LEWIS, JR., P.E. DATED AUGUST 25, 2006
21 MARKED COURT'S EXHIBIT NUMBER 3.)

22 THE COURT: And also marked as Court's Exhibit Number
23 4, the Report of Dynamic Technical Consultants, Inc.. of
24 Raleigh, North Carolina of October 5, 2006, again, their
25 examination of River Oaks I, River Oaks II, Lightkeepers

1 Village, Buck Creek Golf Villas and Waterway Village, and
2 their examination -- or it's examination therein.

3 (REPORT OF DYNAMIC TECHNICAL CONSULTANTS, INC. DATED
4 OCTOBER 5, 2006 MARKED COURT'S EXHIBIT NUMBER 4.)

5 THE COURT: And then Court's Exhibit 5 is the original
6 Stipulation of the parties dated January 29, 2007, executed by
7 the representatives of the Plaintiff, and the representatives
8 of the Defendant, Harleysville, and Cincinnati Insurance
9 Company, so I've had those marked.

10 (STIPULATION MARKED COURT'S EXHIBIT NUMBER 5.)

11 THE COURT: Before we start arguments, we had one
12 issue, in looking at the Supreme Court's Opinion about whether
13 I would use the default method that they suggested, or as they
14 indicated, if there was sufficient information on the record
15 that, as they stated, "If proof is available showing that the
16 damage progressed in some different way then the allocation of
17 losses would need to conform to that proof, and then absent
18 that proof you go to the default method." There was that
19 question, whether the Court felt that there was sufficient
20 evidence that I could use to show the damage as they
21 indicated, progressed in a different way rather than the
22 default method, and I will tell you, based upon my examination
23 of the record in this matter, that I so find that there is
24 sufficient evidence in the record to allow the Court to
25 specifically look at the time-on-risk factors, especially

1 looking at these two Court's Exhibits, that's 4 and 5, but you
2 know, all the other evidence in the record, so that it is not
3 necessary in this particular case to result -- or resort,
4 rather, to the default method set up by the South Carolina
5 Supreme Court, so in your arguments, gentlemen, we will be
6 going then -- there was an exhibit, or something, that had
7 been sent to me that -- at the last hearing, and it set forth
8 a project -- it was a -- I guess line, or building by building
9 calculation, with several headings, having the project, the
10 unit, the start date, the end date, the number of days,
11 certainly those things, and then it had some other arguments
12 about percentage of risk, and don't necessarily know that I
13 need to talk about that at this point in time, but I find
14 there is sufficient evidence in the record that we can go
15 building by building and look at the number of days, and then
16 look at the time-on-risk and the prorata arguments, so I'm not
17 going to use an average or a default an average, so that's
18 what we are going to do. All right.

19 So, you can maybe guide your arguments in that fashion.
20 That's not -- certainly not determinative of what the Court is
21 going to do, but that particular question, I'm answering it in
22 that fashion for you.

23 All right. Again, I think it's maybe at least best for
24 me anyway - I don't know about for y'all, but for at least my
25 understanding of the situation I'm going to split it up into

1 the arguments that Crossman and Harleysville has, and then go
2 into the arguments that Crossman and Cincinnati have. That's
3 how we are going to -- we will go through the issues that
4 Crossman and Harleysville have first, and then we will go into
5 the issues that Crossman and Cincinnati have.

6 If you feel the need, in the initial portion of it, Mr.
7 Mack, to speak up on behalf of Cincinnati because you think it
8 affects you in some way, you know, I'll be glad for you to do
9 so, understanding that it's my intention to kind of hopefully
10 deal with it separately, but if you think there's something I
11 need to know right then, or something you just think can't
12 wait, then I'll give you the ability, you know, to indicate
13 you need to say something, all right.

14 **MR. MACK:** Yes, Your Honor.

15 **THE COURT:** And the same goes when I switch from
16 Crossman to Cincinnati, if there's something that Harleysville
17 thinks they need to say, then I'll be glad for you to do so,
18 but I justed to let you know I was going to try and, as best I
19 could, divide it up that way. Okay.

20 **MR. MCNERNEY:** Very good, Your Honor. Thank you, Your
21 Honor.

22 **THE COURT:** All right. Let's start off with, I guess
23 the question that I posed to you at the beginning, and can
24 we -- and do I have the ability -- is it before the Court, or
25 was it before the Court, the issue of Indiana, the Indiana

1 insurance, so can Harleysville make their arguments.

2 And just so I understand it, I also want to hear some --
3 I guess I'm going to have to hear some arguments too, when you
4 get through it, and I mean, it's for a limited period of time
5 that Harleysville, in the scheme of things, Indiana is
6 involved. I mean, there's a whole period of
7 time that Indiana is not involved in it, correct? And it's
8 just a limited period of time from like somewhere in '97 to
9 '98 that Indiana is involved. So I think it's going to be --
10 you might also want to think about -- at some point in time we
11 have to talk about what entity -- I know it's all one entity
12 now, but what entity bought Harleysville coverage, what entity
13 bought Indiana's coverage, was the purpose of both of them
14 primary. We will -- I think those are issues we have to
15 discuss at some point in time.

16 All right. Well, let's start off with -- we'll start
17 off with Harleysville's argument about, that you can bring up
18 or talk about Indiana now. All right.

19 **MR. DAVID BROWN:** Thank you, Your Honor. May it please
20 the Court, David Brown here with Bob Calamari on behalf of
21 Harleysville.

22 Your Honor, we were here in January. You posed to us
23 some very specific questions about how Beazer had been put on
24 notice of Harleysville's contention that the other insurance
25 clause would be relevant to this inquiry, either through the

1 pleadings or otherwise in the Court file, and we tried to
2 address that in the briefing before the Court.

3 I think it might be helpful to start with the question
4 you just raised. No doubt the Harleysville's coverage started
5 in 1993, the Harleysville coverage was the coverage for
6 Pinehurst Builders, which is a company based in Brunswick
7 County, North Carolina, that built here in South Carolina.
8 And then in 1998, in May of 1998 Crossman Communities bought
9 Pinehurst Builders. Crossman Communities was an Indiana
10 company that had it's own coverage program in place, including
11 primary coverage with Indiana that, for relevance for our
12 purposes began in July 1, of 1997. On August 29, of '98
13 Crossman canceled all of it's coverages for itself and it's
14 subsidiaries, including the Indiana policy and the
15 Harleysville policy, and then bought a new coverage program
16 going forward, and that was the coverage program with Mass
17 Bay, Regent, the excess coverage with Cincinnati etcetera,
18 kind on a going forward basis. So as the Court has correctly
19 identified, the issue is really only in that '97/'98 time
20 frame when there would be overlaps in coverage. There's no
21 question but that, for example, some of these River Oaks I
22 buildings that might have been C.O.ed in 1994 Harleysville
23 would be the responsible carrier for the time-on-the-risk
24 thirty days after that C.O., per the parties' stipulations,
25 going forward, and the question would be, how do we handle the

1 period of time when Indiana and Harleysville both had
2 applicable policies.

3 So, with that kind of backdrop in mind I want to answer
4 your question directly, and I won't be redundant of what we
5 had in our Brief. I know the Court has had an opportunity to
6 read that, but I've tried to be as candid as possible and to
7 say, you know, our Answer is what it is, and what we plead in
8 the Answer is all terms definitions, conditions of the policy,
9 what we plead in our Answer is a specific affirmative defense
10 saying that time-on-the-risk should be the governing
11 methodology for allocation, and then what we specifically put
12 in our Answer is that, you know, we reserve other defenses. I
13 think we were clear that we weren't raising any defenses under
14 the policy. It was as if we were stapling the policy with the
15 Answer, here it is, and in fact, we put the policy in the
16 Court file for that purpose.

17 What we also know is a few other things that I think are
18 really important to this inquiry. First of all, Rule 8 (c) is
19 pretty clear as to exactly what affirmative defenses are
20 required to be pled very specifically, and of course the Court
21 is very familiar with the list, accord and satisfaction,
22 arbitration and award, etcetera, etcetera, nothing involving
23 insurance, and in particular, nothing involving an ins --
24 another insurance clause is on the list, so the question then
25 becomes, does the other insurance clause in an insurance

1 policy come under the catchall at the end of 8 (c), any other
2 matter constituting an avoidance. That's really the question,
3 and as we kind of set forth in our Brief, we believe that the
4 Supreme Court answered that question in the Broome v. Watts
5 case, where it considered a question, not of other insurance
6 clause specifically, but a very, very similar issue of set-off
7 in an insurance coverage dispute, and the argument was made
8 that, because the insurance company was then at trial claiming
9 that it was entitled to a set-off of certain monies that had
10 been paid by another insurer, the policyholder argued that the
11 insurer should not be allowed to make that argument because
12 set-off was not specifically pled in the Answer of the
13 insurance company, and the Supreme Court said that that
14 argument was without merit, that 8 (c) does not list set-off
15 or insurance policy provisions specifically, and that the set-
16 off would not come into the catchall of any other matter
17 constituting an avoidance or affirmative defense. We believe
18 that under the Supreme Court precedent in Broome v. Watts, as
19 well as the plain language of 8 (c), combined with the fact
20 that, you know, we -- our Answer was -- the Court has seen it.
21 I have other filed, stamped copies I can hand up if you would
22 like, but I think the Court looked at it pretty thoroughly
23 last time. It has a lot of stuff in there. It wasn't just,
24 here's our Answer and we stick it in the court file and didn't
25 say anything. I thought we tried to be very specific, and we

1 tried to plead all terms, definitions, conditions of the
2 policy, so that's kind of candidly what's in the court file,
3 and our view of the applicable statutory and case law on that
4 point.

5 In this particular case what we also know is that
6 Harleysville was defending all of the underlying cases at the
7 time the lawsuit was filed and our Answer was filed. They
8 were defending those cases under a reservation of rights, and
9 those reservation of rights letters that were sent to Beazer
10 that we submitted to the Court - and I have additional copies
11 if you would like - we submitted specifically referenced the
12 other insurance clause, and specifically say that, so was it
13 in our Answer in that regard, no, but the point of the
14 pleading being to give the policyholder or the Plaintiff
15 notice that that's an issue upon which we are reserving the
16 right to rely, clearly that had been done in direct
17 correspondence to the insured prior to even this lawsuit being
18 filed, much less our Answer.

19 So, I guess in a nutshell, our view is that there is
20 no -- there's no surprise here, there's no surprise to Beazer.
21 Beazer put into this lawsuit the question of overlapping
22 coverage from the get-go. Their initial Complaint alleged
23 overlapping coverage between Indiana and Harleysville, the
24 chart of the policy has been attached to every version of
25 their Complaint as they kept amending it, attached that same

1 list. Beazer settled with Indiana for Two Point Seven Million
2 Dollars, and I would submit for Indiana's obligation, it's
3 license primary coverage in '97 and '98. There has been no
4 contention that Indiana paid money for exposures in other
5 states. It was only for these cases.

6 So, that -- I guess, in a -- in summary, our view of it
7 would be that the Answer was very specific. Did it use the
8 words "other insurance", no, but did we need to do so under
9 Rule 8 (c), and under the Broome v. Watts case, I would
10 respectfully submit that, under the statutory language and the
11 case law we probably said a lot more in our Answer than we
12 needed to, but we tried to -- we tried to put all the issues
13 before the Court, as I think has always been the purpose of
14 this case, and indeed, the purpose of the declaratory judgment
15 statute in general is put all the issues before the Court.

16 As Your Honor has also correctly observed, you know,
17 both Beazer and Harleysville listed for trial the Indiana
18 policies as exhibits. Beazer and Indiana had settled prior to
19 the trial date. Indiana had been dismissed from this lawsuit.
20 The purpose of putting in the other insurance policies that
21 were out there was precisely to address this question at
22 trial. Had we gotten to that point, and not reached the
23 stipulations and presented the legal issues for the Court that
24 we did would be -- was precisely to present this question of
25 how the coverages interacted, including how the overlapping

1 coverage between Cincinnati and Harleysville would overlap,
2 and how they would interact.

3 So, that's where we are. I've tried to address in our
4 filing what I thought the Court was asking us to address in
5 January, and to be very honest about what was in the Court
6 file and what wasn't, and to be honest about our view of the
7 law, and having put Beazer on notice through reservation of
8 rights letters and otherwise, of our position about that
9 coverage.

10 **THE COURT:** Okay. Let's talk a second about whether or
11 not the stipulation that you entered into gives you an
12 ability, or doesn't, give you an ability to argue about the
13 Indiana coverage.

14 **MR. DAVID BROWN:** Indeed, as we said in our Court
15 filing, on page two of the Stipulations, we outlined the
16 issues for this Court to address, and at number (C), in the
17 event judgment is entered for Plaintiff - which it was - and
18 if the Court determines that time-on-the-risk is the proper
19 allocation method - which the Supreme Court has now said it is
20 - what is the proper period over which the time-on-the-risk
21 should be calculated. All parties reserved their right to
22 argue, from the applicable facts and law, the appropriate
23 start date and end date for any prorata time-on-the-risk
24 allocation period.

25 So, the parties stipulated that everybody, including

1 Harleysville, would be entitled to argue, from all applicable
2 facts and law, the appropriate start date, and the appropriate
3 end date for any time-on-the-risk period.

4 We also agreed, if you will look above at number seven,
5 that the record, the record in this case shall consist of all
6 settlement documents, pleadings, discovery, depositions in
7 both the coverage case and the underlying cases which have
8 been produced and exchanged in discovery in this case. So we
9 have the stipulation in paragraph seven that everything that
10 has been exchanged is discovery, and is of record in the
11 pleadings is part of the record. We had that stipulation in
12 number seven, and that includes the Indiana policies, and that
13 includes the reservation of rights letters, and that includes
14 other things where other insurance is addressed.

15 And then we have, in 8 (c), a specific stipulation that,
16 if there is a determination about the appropriate start date
17 and end date, if there is a determination that time-on-the-
18 risk is to be allocation method, then all parties are entitled
19 to argue any start date and any end date to the Court. Of
20 course that's what we are here to do now. The Supreme Court -
21 - we never got that far previously, but the Supreme Court has
22 now said we need to address this question. That's why we are
23 here, to address this question. And so I would, I guess,
24 further submit that, when you look at these stipulations, both
25 7 and 8 (c), and read them in context, the start date and the

1 end date from everything exchanged in pleadings and discovery,
2 which is the record, is fair game.

3 As we've heard in our briefing also - and I think it's
4 also of some significance - in the briefing filed in February
5 of 2007, shortly after these stipulations were entered and we
6 all submitted, as the Court, I'm sure recalls, voluminous
7 briefing and exhibits to Your Honor, Beazer addressed the
8 other insurance policy. I mean, they addressed it, said it
9 doesn't apply, I mean, they disagreed with the argument we are
10 making subsequently. But Beazer, in it's filing in February
11 of 2007, in fact, addressed the other insurance clause, so
12 clearly there was some state of mind there that that was a
13 fair game issue to be addressed by the Court.

14 **THE COURT:** All right. Thank you.

15 All right. Let's just stick with that particular issue,
16 and again, as I -- I want to try and maybe break these down
17 into ,for me anyway, manageable issues, and make one decision
18 at the time. So let's talk about that on behalf of Crossman.

19 **MR. MILLER:** Thank you, Your Honor. If I may approach.

20 **THE COURT:** Yes sir.

21 **MR. MILLER:** I have copies should you need them.

22 **THE COURT:** All right, great. Thank you.

23 **MR. MILLER:** What I've handed you is the Brief of
24 Harleysville that was filed after the stipulation was entered
25 at the trial. You will notice there's no clock on it because

1 I was not served a clocked copy, but I do have the cover
2 letter on my copy where it was served on me.

3 **THE COURT:** All right.

4 **MR. MILLER:** There are two flags on it, Your Honor. If
5 you would turn to the first one. This is Harleysville's
6 Exhibit (B) that was prepared after they had finished
7 pleading, after we had come to try this case, after we had
8 entered into a stipulation, and then submitted briefing to
9 Your Honor as to the positions of the parties.

10 The issue here on the other insurance is not that
11 Harleysville is seeking to introduce a new matter. The issue
12 is that they are seeking to, one hundred eighty degree, change
13 position, and adopt a position now that is contrary to what
14 they understood their own pleadings and their stipulation to
15 mean.

16 If you look, Your Honor, at that page that I've
17 highlighted, that shows over to the righthand column the end
18 dates they used, okay, they say now, well Miller should have
19 gleaned from my pleading that I meant other insurance, or he
20 should have gleaned from the stipulation that we meant other
21 insurance. Well, how could I have gleaned it when it's no way
22 to argue against it, it's not what they meant, it's not what
23 they understood, and as shown by the document I just handed
24 you, it's not what they did. This is the position they
25 adopted here, post-trial. It's the position they adopted in

1 the Supreme Court by reference to this same document, while
2 this matter was on appeal, and then only on remand have they
3 come up with a new argument they want to now make.

4 Your Honor, that's improper. It comes too late. You
5 have already found, in the prior hearings, that it's
6 prejudicial to my client for them to do that as this very,
7 very late date.

8 **THE COURT:** Well, I made a ruling and then I said I was
9 going to give them opportunity to re-argue it, so I think you
10 need to now ---

11 **MR. MILLER:** Yes sir. And I may ---

12 **THE COURT:** ---Go on to that issue of what prejudice,
13 if any, there is to you by what you allege they've done.

14 **MR. MILLER:** If I may, Your Honor, they reference --
15 I'm going to get right to that. They've referenced Rule 8 (c)
16 in the **Broome** case, to say that my pleading is okay. As I've
17 already shown, that can't be what their plea -- I should have
18 inferred from their pleading, because it's not what they
19 meant. They did something different later.

20 But the **Broome** case, of course, is the one that's best
21 known for the insured waiving the right to a jury trial
22 without checking with the insurance carrier, which turned out
23 to be bad form, of course, but that case also addresses
24 whether the UIM carrier gets the benefit of the offset of the
25 liability insurance, which is a matter of statute, not a

1 matter of pleadings, so that that case stands for that
2 proposition as a matter of statutory law. The UIM gives us a
3 benefit.

4 THE COURT: Well, let's just assume I'm not relying on
5 Broome.

6 MR. MILLER: Okay.

7 THE COURT: Let's just assume I'm not doing that.

8 MR. MILLER: The standard, or the term in Rule 8 (c) is
9 avoidance, whether what the position you are taking is an
10 avoidance. And I have found a definition of avoidance in the
11 case of Oyler versus Oyler.

12 THE COURT: I'm sorry. Spell that again for me.

13 MR. MILLER: O-y-l-e-r.

14 THE COURT: All right.

15 MR. MILLER: And if you would like I can hand you a
16 copy. I've only got one.

17 THE COURT: That's all right. Why don't you just tell
18 me the -- do you have the Southeast cite?

19 MR. MILLER: I do. 358 S.E. 2d 170.

20 THE COURT: 170. All right.

21 MR. MILLER: And that is a 1987 Court of Appeals case,
22 and the definition is that an avoidance is a defense which
23 goes beyond the basic elements of the opposing party's cause,
24 and depends upon additional facts to defeat the claim. Where
25 the additional facts here are what we handed up to you this

1 morning. We've got to bring a whole nother insurance policy
2 in here, and to go to your prejudice question, I've got to
3 stand in the shoes of Indiana and try to argue their policy
4 against Harleysville. We conducted our trial strategy,
5 settlement strategy, post-trial strategy in reliance on what
6 they had pled, and once we got past the trial, what they put
7 in their briefing to Your Honor and to the Supreme Court, and
8 again, this is repetitive of the last hearing, but for me to
9 look back in time and say, well, what might you have done
10 differently, well, I might have done many things differently.
11 For example, we might not have let Indiana out of the case, so
12 that they could be here and argue their policy against these
13 claims of Harleysville. It's not properly pled, because
14 clearly under **Oyler** it is an avoidance --
15 excuse me -- and an avoidance has to be clearly pled in order
16 to maintain it.

17 **THE COURT:** Let's say -- and I'm not saying I agree
18 with you -- but let's just say the Court agrees that avoidance
19 means you ought to bring out this theory in your pleading.
20 The parties entered into that stipulation, okay, before the
21 matter was presented to me, okay. Look at that. And I don't
22 think it's any great mystery here, the applicable paragraph
23 has got to be 8 (c), did Harleysville, in the agreement -- I
24 mean, y'all are bound by what's in that stipul -- everybody is
25 bound by it, because you agreed to it, and that's how it was

1 presented to me. So whether you had to or not, for the facts
2 and the decision in this case, that's how it was presented so
3 you are bound by it. So, can 8 (c) be reasonably
4 interpreted -- since basically it's a contract among y'all --
5 reasonably interpreted to allow Harleysville to now bring up
6 this Indiana argument, whether they were entitled to or not.
7 Maybe they didn't do what they were suppose to in their
8 pleadings, and they didn't follow the rules, but now the
9 parties have entered into an agreement that this is how this
10 trial is going to be conducted, these are the issues before
11 you, Judge, these are the things you have to decide, these are
12 the facts we agree on, here it is. Okay. So, look at that.

13 **MR. MILLER:** And Your Honor, of course I'll just state
14 that I don't believe that the stipulation can supplement their
15 pleadings. But focusing on the question you just asked me,
16 Harleysville asks this Court to accept that what they meant by
17 8 (c) was other insurance. That's what the argument to you
18 is; what we meant when we put that in there was that we were
19 going to have the right to raise this other insurance set-off
20 argument that they are raising now. But Judge, that's not
21 true. After the stipulation was entered this Brief was filed
22 with you where they didn't do that. They keep arguing I
23 should have gleaned from these various things that they were
24 going to do this, the Court should have gleaned, the language
25 must mean. Well, they didn't do that. It's not what they

1 meant, as is evidenced by their own actions, and to shift over
2 and say that I should have gleaned that which they, by their
3 own actions, didn't mean, I think is improper.

4 **THE COURT:** How about look at the word prorata. What
5 does prorata mean? I mean, when you are saying you are
6 reserving it, okay, "All parties reserve their right to argue
7 from the applicable facts and law the appropriate start date
8 and end date for any prorata time-on-risk allocation, period.
9 What does prorata mean?

10 **MR. MILLER:** Well, that was the -- we had two choices.
11 We were joint and several, or we were prorata.

12 **THE COURT:** Okay.

13 **MR. MILLER:** And that if it ultimately ---

14 **THE COURT:** Well, how about let me suggest a definition
15 to you.

16 **MR. MILLER:** Okay.

17 **THE COURT:** Okay. And I'll just tell you, I got it
18 from Merriam-Webster, all right. It says, prorata says,
19 "proportionately, according to an exactly calculable factor",
20 and in parenthesis says, "as a share or liability". I think
21 that's an adequate definition of prorata.

22 **MR. MILLER:** It would seem to be. And that is the
23 precise calculations that I presented on January 5th, when I
24 went through and demonstrated to the Court the exact prorata
25 calculation, just as Harleysville did in it's Brief that I've

1 handed up to you. The pages following the flagged ones are
2 Harleysville's precise prorata calculations.

3 **THE COURT:** And it -- you are right, they don't include

4 ---

5 **MR. MILLER:** And they don't do it.

6 **THE COURT:** They don't include in -- for the buildings
7 that it's applicable because as -- you know, it's clear, for
8 some buildings it's just -- this Indiana argument is clearly
9 not applicable because the policy didn't come into play until,
10 what was it, in -- I think it said July, 1997, I think is the
11 date - I'm not sure - but somewhere in that time period, in
12 1997, so -- but for the buildings that it was, or at least the
13 argument is that it's applicable, they didn't do it. You are
14 right. It's not in there, and again, I don't think it's any -
15 - I don't think there would be any disagreement that I was not
16 faced with, nor heard about, nor made any decisions -- and I
17 understand I went joint and several - I appreciate that - but
18 before that I never heard anybody make any arguments to me
19 about the applicability time period of the Indiana policy.
20 The only time I've ever heard about it is when it comes back
21 to me on remand, so we also -- and I probably should have
22 talked about this earlier -- we also have to talk about what's
23 the scope of the remand.

24 Clearly the Supreme, in reading their Opinion, did not
25 send this back to me for a new trial. They -- they could

1 have. They could have sent it back for new proceedings. They
2 didn't do that. All right. They sent it back on some limited
3 basis, something less than a new trial, because when they talk
4 about their remand they don't say, it's remanded back to the
5 lower court for new proceedings, or further proceedings in
6 this matter. Okay. So, in the remand -- because all I can do
7 now is what the Supreme Court has sent back to me. That's all
8 I can do. They have put the corners on what I'm here about.
9 Okay. They've put the beginning and the end to what I'm here
10 about, because they didn't send it back to me for a new trial.
11 So, since I never heard about it I never issued a ruling on it
12 to begin with, never thought about it, never presented to me,
13 by the remand can I now deal with it. What's your position?

14 **MR. MILLER:** Obviously, Your Honor, that you cannot,
15 that not only did you never hear about it, and in fact, not
16 only did you only hear a contrary position, so did the Supreme
17 Court. The briefing to the Supreme Court mirrors that which I
18 have handed up to you, so that you never heard about it, the
19 Supreme Court never heard about it, I never heard about it.
20 They didn't come up with this until sometime shortly before
21 our January 5 hearing. That's when they came up with it.

22 The start date, end date -- this arguments isn't start
23 date, end date. This is, are we primary or excess, or is
24 Indiana primary or excess, and you won't find that in that
25 stipulation, that they preserve the right to argue whether

1 they are primary or excess as to other carriers for certain
2 time periods. Why isn't it in there? Because they hadn't
3 thought of it. They hadn't pled it, they hadn't come up with
4 it, their own actions evidence that, so that it can't be in
5 the contemplation of the Supreme Court to include it in the
6 remand because it was never raised to them either.

7 **THE COURT:** All right. Well, let me hear from you.
8 Let's talk about that issue of the remand, and what I've said
9 about -- and certainly if you want to disagree with me that's
10 great, but I don't remember, in looking at all this stuff
11 again, and looking at the Supreme Court Opinion, and the
12 exhibits, I don't ever remember at any point in time anybody
13 saying anything, or even mentioning the word Indiana
14 Insurance, except to say we settled with them and they are
15 gone.. Other than that their name didn't darken these
16 proceedings, okay. It's my belief -- and again, I'll let you
17 speak in just a second and correct me if you think I'm wrong -
18 - that this is something absolutely, totally brand new that
19 has never been presented until the case came back to me on
20 remand from the South Carolina Supreme Court. Do you disagree
21 with that?

22 **MR. DAVID BROWN:** Do I dis -- I don't disagree that it
23 was never specifically addressed in briefing by Harleysville,
24 I do disagree that it was never in the contemplation,
25 something that I thought about the first time in 2011.

1 **THE COURT:** Well, okay, let's not argue about that,
2 whether you anticipated it or not. What I want to deal with
3 is, what was before me, okay, initially, and now it's before
4 me again on remand. I just don't see, in anything that was in
5 the record before this matter went to the South Carolina
6 Supreme Court, any arguments, any position that the Indiana
7 policy had any applicability to my decision in any way, I just
8 don't see it, so what I'm saying to you is, I believe that I
9 now have to look at the remand, what the Supreme Court sent
10 back to me, and say, can I look at something totally brand new
11 now. Okay.

12 **MR. DAVID BROWN:** I think Your Honor was right on mark
13 when you started the hearing this morning by talking about
14 this expert issue and the default formula, the Supreme Court
15 remanded it to you to consider everything relevant to the
16 time-on-the-risk analysis. If the Supreme Court wanted to do
17 the math itself there would have been no need for a remand.
18 If the Supreme Court wanted to say, you know -- I think the
19 tenor of what you were saying -- suggesting this morning is,
20 if the Supreme Court wanted to say, divide Seven Point Two
21 Million by a hundred and twenty-two buildings, and do the
22 math, which both Harleysville and Beazer put up there, there
23 would be no need to be here. They would have just said,
24 judgment for "X" amount, maybe addressed post-judgment
25 interest, the whole nine yards, we wouldn't be here, but what

1 they did was, they remanded it for this Court to take a fresh
2 look at this whole time-on-the-risk analysis, not having
3 reached it before.

4 **THE COURT:** All right.

5 **MR. DAVID BROWN:** And so I think that calls -- that
6 requires the Court to do what you've done, which is look at
7 expert reports, which is look at other insurance clause
8 analyses, other policies, etcetera.

9 **THE COURT:** All right.

10 **MR. DAVID BROWN:** Otherwise we wouldn't need to be
11 here.

12 **THE COURT:** Okay. Anything -- anything else you want
13 to say about that on behalf of Crossman?

14 **MR. MILLER:** Nothing further, Your Honor.

15 **THE COURT:** All right. And what I say, we might bring
16 up some other issue. In dealing with this issue of the
17 applicability of the Indiana insurance policy, or whether I
18 need to look at it at all, I have examined the pleadings in
19 this matter. In particular, obviously I have examined the
20 Answer of Harleysville Insurance to the Second Amended
21 Complaint. That's their applicable responsive pleading here.
22 In conjunction with Rule 8 (c) certainly prorata portion --
23 and I'm not going to use the word set-off, because that's --
24 honestly I don't think that's what it is. The prorata
25 portion, and the applicability of other insurance is clearly

1 not in the laundry list that's set forth in 8 (c), South
2 Carolina Rules of Civil Procedure 8 (c). It's -- only is it
3 included in any other matter constituting an avoidance, and I
4 think the definition that has been set forth by the Court of
5 Appeals in that case, the **Oyler** case, I think is a good
6 definition of what an avoidance is. I don't think that
7 Harleysville, in its Answer, put forth enough information to
8 put the other party, that is, Crossman, on notice that they
9 were going to claim this Indiana policy as some type of
10 prorata responsibility. They haven't deemed it as a set-off.
11 They defined it to be a prorata responsibility. I think they
12 have a duty and responsibility to do so. Nevertheless, the
13 parties came to me and basically reduced the causes of actions
14 and the defenses that were set forth in their responsive
15 pleadings, in their pleadings, and gave to me a stipulation,
16 saying to the Trial Court, here is the case, here's the facts
17 we agree on, here are the issues you want you to decide, and
18 here's things that we also agree on.

19 You look at 8 (c) and it says, "In the event judgment is
20 entered for the Plaintiffs, and that the Court determines that
21 the time-on-risk is the proper allocation method, what is the
22 proper period over which the time-on-risk should be
23 calculated. All parties reserve their right to argue from the
24 applicable facts and law the appropriate start date and the
25 end date for any prorata time-on-risk allocation period." If

1 you combine that with the fact that I didn't address time-on-
2 risk in the original thing - I did joint and several - and the
3 Supreme Court has sent it to me -- back, and in it's Opinion
4 the South Carolina Supreme Court says they "Hold that the
5 proper method for allocating damages in a progressive property
6 damage case is to assign each triggered insurer a prorata
7 portion of the loss based on that insurer's time-on-risk. We
8 remand for further proceedings consistent with a time-on-risk
9 approach." And then they say, we provide the guidance about
10 time-on-risk, but they sent it to me saying, Judge, you were
11 wrong; you shouldn't have done joint and several, they should
12 have done time-on-risk, so now you've got to evaluate it on a
13 time-on-risk approach. So though they did not send it back to
14 me for a new trial on all the issues, they did send it back to
15 me to look at the applicable facts and evidence in this case,
16 and come up with a decision using time-on-risk, not joint and
17 several. So, when I look at the applicable facts and evidence
18 I find that the parties reserve the right to argue the
19 appropriate start date, and the appropriate end date for any
20 prorata time-on-risk allocation period, and that means that
21 Harleysville can argue, even though we had a policy that ended
22 in 1998 there's this period from '97 to '98 that we get to
23 argue about a prorata apportion.

24 Now, I think it's important that -- and as I define --
25 or as I believe an appropriate definition of prorata is,

1 "proportionately, according to an exactly calculable factor,
2 that is, as a share or liability". Harleysville did not
3 reserve it's right to claim a set-off, though they did
4 specifically mention, and ask for, a set-off if I ruled on
5 joint and several. They did not reserve the right, they did
6 not put forth the argument nor can they claim, because they
7 have agreed in their agreement not to claim a set-off. They
8 have agreed to claim a prorata appropriationment.

9 So, what we have to do now is look at that time period
10 when you've got the Indiana policy and you've got the
11 Harleysville policy, and look at all those factors about the
12 damage, the time period, the time-on-risk and the prorata
13 portion. That may mean looking at the Indiana policy and the
14 Harleysville policy, but I suggest to you that you have to
15 look at the purpose of that policy, why was that policy bought
16 to begin with. I understand they were bought by two different
17 companies, and one company absorbed the other company, but the
18 purpose for that policy, the purpose of the Indiana policy was
19 for primary coverage, the purpose of the Harleysville
20 insurance was primary coverage, the purpose of neither one of
21 them was for excess. That was not why they were bought.
22 That's what Cincinnati is over there for. Okay. So you have
23 to look at that, and you have to look at the two policies.
24 So, understanding that's the Court's position to that point in
25 time, saying now we've got to look at it.

1 Mr. Brown, let me hear from you.

2 MR. DAVID BROWN: Thank you, Your Honor.

3 You are a hundred percent correct that the Harleysville
4 policy was bought as primary coverage in '93, and then renewed
5 annually up until it was cancelled in '98. You are also a
6 hundred percent correct that Crossman bought the Indiana
7 policy as primary coverage in '97, and then renewed again in
8 '98, until such time as the policies were cancelled in August
9 of '98.

10 I think -- there are two issues to kind of look at here.
11 I would respectfully suggest one is fairly easy and one is
12 difficult.

13 THE COURT: I'm sorry. And it has nothing to do with
14 what your argument is, I want -- this was just a brief. I
15 want you to make this an exhibit for the Plaintiff, so it's in
16 the record. You've made arguments about it. I meant to
17 mention that before.

18 Hand that to the Court Reporter.

19 MR. MILLER: We have had four prior ---

20 MR. DAVID BROWN: I think we are up to number five.

21 MR. McNERNEY: I don't think so. I think we are up to
22 six.

23 THE COURT: I don't know.

24 MR. DAVID BROWN: You are up to six.

25 THE COURT: Up to six. So that would be Plaintiff's 6.

1 **MR. DAVID BROWN:** Plaintiff's 6.

2 **THE COURT:** All right. So let's just mark that,
3 because I want it ---

4 And I'm sorry, Mr. Brown, it just ---

5 **MR. DAVID BROWN:** No. No. That's fine.

6 **THE COURT:** If I don't think about it now I might not
7 remember it later on, so ---

8 **(A DISCUSSION TAKES PLACE CONCERNING THE MARKING OF**
9 **EXHIBITS DURING THE JANUARY 5, 2012 HEARING.)**

10 **MR. MILLER:** Plaintiff's 6 is Brief of Defendant,
11 Harleysville Mutual Insurance Company dated January 29, 2007.

12 **(BRIEF OF DEFENDANT, HARLEYSVILLE, DATED JANUARY 29,**
13 **2007, MARKED PLAINTIFF'S EXHIBIT NUMBER 6(A).)**

14 **THE COURT:** All right, Mr. Brown. I know I took you
15 off track there for a second, but I just felt I needed to do
16 it now before I forgot. So go ahead.

17 **MR. DAVID BROWN:** No, that's great. I appreciate that.

18 And I will limit these comments to the question you've
19 raised, not to get into this expert issue, etcetera.

20 **THE COURT:** Okay.

21 **MR. DAVID BROWN:** First of all, I know that we
22 previously provided a copy of the Indiana and Harleysville
23 policies. I've also got -- know I gave both you and Ms. Cain
24 previously a copy of our PowerPoint slides. I have more
25 copies if I could approach and hand those ---

1 **THE COURT:** Okay. All right.

2 **MR. DAVID BROWN:** The same thing I handed up to the
3 Court before.

4 **THE COURT:** Right. Do you think we ought to have -- in
5 the policies, do you think we ought to mark the policies as
6 maybe your exhibits? Do you think we ought to -- you can use
7 these ones that have been handed previously to the Court, if
8 y'all wanted to look at these and say, these are -- I don't
9 know that I have a complete Harleysville one. I think I might
10 have a complete -- complete ones from Indiana -- but it might
11 be good, I think, that we mark them, so that, again ---

12 **MR. MILLER:** And of course, Your Honor, that's fine,
13 and in terms of reading the transcript certainly it would make
14 it a little bit easier for us all to follow when we are doing
15 that. I would note that these materials
16 that we are marking are cumulative to those already ---

17 **THE COURT:** I appreciate they are, but ---

18 **MR. MILLER:** I agree.

19 **THE COURT:** ---I just think that rather than having to
20 search they know a lot of the ones that I looked at here, so
21 why don't y'all look at these and make sure these are the
22 Indiana ones, and then you can mark a Harleysville one too.

23 **MR. DAVID BROWN:** Did we have a Harleysville exhibit
24 last time? I don't recall that ---

25 **THE COURT:** I don't -- I don't know that -- I don't

1 know that we did. I don't remember, and I don't have a record
2 of a Harleysville exhibit, so this would probably be starting
3 off, one, two, three, whatever.

4 (COURT HAS A DISCUSSION WITH COURT REPORTER CONCERNING
5 THE NUMBERING OF DEFENDANT, HARLEYSVILLE, EXHIBITS.)

6 THE COURT: I want them to look at these and make sure
7 they agree these are the Indiana policies before you mark
8 them.

9 MR. MILLER: Your Honor ---

10 THE COURT: Yes sir.

11 MR. MILLER: ---I'll just note that Mr. Brown has
12 handed me what certainly appears to be a copy of one of the
13 Harleysville policies. We believe them all to be either
14 identical, or substantially similar in pertinent part. All of
15 them were filed in the record, so ---

16 THE COURT: All right. So that's good. All right,
17 that's great. All right, if we can do that, and would y'all
18 look at -- look at these two, just to make sure you don't have
19 a problem with those. There's two of them. I don't know that
20 we need two of them, but look at it and see if you -- these
21 are both Indiana ones. Okay. All right.

22 Okay. So let's have that one then marked as a
23 Harleysville exhibit then. Okay.

24 (HARLEYSVILLE MUTUAL INSURANCE POLICY COVERING JULY 29,
25 1993 TO JULY 29, 1994, MARKED DEFENDANT, HARLEYSVILLE, EXHIBIT

1 **NUMBER 1.)**

2 **(HARLEYSVILLE MUTUAL INSURANCE POLICY COVERING JULY 1,**
3 **1997 THROUGH JULY 1, 1998, MARKED DEFENDANT, HARLEYSVILLE,**
4 **EXHIBIT NUMBER 2.)**

5 **THE COURT:** All right. So the Harleysville 1 is the
6 Harleysville Mutual Insurance Policy, on its second page, just
7 as identifying characteristic, it says, 7/29/93 to 7/29/94,
8 and Harleysville's Exhibit Number 2 is the Indiana Insurance,
9 7/1/97 to 7/1/98.

10 Okay, thank you. Go ahead.

11 **MR. BROWN:** Thank you, Your Honor. And the -- as
12 Counsel for Beazer correctly pointed out, I think the other
13 insurance clause language in each of the Harleysville policies
14 and in each of the Indiana policies is identical, so -- and
15 they're already in the Court file, but for reference here
16 today, that's accurate.

17 In Harleysville Exhibit Number 1, the other insurance
18 clause language is the next to last page. It's Bate stamped
19 HV51 in the bottom right corner. That's Number 1.

20 **THE COURT:** And I'm sorry, what was the -- what's the
21 number?

22 **MR. BROWN:** On the Har--- Exhibit Number 1, the
23 Harleysville policy, ---

24 **THE COURT:** Yes.

25 **MR. BROWN:** --- it's the next to last page, HV51, the

1 bottom right corner.

2 **THE COURT:** So it's Page 50 -- on Page 51?

3 **MR. BROWN:** The bottom right-hand corner says HV51.

4 **THE COURT:** HV51, okay.

5 **MR. BROWN:** Right, and towards the top of that page is
6 the other insurance clause.

7 **THE COURT:** The other insurance, right.

8 **MR. BROWN:** And then in Harleysville Exhibit Number 2,
9 the Indiana policy, I believe that the other insurance clause
10 is ---

11 **THE COURT:** Hold on a second and let me look and see.

12 **MR. BROWN:** I don't recall that those were Bate stamped.
13 I believe that page number is ---

14 **THE COURT:** Well, they've got a -- they've got a number
15 down at the bottom that is called -- it says E ---

16 **MR. MILLER:** It's Bates 875, Your Honor.

17 **THE COURT:** Okay. It's BZH104875?

18 **MR. MILLER:** Yes sir.

19 **THE COURT:** All right, very good. Okay, so ---

20 **MR. MILLER:** Actually it begins on the front of the page
21 and continues over there.

22 **THE COURT:** So BZH104874?

23 **MR. MILLER:** Correct.

24 **THE COURT:** All right, very good, where it says other
25 insurance, paragraph four, other insurance. Okay, very good.

1 **MR. BROWN:** So I think the first thing obviously to do
2 is to take a look at these two clauses, and I guess I start
3 from this proposition, Your Honor. The -- it's true that the
4 Harleysville policy was purchased as primary coverage for
5 Pinehurst Builders.

6 It's also true that the Indiana policy was purchased as
7 primary coverage for Cincinnati, so when these two policies
8 have concurrent coverage, one option perhaps for the Court
9 would be to say, well, they were both purchased as primary
10 coverage. I'm going to treat them as primary coverage, so
11 Harleysville is half of the time on the risk for that overlap.

12 But I would respectfully suggest that what the Court
13 needs to do under the prevailing case law, and in particular
14 The South Carolina Farm Bureau vs. Secure Underwriters Risk
15 case, is to actually take a look at the other insurance
16 clauses themselves and see what they, in fact, say, so
17 regardless of whether they were intended to be purchased as
18 primary, excess, concurrent or otherwise, that one would need
19 to actually take a look at the language itself.

20 And when you look at the Harleysville language in
21 Harleysville Exhibit 1, it provides that if there is other
22 insurance covering the same loss or damage, we will pay only
23 for the amount of covered loss or damage in excess of the
24 amount due from that other insurance, so a pretty clear
25 statement. If anything else is out there, we're excess.

1 The question then becomes what does the Indiana policy
2 say. The Indiana policy frankly is a bit more convoluted in
3 its other insurance language, but if you start at the bottom
4 of what I guess is BZH874, you have other insurance. If other
5 valid and collectible insurance is available to the insured
6 for a loss, we cover, under coverages A or B, and the property
7 damage coverage that we're talking about is coverage A, our
8 obligations are as follows: Primary insurance. Then you go
9 to the top of the next page.

10 This insurance is primary except when B below applies, so
11 right off the bat we have Harleysville saying we are excess.
12 We have Indiana saying we are primary unless something else
13 kicks in, and so then the question becomes does something else
14 kick in.

15 Then B in the Indiana policy is this insurance is excess
16 over any of the other insurance whether its primary, excess,
17 continued or otherwise, one that is Fire, Extended Coverage,
18 Builders Risk, Installation Risk, or Similar Coverage for your
19 work. It doesn't mean that.

20 **THE COURT:** And tell me why.

21 **MR. BROWN:** Well, because the Supreme Court made
22 anything clear in the occurrence back and forth. It's that
23 your work is not covered. We are here because there are
24 consequential damages from your work, and that's what's
25 defined as the covered damages in the occurrence of ---

1 **THE COURT:** Okay. Well, how about Extended Coverage?

2 **MR. BROWN:** The Harleysville ---

3 **THE COURT:** What's -- what's the definition of that?

4 **MR. BROWN:** I have no idea.

5 **THE COURT:** Damage behind damage?

6 **MR. BROWN:** I have no idea how Indiana defines Extended
7 Coverage.

8 **THE COURT:** Well, then a reasonable interpretation is
9 that it's actually what the Supreme Court is talking about.

10 **MR. BROWN:** A reasonable interpretation of Extended
11 Coverage would be that the Harleysville CGL policy would be
12 Extended Coverage?

13 **THE COURT:** No, that it would be that you've got two of
14 them that are covering the same thing, and so this insurance
15 is primary except when B applies, and it says this insurance
16 is excess if it's Fire, Extended Coverage, Builders Risk,
17 Installation Risk, or Similar Coverage for your work. I don't
18 see why B-1 doesn't apply, so now you've got two policies that
19 say, oh, I'm not primary. You're excess. Oh, I'm not
20 primary, you know, so ---

21 **MR. BROWN:** In candor, if the Court finds that B-1
22 applies, Harleysville and Indiana would share equally.

23 **THE COURT:** Okay, and that -- what that ---

24 **MR. BROWN:** So in the period of overlap, whatever
25 prorata, or as the Court definition defined it, proportionate

1 property damage as allotted in the overlapping coverage,
2 they've already gotten half of their settlement with Indiana
3 and we would owe half.

4 **THE COURT:** All right. So I guess, then, tell me why
5 you are not in their definition of B-1. Why isn't
6 Harleysville in the definition of B-1 then?

7 **MR. BROWN:** Because the Harleysville CGL policy is not
8 Extended Coverage.

9 **THE COURT:** Okay.

10 **MR. BROWN:** It's not Fire Coverage, it's not Builders
11 Risk Coverage, it's not Installation Risk Coverage, it's not
12 Similar Coverage for your work. When you look in context at
13 everything identified there in B-1, what that is is coverage
14 that applies while the work is ongoing so that a general
15 contractor is out building a house, building a building, and
16 there's coverage during the process of the work itself if a
17 fire occurs, a builders risk loss occurs, some other sort of
18 extended coverage or damage or coverage you somehow bought
19 for, quote/unquote, your work applies, that's what that is.

20 In these cases, all of the coverage afforded by
21 Harleysville policies and others is in the products concluded
22 operations hazard. That is coverage that applies after the
23 work is completed, because in all of these cases the buildings
24 were built, the homeowner plaintiffs were satisfied, C.O.s
25 issued.

1 It was only years later that the problems developed and
2 problems arose, so the context here of B-1 is coverage being
3 applied during the ongoing construction, not the coverage that
4 would be products concluded operations hazard coverage that
5 applies after the construction is completed and claims develop
6 down the road, so I don't think we are in B-1.

7 I respectfully understand the Court's question ---

8 **THE COURT:** Okay. Well, let me ask the question.
9 Aren't those, not to specifically define them, but these are
10 categories of insurance? If you have this kind of insurance,
11 if you've got Fire insurance, if you've got Extended Coverage
12 insurance, if you've got Builders Risk insurance, if you've
13 got Installation Risk insurance, or Similar Coverage insurance
14 for your work, then if you've got that kind of coverage, it's
15 -- now it's excess, okay, not to look at what's the specific
16 definition of each one of these words, but if you've got a
17 policy for that kind of thing, then, okay, now we're going to
18 be excess?

19 **MR. BROWN:** Yes. I understand ---

20 **THE COURT:** Is that a -- is that an unreasonable
21 interpretation of that?

22 **MR. BROWN:** Well, I think it is for this reason,
23 that ---

24 **THE COURT:** Okay.

25 **MR. BROWN:** --- that when in B-1 when those things are

1 capitalized, those are terms of art, so Fire Coverage is a
2 specific kind of fire coverage, capital E, Extended, capital
3 C, Coverage, is a specific type of wind and hurricane
4 coverage. Capital B, Builders, capital R, Risk, and capital
5 I, Installation Risk, are specific kinds of coverage, and then
6 we have a catch-all, a similar coverage for your work, which
7 we know doesn't apply here either, so I don't see B-1 as kind
8 of an open-ended invitation to ---

9 **THE COURT:** Okay, so that doesn't define a type of
10 insurance, okay? That similar coverage for your work doesn't
11 define a type of insurance, okay, not a specific thing, but
12 it's a type of insurance? What -- what it seems to me, and
13 you argue your position, I understand, what it seems to me is
14 they're setting out examples. They're setting out types of
15 insurance. If you've got this kind of type of insurance, then
16 we're going to find us to be excess, so if you've got anything
17 that falls in one of these categories, we're excess.

18 **MR. BROWN:** Correct, bearing in mind that the type of
19 coverage afforded by the Indiana policy, that is standard CGL
20 products concluded operations hazard coverage, the kind of
21 coverage that would respond to these claims that we are here
22 about. That's what the Indiana policy is.

23 Here what they are saying is if you've got -- and if what
24 you've got is what we have, we're primary. We'll defend you,
25 we'll indemnify you, we'll take care of you, we're primary,

1 but if what you've got is something else and that something
2 else also happens to apply to the give a loss at issue for
3 whatever reason, then we'll be excess over that, but if you
4 have a CGL products concluded operations hazard loss like
5 we're providing for which we've taken a premium, we're in A,
6 not in B.

7 **THE COURT:** All right. Let me hear what Crossman has to
8 say.

9 **MR. MILLER:** Thank you, Your Honor. In terms of your
10 earlier comments, of course you're right. You've got to look
11 at the total insuring intent as gleaned from the policies, and
12 so I think it's the Fidelity case says you're supposed to read
13 these policies and glean the total insuring intent, and we've
14 already established that they were bought, both initially
15 purchased as primary because they were bought by two different
16 companies.

17 What I've got on the screen are some helpful dates.
18 Harleysville's coverage, of course, started back in '93, I
19 believe. They issued their policy to Pinehurst, which is the
20 entity that built all the buildings at issue in the underlying
21 cases.

22 Crossman is out there in Indiana running their business,
23 and in '97 they buy some Indiana coverage. In 5/25/98,
24 Crossman buys Pinehurst. What Harleysville's position is,
25 Your Honor, is not just that this portion is in play. They

1 want credit all the way back retroactively for time that
2 Crossman didn't even own Pinehurst and say Indiana somehow
3 came on the risk for risk that they didn't have because they
4 didn't even own the company. It's impossible that they be on
5 the risk. That's a repugnance of the time on risk theory, and
6 so the first thing I point out to the Court is that there is a
7 horrible effort to over-reach here and it's repugnant to the
8 time on risk theory and it's repugnant to the contract
9 language in the Indiana insurance policy, and I point Your
10 Honor to that.

11 That argument by analogy would be that if a building
12 burned down back in this time period and they were haggling
13 about it that somehow Indiana bought the fire coverage before
14 it even bought Pinehurst, then it's just absurd to try to go
15 too far as Harleysville is doing.

16 Your Honor, there are two portions of the Indiana policy
17 at play here, and the copy that you have in front of you has a
18 flag by each of them, and the first one is who is an insured.
19 How when Crossman buys Pinehurst, how does Indiana view them
20 as becoming an insured, and they've got a clause about that
21 and it says exactly what it says.

22 And, Your Honor, that's the first flag. It's at Page
23 BZH104827, and ---

24 **THE COURT:** 4872?

25 **MR. MILLER:** I'm sorry, 872.

1 **THE COURT:** Right. Okay, go ahead.

2 **MR. MILLER:** And then it continues on to 873. The
3 applicable language is on Page 873, which is under the who is
4 an insured section. Any organization you newly acquire or
5 form other than a partnership, joint venture, or limited
6 liability, and over which you maintain ownership of a majority
7 interest, will qualify as a named insured if there is no other
8 similar insurance available to that organization, and so here
9 a little bit different than sub-section B you were looking at
10 under the total policy intent standard of the Fidelity case.

11 This language says if there is no other similar insurance
12 available to that organization, so what that says is that in
13 May of '98 when Crossman bought Pinehurst, that Pinehurst
14 would qualify as an additional insured unless there was other
15 similar insurance in place, and we all know there was, the
16 Harleysville coverage, which was specifically issued to
17 Pinehurst and continued in force until they were both
18 terminated simultaneously, so as an initial matter, Your
19 Honor, Pinehurst and these underlying projects never became a
20 named insured under the Indiana policy.

21 Still on that same page, if you'll look at Section
22 4-B ---

23 **THE COURT:** Go ahead.

24 **MR. MILLER:** I'm sorry. I was waiting for you to make
25 your notes.

1 **THE COURT:** That's all right. You just -- hopefully I
2 can do two things at once. I don't know. Maybe I can.

3 **MR. MILLER:** Okay. 4-B says that even if you do become
4 an insured by merger or acquisition that coverage A, which
5 we're talking about here, does not apply to bodily injury or
6 property damage that occurred before you acquired or formed
7 the organization, so that by the policy language of Indiana,
8 it could not conceivably go all the way back to the date
9 Crossman bought the Indiana policy, which is what Harleysville
10 is asking you to do.

11 That's how far they want you to go, so that first off,
12 Your Honor, they never become a named insured at all for any
13 purposes of an excess versus primary analysis. If they do,
14 then the scope is limited to the 5/25/98 until 8/29/98, which
15 I think is ninety-two days, and that is the scope of the
16 overlap, so then you've got to look at the primary versus
17 excess argument that Mr. Brown and you were discussing under
18 Section B, excess insurance.

19 As an initial matter, Your Honor, of course to the extent
20 there's any ambiguity, we get the benefit of that, and I'm
21 listening to the discussion about how do you argue that
22 Section B-1 under excess insurance isn't what we're talking
23 about here. Harleysville has argued, well, similar coverage
24 for your work means nothing because your work's an exclusion.
25 Well, that's not -- that doesn't make any logical sense, and

1 they go on to say it can't be your work because your work is
2 excluded.

3 Well, several things. You're correct. This is talking
4 about categories and types of insurance, and these are both
5 the same categories and types of insurance, and they are
6 captured under the language of B-1. Your work is subject to.
7 Your work exclusion, as we are painfully aware, is subject to
8 the subcontractor exception to that exclusion, so there is
9 your work coverage in both of these policies, and that's
10 exactly what this is referring to.

11 So because of that, I agree that the excess clauses are
12 mutually repugnant, to use the language of the Court, and,
13 therefore, cancel each other out, and if you find that they
14 became a named insured, that for that ninety-two day period,
15 there would be a prorata allocation, fifty/fifty, among
16 Harleysville and Indiana for that narrow period. I don't
17 think you get there because I don't think Pinehurst ever
18 became a named insured under the Indiana policy.

19 Bear with me one second, Your Honor. Let me grab a
20 document because I did some math.

21 If you believe that they became a named insured and agree
22 that the ninety-two days is the maximum possible amount that
23 there can be a prorata allocation under the mutually repugnant
24 excess clauses, then Harleysville's obligation to Beazer's is
25 reduced by Seventeen Thousand, Six Hundred Sixteen Dollars.

1 So, Your Honor, I have previously demonstrated to the
2 Court on January 5th that the millions -- One Million, Six
3 Hundred Sixty Six Thousand, One Hundred Twenty Eight Dollars
4 was the proper calculation using the expert method that I
5 believe Your Honor has resolved for us this morning, and with
6 some other corrections that are not disputed by the parties,
7 so that we would -- if you believe they became a named insured
8 and that they're entitled to the ninety day proration, this
9 number would be reduced to One Million, Six Hundred Forty
10 Eight Thousand, Five Hundred Twelve Dollars.

11 Now, as I've already stated, I think the policy language
12 is clearer than most in insurance policies in terms of that
13 they did not become a named insured because the only standard
14 is whether other similar insurance existed. There's no way to
15 demonstrate that it didn't. They're both completed option
16 policies.

17 Also, the -- I agree that the excess clauses are mutually
18 repugnant. I don't think you ever get there, and also, Your
19 Honor, that the Indiana policy language in one respect is
20 plain and clear, and that is that the policy, even if you
21 become an additional insured, cannot retroactively go back an
22 entire year, as Harleysville is asking you to do, and capture
23 that time.

24 You've been referenced to the Secure case, which compares
25 language strikingly similar to Harleysville's and strikingly

1 similar to Indiana's, and the Court concludes based on the
2 plain language of the two policies itself, it's clear that
3 Harleysville becomes excess.

4 Here's the difference. It's a dog bite case, so that
5 Section B-1, 2, and 3 clearly do not apply in order to trigger
6 the excess exception under the Indiana policy, and so if you
7 -- if you do take time to go look back at the Secure case,
8 notice that it's a dog bite case.

9 There's no way to stick it into one of the exceptions
10 under B-1, B-2, or B-3, clearly not B-1 that is Extended
11 Coverage, Builders Risk, Installation Risk, or Similar
12 Coverage for your Work. 2 and 3 don't fit either, so that
13 case says, well, under the plain language it doesn't fit.

14 It's a little bit confusing when you first read the case
15 because the policy languages are subsequently identical, but
16 that underlying facts does not trigger one of the excess 1, 2,
17 and 3 that we've already discussed, so, Your Honor, I think
18 the appropriate holding here is, one, they never became an
19 additional insured because other similar insurance was
20 available, and certainly they don't get the benefit of going
21 back to 1997. If at all, they are in the 5/25/98 to 8/29/98
22 window, and I've given you the math on what that proration
23 would be.

24 **THE COURT:** All right. Let me -- let me ask you a
25 question before I turn -- turn to Mr. Brown.

1 Let's just say that just for argument here I agree with
2 you that you have to look at the terms of this Indiana
3 insurance policy, that's Defendant Harleysville 2, and it
4 indicates that if you get another -- you acquire some other
5 entity, here is how we are going to cover. If they don't have
6 insurance, we're covering them. If they don't have insurance,
7 we're not covering them -- I'm sorry -- if they have
8 insurance, we're not covering them.

9 Well, then I have to look at Harleysville, and they say
10 if there's other insurance, then, you know, we're -- we're
11 excess, again looking at both of them trying to be primary
12 coverages, and that's what they were bought for, to be primary
13 coverages.

14 Wouldn't it be logical to say that trying to interpret
15 both policies as being primary coverage, okay, for the time
16 period that you've got this other entity in your umbrella and
17 you've got -- and they've got coverage, then we're going to
18 apply both of them on a prorata portion rather than saying
19 you've got that other one who's got their own policies and
20 they want to exclude -- exclude you, and we want to exclude
21 you, so to try and make a reasonable interpretation of what
22 these policies were intended to do to begin with, wouldn't it
23 be more logical for you to argue what you have, that it's for
24 this limited period from May 25, 1998, to August 29, 1998,
25 rather than there being no -- no coverage for the entire time?

1 Don't you think that is more logically ---

2 **MR. MILLER:** It -- it -- Your Honor, without waiving ---

3 **THE COURT:** I understand that.

4 **MR. MILLER:** --- the position that they never became an
5 insured, yes.

6 **THE COURT:** All right. You know, I mean, you're trying
7 to look at it ---

8 **MR. MILLER:** I don't know what else to say. Yes.

9 **THE COURT:** You know, and I appreciate that. I mean,
10 you're trying to look at why did -- why did they buy these
11 policies, and I appreciate they've got their own terms and
12 conditions, and you've got to look at them and try and
13 interpret them in the light of where you are, you know,
14 because I'm not sure everybody anticipated where they would
15 end up, but why did you get them, and then look at their terms
16 and policies.

17 All right. Okay, Mr. Brown, let me -- let me hear from
18 you. You know, he's pointed to this other -- who is an
19 insured and the questions that -- that that raises. What do
20 you -- what do you want to say about that?

21 **MR. BROWN:** If you look at the fourth page of
22 Harleysville Exhibit 2, and I apologize, mine are not Bate
23 stamped.

24 **THE COURT:** Okay. Which, now, ---

25 **MR. BROWN:** Number 2, the Indiana policy.

1 **THE COURT:** Okay. All right, I'm sorry, the Indiana
2 policy. Hold on a second here. Okay, the Indiana policy.
3 What page are we looking at?

4 **MR. BROWN:** It's the fourth page in ---

5 **THE COURT:** The fourth page, all right.

6 **MR. BROWN:** --- under --- At the top, it says named
7 insured is completed to read as follows. Do you see that?

8 **THE COURT:** I don't think -- I'm either not looking at
9 the same page you're looking at, I don't think, because some
10 of my pages are printed on the back, so ---

11 **MR. BROWN:** Would it be okay if I look at Mr. Miller's
12 BZH number?

13 **THE COURT:** Yes, please do that, and that will make ---

14 **MR. MILLER:** 814.

15 **MR. BROWN:** 814. Thank you.

16 **THE COURT:** 814, all right, okay, so let's go back. All
17 right, here we go. 814, it says -- what I've got for 4814 is
18 an endorsement.

19 **MR. BROWN:** Correct.

20 **THE COURT:** Okay. Named insured is completed to read as
21 follows, and then they've got all these companies, Crossman
22 Communities, Deluxe, et cetera, okay?

23 **MR. BROWN:** Correct, so all the language that Mr. Miller
24 just identified is he's a hundred percent correct. I saw the
25 base policy, but what the underwriter at Indiana did was he or

1 she -- it was actually a he -- put this endorsement on to
2 govern and basically be applicable with regard to this whole
3 question of who is a named insured, and at the bottom is
4 language -- I'll confess that I've never seen anything like
5 this before.

6 It says named insured is completed to read as follows:
7 Crossman Communities, Inc. and all of its subsidiaries,
8 financially controlled organizations and joint ventures
9 related to home building or land development now existing,
10 previously existing, or hereafter acquired or created and for
11 which coverage is not otherwise more specifically provided in
12 which the named insured has an ownership interest.

13 **THE COURT:** Okay, so it says and for which coverage is
14 not otherwise more specifically provided?

15 **MR. BROWN:** Right, so ---

16 **THE COURT:** Okay. It's more specifically provided on
17 4872 and 4873. It says we're going to cover them. If you
18 acquire them, we're going to cover them, and I think that's
19 what these pages say. We're going to cover them, but here's
20 how we're going to cover them, so I think -- I don't see any
21 inconsistency. It is completely consistent. It says where
22 more specifically provided, so we look for it where it's more
23 specifically provided, and now we've got to look at 4872 and
24 4873.

25 **MR. BROWN:** Yes. My point here is simply where the

1 words previously existing, the point being that by -- by
2 saying that we're going to insure entities related to home
3 building or land development, which is precisely what
4 Pinehurst Builders was, and we're going to insure them whether
5 they are now existing or previously existed, or hereafter
6 acquired, clearly makes the Pinehurst liabilities insured
7 under the Indiana policy. That's my only point.

8 **THE COURT:** Well, I think -- I think they are, but then
9 you have to look at the term of the policy, and then you go to
10 what Mr. Miller has pointed out, 4872 and 4873. They're not
11 saying there -- there isn't coverage, and I don't think that,
12 again, construing these for their purpose for which they were
13 bought, it seems that they're trying to and should be
14 interpreted to provide coverage to somebody that you acquire.

15 Now, do you do that when the company you acquire also has
16 insurance? Then you have to look at the specific terms of
17 their insurance contract and our insurance contract and try
18 and mesh the two in some way. That's the issue.

19 **MR. BROWN:** You're a hundred percent correct that that's
20 the issue, and my only point in pointing out that language is
21 that that language amends and adds to what's in the base
22 policy that we've been discussing, and it does so for
23 previously existing entities which is why we've advanced the
24 argument that you go back to the beginning of this policy
25 period.

1 If this policy period that has this endorsement on it had
2 begun last week, we go back a week. If we went back -- it
3 just so happens that the policy term began July 1, '97, so I
4 was just trying to offer an explanation ---

5 **THE COURT:** Okay.

6 **MR. BROWN:** --- because of this previously existing
7 language as to why we advanced this argument.

8 **THE COURT:** Okay.

9 **MR. BROWN:** As to the other insurance analysis, I'm
10 happy to talk about that. I don't want to be redundant. I --
11 for the reasons I've stated before and stated in our brief, we
12 don't believe that B-1 applies, that Harleysville was primary
13 for that period, but I respect the Court's view on that.

14 **THE COURT:** Okay. All right.

15 Again, looking at what the Supreme Court, I believe,
16 asked me to do, and with that I found that I had to go back
17 and look at not only the time period, the beginning date and
18 the end date, but look at if there's anything that could
19 affect the beginning date or the end date. Fortunately, at
20 least for part of this, the parties in the stipulation agreed
21 to a beginning date, so we don't have to worry about that, so
22 we've got the beginning date, no question.

23 What's in question is the ending date. You know, for the
24 time period, and again, I think -- well, we'll get to that in
25 a point, but I mean how they are calculated out, I think we'll

1 need some work by the parties at the end.

2 I think it would be appropriate to come up with a chart
3 as y'all have suggested on the buildings as they're broken
4 down and assigning, you know, the Harleysville time on risk,
5 the days, the total days of risk, percentages, that sorts of
6 -- sorts of things, as you have already done so, I think, but
7 I think that will be something, a chart, graph, whatever you
8 want to call it, to accompany the Final Order in this matter I
9 think needs to be part of it.

10 But again, going back to trying to interpret this and to
11 going back, you've got two primary policies. You've got to
12 look at the terms of each one. You've got to try and when
13 they conflict, and they do conflict the Court finds, to make
14 them consistent as best you can with each other and consistent
15 with the purpose for which they were purchased to begin with.

16 There is an overlap time period. I don't think there's
17 any question there's an overlap time period. Now, what is
18 that overlap time period? Is the overlap time period July 1,
19 '97, to August 29, '98, or is the overlap time period 5/25/98?

20 I think you look at the Harleysville policy, and they're
21 just more precise. They clearly say you've got other
22 insurance. We're -- we're excess. Indiana is more -- has got
23 more exceptions, which causes me to, you know, again trying to
24 put the two together.

25 I think again trying to interpret policies when there's a

1 conflict, and there is a conflict, that -- and again, the
2 purpose of what they are intended to do. I think the start
3 date should be when Crossman acquired Pinehurst. The date
4 Crossman acquired Pinehurst, I find that is the date that the
5 two policies coexist.

6 The two policies then have to be examined to see if they
7 are -- have the same language or inconsistent language, and
8 they need to be interpreted, and they do have inconsistent
9 language, so with that then each of them for that time period,
10 from the date Pinehurst was purchased by Crossman, and I'm
11 just taking it that it is 5/25/98, I don't know what --
12 exactly what that date is, but whatever date is that Pinehurst
13 is purchased by, absorbed by, taken over by Crossman, that's
14 the beginning date when there is an overlap of the policies.

15 And obviously they both were terminated on that August
16 29, 1998, date so that we have that absolute end date, so for
17 the overlap period, whatever that time period is, I think they
18 need then to have a prorata share, a fifty/fifty share because
19 that's what the parties agreed to in their stipulation, that
20 you've got to look at prorata application, and looking at the
21 definition of prorata, you know, it's not a setoff.

22 It's a prorata portion, and that's, I think, a reasonable
23 and proper interpretation is an equal share, so I guess
24 reviewing it all the way from the beginning, though the Court
25 believes in proper practice that Harleysville should have put

1 in its Answer this Indiana question more clearly, I find that
2 when the parties entered into a stipulation, and you take into
3 consideration the fact that the Supreme Court sent it back to
4 me for an examination of the facts and evidence of this case
5 on a time on risk analysis, because the Supreme Court to begin
6 with said I looked at it under the wrong analysis, so now
7 you've got to look at the whole case again, not a new trial,
8 but you've got to look at the whole case again on a time on
9 risk analysis, and that's what I'm doing, so that allows
10 Harleysville to talk about Indiana.

11 And then when we're talking about Indiana, the Court's
12 position is that they're both primary. That's the purpose
13 that they were purchased for and intended to. You have to
14 look at both policies, when did they begin to overlap, when
15 did they begin to coexist? They began to coexist on the date
16 that Pinehurst is purchased by -- assimilated by Crossman, and
17 they both end on August 29, 1998.

18 For that overlap period, they equally share, that being a
19 reasonable interpretation as best the Court can determine from
20 the policies as to what should happen, and going back to the
21 original stipulation of the parties about the parties talk
22 about for any prorata time on risk allocation period, and
23 again, going back to the definition of prorata.

24 So with that, I'm not sure what the numbers add up to. I
25 confess to you I don't know what those numbers add up to.

1 That's why I'm suggesting you need to go back to the charts
2 that were produced earlier, and I think a proper chart, and I
3 have it here, it broke it down by the buildings, each
4 building, and it broke it down by a -- you know, the C.O.
5 date, and then thirty days from the C.O. date as best the
6 parties could come up with, the either -- you know, the ending
7 date as defined in your stipulation, the settlement date, or
8 the -- some days, I think there were some of them that they
9 actually did some repairs, so whatever that -- that date is.

10 So you have the total days on risk. You have
11 Harleysville's days on risk. You've got Harleysville time on
12 risk, and for a period of time you're going to have Indiana's
13 time on risk, and that's got to be factored in -- into the
14 final figure that Harleysville has for a prorata share, you
15 know, ending, of course, on August 29, 1998.

16 That's the Court's ruling, understanding that, you know,
17 neither one of you agree with it in total, and some more than
18 others.

19 Are there any other outstanding issues that Harleysville
20 believes on remand that I need to deal with that I haven't
21 dealt with?

22 **MR. BROWN:** Yes.

23 **THE COURT:** And that would be?

24 **MR. BROWN:** That would be, I think, -- and I appreciate
25 the Court's ruling. I think given that we can agree on what

1 is plugged in to every number on the chart, ---

2 THE COURT: Okay.

3 MR. BROWN: --- and the math is what it is with one
4 exception, ---

5 THE COURT: All right.

6 MR. BROWN: --- and that is the amount of damages per
7 building.

8 THE COURT: Okay.

9 MR. BROWN: And I understood the Court earlier to say
10 that as opposed to kind of doing what Harleysville had
11 advocated, which is take ---

12 THE COURT: Just divide it out.

13 MR. BROWN: Divide it out. You're going to look at the
14 expert reports, and I respect ---

15 THE COURT: Right.

16 MR. BROWN: --- understand that, but as I look at the
17 expert reports and have done the math, I come to different
18 numbers than what Beazer has come to, ---

19 THE COURT: Okay.

20 MR. BROWN: --- and so that's in terms of the damages
21 per building, but I want to make sure we talk about that ---

22 THE COURT: All right. Do you have that in such a
23 fashion I could look at it?

24 MR. BROWN: Unfortunately it's all my handwritten
25 notes, ---

1 **THE COURT:** Okay.

2 **MR. BROWN:** --- so no, but I'll be happy to submit it to
3 you. But let me just kind of ---

4 **THE COURT:** Okay. Well, how about just give me the
5 argument here.

6 **MR. BROWN:** You had the report of Mr. Lewis, and Mr.
7 Miller's letter to you said that, well, if you look at Mr.
8 Lewis' category of damage to work product of others with or
9 without damage to subsequent product, that's water intrusion
10 with rot damage. That's -- those are the covered
11 consequential damages.

12 **THE COURT:** Right.

13 **MR. BROWN:** And if you compare that to -- if you then
14 take the numbers Mr. Lewis has in his report, that is the
15 damages building by building, multiply it out, add it all up,
16 at least the way I did the math, it comes to Ten Million,
17 Seven Hundred Twenty Three Thousand, Six Hundred and Fourteen
18 Dollars.

19 **THE COURT:** And what was the other figure?

20 **MR. BROWN:** Okay, and, well, and then they did a
21 percentage ---

22 **THE COURT:** Okay.

23 **MR. BROWN:** --- of River Oaks I, versus River Oaks
24 II, ---

25 **THE COURT:** Right.

1 **MR. BROWN:** --- versus others, Phase One, ---

2 **THE COURT:** Right.

3 **MR. BROWN:** --- and what these are suggested that the
4 percentage for Mr. Lewis on, say, River Oaks I, is sixty-six
5 point six percent. Well, when I did that same math, I came to
6 Mr. Lewis' percentage as fifty-one point six percent ---

7 **THE COURT:** Okay.

8 **MR. BROWN:** --- and kind of similarly when you go
9 through what Mr. McCantless did, it's a similar kind of
10 analysis the Court has already observed, ---

11 **THE COURT:** Right.

12 **MR. BROWN:** --- he identifies a category called Physical
13 Damage to Tangible Property, ---

14 **THE COURT:** Right.

15 **MR. BROWN:** --- and what he comes up with when you
16 multiply it out by all the buildings is not close to Eleven
17 Million Dollars, but basically One point Nine Million, One
18 Million, Eight Hundred Ninety Nine Thousand, Two Hundred and
19 Five Dollars and forty-one cents, ---

20 **THE COURT:** Okay.

21 **MR. BROWN:** --- which, you know, the Seven point Two we
22 agreed on was somewhere in the middle, as you see.

23 The -- then, for example, Mr. McCantless' percentage on
24 River Oaks I by my calculations is fifty point five percent as
25 opposed to the fifty-three point six percent that Beazer

1 suggests, so, you know, when you average those two, if you
2 want to average Mr. McCantless and Mr. Lewis, you know, you
3 get River Oaks I at fifty-one percent, not sixty percent, and
4 the numbers change a little bit all the way down ---.

5 **THE COURT:** Okay.

6 **MR. BROWN:** --- down the way. That's my point.

7 **THE COURT:** So they -- they are arguing fifty-three
8 point six percent for McCantless?

9 **MR. BROWN:** Correct.

10 **THE COURT:** For River Oaks I?

11 **MR. BROWN:** Yes. This is a good slide to look at here
12 they put up, so what they say, for example, is take River Oaks
13 I, Lewis is sixty-six, McCantless fifty-three.

14 **THE COURT:** Right.

15 **MR. BROWN:** When I actually added up the numbers, and I
16 try to do it several times to make sure I was hitting the
17 calculator correctly, what I came to was, you know, Lewis at
18 fifty-one point six and McCantless at fifty point five, and so
19 the average for River Oaks I would be fifty-one point zero
20 five, not sixty point one, ---.

21 **THE COURT:** Okay.

22 **MR. BROWN:** --- which, you know, makes a difference
23 because the River Oaks I buildings were the earliest buildings
24 and, therefore, get more policy years of Harleysville.

25 **THE COURT:** Right.

1 **MR. BROWN:** River Oaks II, they have the average share
2 at eleven point eight. When I did the same math, I got the
3 average share for River Oaks II at fifteen point seven, a
4 little bit higher. Those buildings all came later, were
5 C.O.'ed after the Harleysville policy ended, so a higher
6 percentage on those would be different.

7 **THE COURT:** Okay.

8 **MR. BROWN:** So the end number that I got to for cost per
9 building using that -- let's take the expert numbers and
10 average them, and I could read those into the record. It was
11 River Oaks I, Eighty Five, Four Seventy Nine point zero seven.
12 River Oaks II, Forty Nine, One Forty Seven point eight-three.
13 Lightkeepers Village, Sixty Four, Eight Hundred. Waterway
14 Village, Twenty Nine, Seven Two Nine point zero three; and
15 Buck Creek, Fifty Eight, Three Eighty Two point six one.

16 Now, that's my point, and also since I have it, I have it
17 -- put those numbers back into a spreadsheet to see what
18 number spits out at the end, so ---

19 **THE COURT:** Right. Okay.

20 **MR. BROWN:** That's the only remaining issue as I see it.

21 **THE COURT:** Okay. I'm not prepared to make a decision
22 on that. I hadn't looked at that particular point, so what
23 we're going to have to do is as to the Court's ruling, Mr.
24 Miller, you're going to have to draft a proposed order that
25 sets forth that rationale that I just kind of set forth in

1 summary fashion. I mean, obviously it's got to be more
2 expansive than what I said, but just in summary fashion.

3 Now, when you get to the actual calculations, probably
4 what we're going to have to do is Mr. Miller is going to
5 submit his. Mr. Brown, you're going to submit yours. I'm
6 going to have to then go back again and look at those and look
7 at the experts' reports, and look at the evidence, and see if
8 I agree with one or the other or some combination thereof
9 based on the evidence. I'm not prepared to give you an answer
10 right now because I haven't looked at it.

11 **MR. BROWN:** Fair enough, and we'll be glad to do that.

12 **THE COURT:** All right. So -- so when Mr. Miller
13 forwards the proposed order and his calculations on to you,
14 then you can send your calculations on to the Court with the
15 whole thing, and then I'll again look at it and make a
16 decision or determination.

17 Yes sir, Mr. Miller.

18 **MR. MILLER:** If I may, Your Honor. I didn't have
19 anything in front of me while Mr. Brown was explaining how he
20 did his math, ---

21 **THE COURT:** Right.

22 **MR. MILLER:** --- and quite frankly, I have no idea what
23 he was talking about.

24 **THE COURT:** Well, and I appreciate it, but, you know, I
25 mean, you know, y'all are going to have to exchange these, and

1 I'm going to give you an opportunity to -- to look at each
2 other's and see, and obviously Mr. Brown has -- you've had
3 yours out there for quite a period of time, and he's had an
4 opportunity to look at it and you hadn't, so ---

5 **MR. MILLER:** And I was going to suggest if we might
6 exchange before we submit to the Court.

7 **THE COURT:** Exchange those, that's fine. That would be
8 great.

9 You don't have a problem with that, Mr. Brown?

10 **MR. BROWN:** I think that's a good idea.

11 **THE COURT:** All right, very good. All right. So that
12 would be good, and then -- I hate to suggest this. If there
13 is some -- Mr. Brown and Mr. Miller, if y'all have some brief,
14 brief argument or explanation that you want to go along with
15 your chart, I'll be glad for you to send that, too,
16 underlining brief. I don't -- you know, let's -- let's try
17 not to, you know, be real expansive, just, you know, -- but I
18 don't have a problem with you giving -- you know, attaching
19 some kind of explanation to each one of the charts if you want
20 to do that. I'll be glad for you to do that, all right?

21 **MR. BROWN:** Thank you.

22 **THE COURT:** Okay. All right. So with that and the
23 Supreme Court's remand to me, is there anything else as far as
24 Harleysville is concerned that I need to address?

25 **MR. BROWN:** No, Your Honor.

1 **MR. MILLER:** There is not, Your Honor.

2 **THE COURT:** All right, very good.

3 **MR. McNERNEY:** Your Honor, I do have one question.

4 **THE COURT:** Yes sir.

5 **MR. McNERNEY:** You indicated that one of the tables you
6 saw of the building by building analysis was what you wanted
7 the parties to work off of?

8 **THE COURT:** Yes.

9 **MR. McNERNEY:** Is that by any chance Exhibit I to ---

10 **THE COURT:** It is. I'm pretty sure it is, and I pulled
11 it out and here it is over here. Here it is. It is I. I
12 pulled it out. That's the one I'm talking about. Okay, yeah,
13 and I understand you've got Cincinnati in there, but -- but we
14 haven't dealt with them yet, but that -- that was an original
15 one that I was looking at, okay, so, yes, so you're correct in
16 that. Yeah, it was I, absolutely.

17 All right. So how about we take a short break here, get
18 reorganized, and then we can come in and talk about Crossman
19 and Cincinnati, okay? Thank y'all.

20 **(THE FOLLOWING TAKES PLACE AFTER A BREAK.)**

21 **THE COURT:** All right, if y'all would give me a second,
22 I had sort of divided my paperwork out and now I have pushed
23 things all over the place, so I need to get back to my
24 paperwork that I set aside for Cincinnati.

25 Mr. Miller and Mr. Brown, the 23rd date for the

1 submission to the Court, that's great. That will be good if
2 y'all can work for that date. That will be great. Thank you.

3 All right. Now, let's -- let's talk about the issue of
4 Cincinnati Insurance in this particular matter and what
5 applicability, if any, Cincinnati Insurance has in this
6 matter, any coverage they have, any responsibility they have,
7 so with that, I'll just let you start off, Mr. Mack.

8 **MR. MACK:** Thank you, Your Honor.

9 In the January 5 hearing, I think you had ruled on all of
10 the issues relating to Cincinnati. You had instructed us to
11 prepare an Order pursuant to your rulings. I prepared an
12 Order and submitted it to Your Honor. I think all of the
13 issues that relate to Cincinnati were addressed in the January
14 5 hearing and in your rulings.

15 I've reviewed the transcript of the hearing, and I think
16 the proposed order we submitted covers all the points that
17 Your Honor asked us to cover in the proposed ruling.

18 Beazer or Crossman did not submit a proposed order. They
19 submitted a brief on February 3rd, which to my reading of it
20 basically rehashes some of the arguments at the January 5
21 hearing. I don't know that there is anything else to be
22 addressed beyond your rulings from the January 5 hearing, and
23 I've set all that out in the proposed order that I submitted
24 to Your Honor.

25 **THE COURT:** Mr. Miller, what's -- what's your position?

1 **MR. McNERNEY:** Your Honor, Marty McNerney. May it
2 please the Court.

3 **THE COURT:** All right, Mr. McNerney. Okay, very good.

4 **MR. McNERNEY:** Well, we didn't understand the orders to
5 be issued from the bench at the January 5th hearing, and we've
6 submitted argument on the issues that we believe are
7 important, and I am prepared to address ---

8 **THE COURT:** Why don't you -- why don't you do that, and
9 then I'll see if I have some further questions for the two of
10 you, okay?

11 **MR. McNERNEY:** Thank you, Your Honor.

12 I've got up on the screen a slide that was in papers that
13 were filed in the case before Your Honor before the final
14 judgment was issued in May of 2007, and there's no dispute
15 that the -- that Beazer and Crossman collectively paid Sixteen
16 Thousand, Seven Hundred -- Sixteen Million, Seven Hundred and
17 Seventy Thousand, Seven Hundred and Fifty Dollars to settle
18 all the claims that were brought by the homeowners.

19 The reason that Beazer and Crossman had to do that is
20 that all of these insurers that have come and gone in this
21 case refused to pay a nickel, and so Beazer was forced to file
22 the original lawsuit against these insurers.

23 At the time we filed the original lawsuit in 2004, and
24 also in our first amended complaint and also in our second
25 amended complaint, the Plaintiffs demanded that the Court find

1 for the Plaintiffs on the breach of contract and on the
2 declaratory judgment counts and make Plaintiffs whole, and the
3 only way that the Plaintiffs could be made whole is at the end
4 of the day if Plaintiffs could collect the amount that was
5 paid to the homeowners associations to settle, which is
6 Sixteen point Seven Seven Million.

7 Now, our claims against Cincinnati, you know, the earlier
8 argument today with Harleysville and Indiana reinforces one of
9 our points and that is that Indiana Insurance Company, Mass.
10 Bay, and Regent Insurance Company all sold insurance policies
11 to Crossman. Crossman was headquartered in Indiana. Crossman
12 had operations in a lot of parts of the country other than
13 South Carolina, and that's the risks that those policies
14 covered. Cincinnati sold its policies to Crossman as well.

15 I want to talk a little bit about some of the key
16 features in the Cincinnati policy. This is the declarations
17 page, Your Honor. It says that the named insured is Crossman
18 on Meridian Street in Indianapolis, Indiana, and also on Page
19 1 of the Cincinnati policy, the Cincinnati policy expressly
20 states this coverage applies everywhere around the country.

21 We handed up an exhibit at the last hearing, a settlement
22 agreement between Cincinnati and Beazer, and one that -- I
23 think it's Court's Exhibit 5 from the hearing on January the
24 5th, that the underlying claims dealt within this same
25 Cincinnati policy includes this big class action case in

1 Indiana and includes cases in Kentucky, and the Indiana case
2 was part of the record in the -- part of the trial record that
3 Beazer was going to present evidence on at trial where we
4 agreed to the stipulation.

5 I'll go forward to the -- what I would call the trigger
6 section of the Cincinnati policy, and Your Honor at the last
7 hearing went through this and said that Cincinnati's policies
8 are triggered, the limits of the underlying insurance have
9 been exhausted by payment of claims, and Your Honor said that
10 that appeared to be susceptible to one -- more than one
11 reasonable meaning and that the payment of claims could be by
12 the underlying insurers all by themselves, could be by Beazer
13 all by itself, or some combination of the two, and if the
14 payments of the claims were made equally in the limits of the
15 underlying insurance, then Cincinnati would be -- would have
16 their policy triggered.

17 Now, I think what's important here, Your Honor, is the
18 timing because the way this language reads, once the limits of
19 the underlying insurance are paid, then the Cincinnati policy
20 is effective, and it doesn't -- and as I'll get to in a second
21 and as we explained in our briefs, the limits to the
22 underlying insurance were paid in part by Beazer settling the
23 claims with the homeowners down here as part of this Sixteen
24 point Seven Seven Million Dollar number, and those limits were
25 paid by the settling insurers at the time that Beazer had a

1 claim that those settling insurers owed one hundred percent
2 jointly and severally of this Sixteen point Seven Seven number
3 up to the limits of their policies. That's the claim that
4 Indiana and Massachusetts Bay and Regent compromised by
5 settling with Beazer.

6 And I would submit, Your Honor, that this Section B,
7 which we spent some time with at the hearing the last time, is
8 ambiguous, and there are many ways that that provision can be
9 complied with, and under the law in South Carolina that we --
10 is in our brief, and this is a quote from the Court's May 2000
11 final judgment, it's undisputed under South Carolina law that
12 the terms in insurance policies that are susceptible to more
13 than one reasonable meaning must be construed by the Court
14 strictly against the insurer in the manner that they were
15 covered, and this Section B is, I think, very ambiguous.

16 It doesn't say who has to pay the limits. It doesn't say
17 when the limits have to be paid, and therefore, I think it's
18 susceptible to many different reasonable meanings, and I
19 believe the Court is obliged to adopt the one that favors
20 coverage.

21 The Court's analysis of 4-B here is exactly the same as
22 the Seventh Circuit panel that we talked about their decision
23 last time.

24 Now, there's two issues that -- three issues actually
25 briefed in the proposed order and in our brief on Cincinnati,

1 and this is the first one we addressed before, but it's
2 Beazer's position that the final judgment from the Court in
3 May of 2007 is the law of the case. The Court expressly found
4 that for each of the condominium projects at issue in the
5 underlying cases, property damage was caused by an occurrence,
6 as defined in the Cincinnati policy.

7 The Court also in count two ruled that any triggered
8 insurance policy was jointly and severally liable for all the
9 damage up to the limits of the policy. Now, it's true that
10 the Court didn't enter a money judgment against Cincinnati in
11 its May 2007 final judgment.

12 In terms of Cincinnati's obligation to take an appeal
13 from the final judgment in May of 2007, I think Cincinnati
14 admits that if it was agreed by the Court's judgment then
15 Cincinnati had an obligation to appeal or else that final
16 judgment would become the law of this case, but the occurrence
17 issue that I quoted earlier, finding that the property damage
18 was caused by an occurrence, that ruling in the Court's final
19 judgment was contrary to every position -- or I'm sorry,
20 contrary to the position that Cincinnati was taking in every
21 coverage case, as far as I know, around the country.

22 And so that was clearly a ruling against Cincinnati, and
23 then the joint and several liability ruling was part of the
24 declaratory judgment count that was -- the Court ran a
25 judgment on count two, the second amended complaint, and

1 expressly entered judgment on that count against both
2 Harleysville and Cincinnati.

3 And I mentioned this earlier, but simply because
4 Cincinnati was not liable to Beazer for a money judgment in
5 May of 2007, that doesn't mean that Cincinnati was not
6 aggrieved by the Court's Order.

7 Now, it's true in Mr. Mack's admission and I think his
8 argument in January, Your Honor referred to the section on
9 Page 16 of the final judgment, saying that you were making no
10 determination at that time as to whether the Cincinnati
11 policies were effective, and my view on that is that the issue
12 that was not dealt with was this exhaustion of underlying
13 limits by payment of claims issue.

14 And whether there was sufficient exhaustion is a
15 complicated issue as Your Honor is no doubt aware, but the
16 ruling that the property damage at the underlying lawsuits
17 constituted an occurrence under the Cincinnati policies, and
18 then also the ruling that any triggered policy was jointly and
19 severally liable for a hundred percent of Beazer's loss.
20 Those were rulings made against Cincinnati in the Court's
21 Order and from which Cincinnati took no appeal.

22 Now, I fully agree with Mr. Mack that the parties did not
23 address what I would call the trigger issue, which is the
24 payment of the limits of the underlying insurance by either
25 Beazer, underlying insurers, or some combination of the two,

1 and as I understand the stipulation, it's consistent with the
2 Court's rulings this morning on the Harleysville issue that
3 the parties are free to argue from evidence in the record as
4 to how the Cincinnati underlying limits get paid, and when,
5 and how the Cincinnati policies are triggered, and we put that
6 in our submissions, and I'll talk a little bit about that in a
7 second.

8 But that's our -- that's our first issue, Your Honor, is
9 that we believe that Cincinnati is bound by the law of the
10 case and the Court's Order from which they took no appeal.

11 Now, I'll get into the exhaustion issues, Your Honor.
12 One thing, we briefed it in our November submission. I don't
13 believe Cincinnati refuted it. We put it again in our
14 February 3rd submission, that the five South Carolina
15 underlying lawsuits constitute a single occurrence.

16 And I think, you know, there's -- there was -- we cited a
17 December of 2011 Federal District Court case which held that
18 when progressive damage takes place over multiple policy
19 years, it constitutes a single occurrence in each policy year,
20 from the xxxJ.C. Walk Industries case, and I think that's
21 consistent with the Court's final judgment from May 2007 where
22 the Court says the property damage was caused by an occurrence
23 as defined in the Harleysville and Cincinnati policies.

24 And the single occurrence is important, as we put out in
25 our brief, Your Honor, because the underlying policies have

1 limits of One Million Dollars per occurrence per year and then
2 Two Million Dollars in the aggregate.

3 I never should have tried to edit this by myself, but
4 what I wanted to -- you know, we did get paid -- Beazer did
5 get paid by Indiana. We talked about that this morning.
6 Indiana had policy limits of One Million Dollars per -- per
7 year, and Two Million in the aggregate.

8 At the time of settlement with Indiana, the operative
9 complaints were -- for Beazer was the second amended
10 complaint, and in paragraph four of the second amended
11 complaint, just like in the earlier complaints, these are as
12 per declaration against all of the insurance company
13 defendants in the amount that would make Beazer whole, so that
14 was the claim that was compromised at the time Indiana settled
15 was Beazer's claim that Indiana owed Beazer jointly and
16 severally the Sixteen point Eight Million up to the limits of
17 the policy.

18 The same with the claim against Massachusetts Bay.
19 Beazer's claims for the Massachusetts Bay was jointly and
20 severally liable for the entire Sixteen point Eight Million
21 Dollars up to the limits of the Massachusetts Bay policies,
22 and that is a claim that Massachusetts Bay compromised with
23 Beazer.

24 The same with Regent. Regent had policy limits of One
25 Million Dollars per occurrence per year and Two Million in the

1 aggregate, and when Beazer settled with Regent, the claim that
2 Regent settled was Beazer's claim that Regent was obligated
3 jointly and severally to pay Sixteen point Eight Million up to
4 its policy limits.

5 So on this chart, Your Honor, has got in terms of what we
6 dealt with in the final judgment in 2007, and the setoff issue
7 was something that was important to Your Honor, was, you know,
8 is Beazer going to be over-compensated by some combination of
9 insurance recoveries and in settlements and the judgment that
10 comes out of this lawsuit.

11 This is one way to look at it, what the limits of the
12 underlying insurance are. The total loss that Beazer
13 sustained is Sixteen point Eight. You take off the two annual
14 per occurrence limits, reaches the settling insurers. That
15 still leaves Beazer's South Carolina loss in excess of Ten
16 Million Dollars before we get to the stipulation in this
17 courtroom back in January of 2007.

18 Now, the stipulation we talked about this morning, the
19 stipulation was entered months in the case of -- I believe in
20 the case of Regent about a year and a half after those
21 insurers settled Beazer's claim for Sixteen point Eight
22 Million and were dismissed from the case.

23 So at the time that the parties appeared for trial, began
24 to strike a jury in Your Honor's courtroom in January of 2007,
25 Massachusetts Bay, Regent, and Indiana Insurance Company were

1 all gone. They had bought their piece from Beazer's claim for
2 Sixteen point Eight Million, and the parties that appeared --
3 Harleysville and Cincinnati were the only two insurance
4 company defendants left in the case when we appeared for trial
5 in January.

6 The stipulation in the first paragraph references the
7 Seven point Two Million Dollar damages amount, but it
8 specifically says that that amount is what qualifies for the
9 definition of property damage under the Harleysville and
10 Cincinnati policies. That's what paragraph one of the
11 stipulation says.

12 Paragraph one of the stipulation has no impact on the
13 settling defendants who were long gone by the time the parties
14 crafted the stipulation with Your Honor's assistance, so --
15 and that's an issue that will come up in terms of what the
16 appropriate application of the settlements of the underlying
17 insurers are and how Beazer can fill the gaps for
18 demonstrating exhaustion.

19 Now, the stipulation in paragraph seven basically allows
20 Beazer and Cincinnati to use all the record evidence available
21 to address the exhaustion issue, so anything that was in the
22 record -- I believe Mr. Brown this morning said that anything
23 in the record was fair game for purposes of dealing with the
24 issues, and we would -- we would agree with that.

25 The -- to hear some evidence that's in the record,

1 Cincinnati policies were -- the Indiana insurance policies,
2 Kentuc- -- the Regent insurance policies, and the Mass. Bay
3 policies, but the Cincinnati policies because they covered
4 Crossman, headquartered in Indianapolis, and because that
5 policy expressly applies everywhere, Cincinnati's terms, not
6 mine, that the primary policies also covered losses that
7 Beazer sustained in Indiana particularly, which was brought --
8 which was evidence that was put into the record of this case.

9 Now, in the -- in Beazer's October 2006 pre-trial brief,
10 Pages 28 to 30, Beazer raises the issue that the large
11 property damage water intrusion case that Beazer settled in
12 Indiana for -- they had paid Twenty Seven Million Dollars
13 already, and cited to Mr. Mark Berry's affidavit from March of
14 2006, which was served on all the parties, and Mr. Berry's
15 affidavit in paragraph twenty-nine talks about that case in
16 Indianapolis, and it is marked on Beazer's trial exhibit,
17 listed as Plaintiff's Exhibit 121.

18 And again, when we get started to look at the exhaustion
19 in Beazer's view, it's just set forth in our brief, is that
20 each of these underlying insurers had at most One Million per
21 year per occurrence, and so it would be a total of Six Million
22 Dollars that would need to be paid by some combination of the
23 settling insurers and Beazer in order to satisfy that Section
24 4-B of the Cincinnati policy we looked at earlier.

25 So on this chart, again the undisputed total loss that

1 Beazer sustained, Sixteen point Eight Million. You subtract
2 from that the Six Million Dollars in per occurrence limits for
3 the three underlying insurers, Mass. Bay, Regent, and Indiana,
4 that leaves you with Ten point Eight Million, and then if you
5 take from the Ten point Eight Million the Seven point Two
6 Million Dollar number that was in paragraph one of the
7 stipulation that was applicable only to Cincinnati and to
8 Harleysville, that still leaves Three point Eight Million,
9 which is, you know, Beazer holding the bag for that, still
10 uninsured loss from this -- these underlying lawsuits.

11 Now, on Page 13 of the proposed order Cincinnati
12 submitted, Cincinnati used the -- the daily resulting damage
13 calculation, and so we think that's flawed. I have a chart
14 here, Your Honor, that I can hand up when I'm -- when I'm
15 finished and can answer any questions you have, but
16 Cincinnati's chart compares the daily damage calculation to an
17 annual policy limit, which I think is inaccurate because --
18 and I'll get to that in a second, but the other -- in our
19 view, the other error that's made by -- in Cincinnati's
20 proposed order is that they are basically imputing to
21 Massachusetts Bay, Indiana, and Regent improperly the Seven
22 point Two Million Dollar stipulated damage number that didn't
23 apply to those three defendants when they paid Beazer to
24 compromise the claim that they owed us a hundred percent of
25 the Sixteen Million Dollar loss up to the limits of the

1 policy.

2 Now, what I've done here, Your Honor, is taken the chart
3 -- I guess the starting point was the chart, that Exhibit I,
4 the November 2nd submission, that Your Honor and the Counsel
5 looked at earlier, and calculated a average days of
6 progressive loss amount for each of the five projects and
7 totaled it up at the lower right-hand corner is slightly less
8 than Five Thousand Dollars per day.

9 Now, and then what I've done is taken -- because this is
10 time on the risk that's been done, there was daily damage
11 numbers that were done and multiplied by the number of days.
12 It's a better apples to apples comparison because certainly
13 the insurers, the underlying insurers, were saying that they
14 had a truncated obligation to Beazer because for Indiana, they
15 were only on the risk for ninety-two days, and for Regent,
16 they were on the risk for about a year and a half, so they
17 vigorously dispute the amount of coverage available to Beazer.

18 But here in this chart we've got the daily underlying
19 policy limit, because all these policies had the same limit.
20 There's One Million Dollars per occurrence per year, and then
21 so what I've -- what I've done is taken the -- following Your
22 Honor's suggestion to come up with a calculation that the
23 daily loss amount, which was from this prior chart, less the
24 daily underlying policy limit amount, and that would equal the
25 amount of damage per day that would spill into the Cincinnati

1 excess policy, and then multiplied that amount times the
2 number of days.

3 And you will see Massachusetts Bay is a full two years,
4 the only one, and that leave Cincinnati's share. That is a
5 little bit less than what -- you may recall at the last
6 hearing, Your Honor, that Cincinnati and Beazer were within
7 maybe Fifteen or Twenty Thousand Dollars were in agreement,
8 that if the Cincinnati policies are -- the underlying policies
9 are exhausted by the payment of claims, Cincinnati owes
10 approximately Three Million Dollars under the prorated time on
11 the risk.

12 I think the average of where Cincinnati and Beazer were
13 on that calculation was about Three point Zero One Seven
14 Million, and you will see this methodology yields a slightly
15 lower number.

16 And, again, going back to one of the issues Your Honor
17 addressed in the prior case, under any scenario Beazer will
18 have a substantial uninsured loss from these South Carolina
19 cases. You've got a total loss -- I've used Harleysville's
20 share here that based on the discussion this morning, that may
21 go down a little bit, maybe go up a little bit, it's hard to
22 say, but after taking out Harleysville's share from Beazer's
23 total loss, that leaves Fifteen point One Million.

24 Again, I've estimated Cincinnati's share. There's
25 several different ways to do it. I mean, this is one, Two

1 point Eight, the proposed order from Mr. Mack, and then the
2 submissions we put in have numbers right around Three Million,
3 and that would leave Twelve point One Zero Four Million, and
4 there was an issue in the case, Your Honor.

5 There's evidence in the record before the trial insurers
6 were saying that the three defendants who were -- were in this
7 case at one point and settled, it's true that they paid us a
8 total of Eight point Six Million, but two of those insurers,
9 Mass. Bay and Regent, were also engaged in coverage litigation
10 with Crossman and Beazer in other states and then entered into
11 a global settlement, and portions of their settlement payments
12 were attributed to these claims in other states, but even if
13 you take the whole Eight point Six Million that -- that Beazer
14 received to settle insurers payment, that still leaves an
15 uninsured portion of Three point Five Million.

16 Now, Beazer, in -- in our pre-trial brief, at Pages 28 to
17 30, we talk about some allocations internally at Beazer
18 because the payments that were received from these insurers
19 had to go to different places to offset loss. Beazer's
20 internal allocation was Four point One Five Million, and the
21 uninsured loss is close to Eight Million if you use that lower
22 number, so under any scenario Beazer is going to be holding
23 the bag for a significant amount of money.

24 And we think that -- I mean, it's a slightly different
25 issue, but Cincinnati is -- we don't think they're entitled to

1 any -- what they're really asking for is almost like a setoff.
2 I mean, I think that given that the policy language is so
3 ambiguous and it's susceptible to so many different
4 interpretations, I think that this slide 35 that we have,
5 that's certainly a reasonable interpretation, that under
6 controlling South Carolina law, I think, is -- it is something
7 that the Court should adopt.

8 And certainly if under -- you know, it's the whole record
9 of the case, including the evidence that Beazer had in its
10 pre-trial brief, including Mr. Berry's affidavit, which I
11 believe it was Exhibit 4 that we handed up at the last hearing
12 on January 5th, and, you know, Beazer had this on the trial
13 exhibit list.

14 Beazer was going to bring Mr. Berry. He was going to
15 testify consistently with his affidavit that this large
16 payment to settle an Indiana property damage water intrusion
17 case that triggered all the carriers underneath Cincinnati's
18 policy, that would -- that payment by itself, several times
19 over, wipes out any underlying limits in the Cincinnati
20 policy, and we think that is a reasonable interpretation and
21 application of -- of the limits language.

22 So in -- so in conclusion, Your Honor, I mean, we think
23 that the key point is this is the complete loss that Beazer
24 had. This is the claim that Regent, Mass. Bay, and Indiana
25 compromised when they settled with Beazer in 2005 and 2006.

1 They were long gone when the stipulation was discussed and
2 eventually agreed to.

3 This policy language, as Your Honor indicated at the last
4 hearing, is very ambiguous and susceptible to many different
5 interpretations, and we think the two scenarios that we
6 posited on these slides demonstrate clearly that the
7 underlying limits of the Cincinnati policies have been
8 exhausted by payment of claims.

9 And so in conclusion, Your Honor, we think that the law
10 of the case argument, that Cincinnati failed to appeal from
11 the Court's prior judgment results in Beazer only having to
12 exhaust one year of coverage in order to trigger the
13 Cincinnati coverage and that the award should be Seven point
14 Two Million, which was the stipulated damage amount, and
15 again, we can't collect more than the Seven point Two from the
16 combination of Harleysville and Cincinnati, and that leaves
17 Five point Five Three Three Million.

18 In the alternative, we believe that the average of the
19 two numbers that Cincinnati and Beazer calculated and put in
20 with their November 2 submission, which comes out to Three
21 point Zero One Seven Million, if it's a prorated time on the
22 risk, if Cincinnati can take advantage of the Supreme Court's
23 opinion, even though they weren't a party to that appeal, that
24 one of these two numbers would be appropriate, including the
25 lower number that I put up a little bit earlier.

1 That's all I have, Your Honor, am prepared to answer any
2 questions you have.

3 **THE COURT:** All right. I appreciate the fact you're
4 arguing about the joint and several. It seems to me that
5 again looking at what the Supreme Court -- and in talking
6 about Harleysville, and I understand Harleysville appealed and
7 Crossman -- I mean and Cincinnati did not, but the remand says
8 I'm supposed to look at -- let me find it. Here it is.

9 It says I'm supposed to assign each triggered insurer a
10 prorata portion of the loss based on the insurer's time on
11 risk, supposed to assign it, and we remand it for further
12 proceedings consisting with a time on risk approach, so the
13 Supreme Court sent it back to me, said -- and I understand
14 they didn't appeal, but the Supreme Court had said joint and
15 several is not applicable, and in the stipulation y'all
16 agreed, the parties agreed, that Cincinnati can argue to the
17 Court that the underlying insurance has not been exhausted and
18 that Cincinnati has no obligation to drop down and cover
19 Plaintiffs for losses in the underlying lawsuits and the
20 Plaintiffs can oppose Cincinnati's contention and argue that
21 Cincinnati's policies are triggered.

22 And in the Order that I did issue, I said the Court need
23 not rule on whether excess umbrella insurance policies
24 covering the Plaintiffs and issued by Cincinnati are presently
25 triggered by the Plaintiffs insured losses in the South

1 Carolina underlying lawsuits because I found under the joint
2 and several theory that Harleysville's policies covering
3 Plaintiffs exceeded Seven point Two Million in stipulated
4 insured losses as found by the Court, so I didn't rule on it.

5 So I didn't rule on it. I used a flawed theory,
6 according to the Supreme Court. They sent it back to me, so I
7 don't understand the argument that I'm supposed to use --
8 still supposed to use joint and several and not time on risk.
9 I'm sorry. I just don't understand the reasoning behind that
10 when you look at all those things together.

11 **MR. McNERNEY:** Well, I think that -- I think we
12 mentioned this briefly in the last hearing, Your Honor. Count
13 two of our second amended complaint was a declaratory judgment
14 count where we asked the Court to declare the rights and
15 obligations of all of the insureds, ---

16 **THE COURT:** Right.

17 **MR. McNERNEY:** --- and as part of the briefing in the
18 summary judgment stage and also in the pre-trial briefing, one
19 of those rights and obligations that we asked the Court to
20 declare was with respect to any triggered insurer. That
21 insurer is jointly and severally liable for the entirety of
22 the Plaintiffs loss ---

23 **THE COURT:** I appreciate that, but how do I get around
24 the Court need not rule on whether excess umbrella insurance
25 policies covering Plaintiffs and issued by Cincinnati are

1 presently triggered? I didn't rule on it.

2 **MR. McNERNEY:** But I think under the triggered language,
3 Your Honor, it refers to the exhaustion issue, that that was
4 an issue that Your Honor didn't reach that was -- was
5 unnecessary, but as to the joint and several allocation, it's
6 -- I don't think it's a fair reading of your Order, Your
7 Honor, that you had a ruling against Harleysville on joint and
8 several. It's the same policy language, the all sums
9 language, that you would not rule that the Cincinnati language
10 would also be joint and several.

11 **THE COURT:** All right. Well, I appreciate that.
12 Looking at count two, basically what you're requesting was a
13 duty to indemnify and -- well, was a duty to defend and a duty
14 to indemnify, okay? That's what you're asking, that each of
15 the policies sold by insurer Defendants to the Plaintiffs has
16 an immediate duty to defend and indemnify the Plaintiffs with
17 respect to the underlying complaints, and that's in essence
18 what your whole count two says.

19 And in my Order, I said for the reasons set forth above
20 and based upon the record herein, the judgment is entered on
21 count two of Plaintiffs second amended complaint in favor of
22 the Plaintiffs and against Defendant, Harleysville and
23 Cincinnati, and the parties rights and obligations under their
24 respective policies are as set forth in the Order.

25 I think a reasonable argument is that Cincinnati cannot

1 now, since they didn't appeal, not now argue that the Court
2 ruled against them on the duty to defend and the duty to
3 indemnify, okay? They had those duties. I ruled against
4 them. They have to do it. They didn't appeal. That's done
5 and over with, can't be talked about anymore.

6 But what can be talked about is what's the amount, what's
7 the duty to indemnify, what is the amount, and since I think
8 my ruling -- and the Order says I don't rule on that. The
9 Supreme Court says you've got a flaw in theory about joint and
10 several, so I, in essence, reserved it if it came back to me.
11 It's come back to me, so now I have to make an analysis under
12 the theory the Supreme Court says is the proper theory, time
13 on risk, so I appreciate what you're telling me about joint
14 and several. I don't agree with it.

15 I think taking all these things into consideration that I
16 can't use that theory, number one, I didn't make the decision.
17 Number two, what I did rule against Cincinnati, and I'll be
18 glad to hear from you, Mr. Mack, but it seems to me, you know,
19 the Supreme Court, you know, clearly -- I mean, you clearly
20 didn't appeal.

21 Everybody knows you didn't appeal, so when you don't
22 appeal, you're bound by the decision, so when you're bound by
23 the decision, what did you get ruled against? You got ruled
24 against duty to defend, duty to indemnify. You've got to
25 indemnify. The only question is now the amount, like in a

1 wreck case. You might admit liability, but what are the
2 damages. That's where we are here.

3 We are basically arguing about damages, and I believe
4 that issue is before me and I have to use the applicable law
5 because I didn't make a decision against Cincinnati on joint
6 and several. I don't see that in there. I don't see that in
7 my Order, so since I didn't, I'm making a ruling now it's time
8 on -- it's time on risk and prorata portion.

9 You have to compare that then to what I just ruled on
10 with Crossman and Harleysville, okay, and then say using time
11 on risk prorata, what's Cincinnati's portion, then talking
12 about the South Carolina buildings in South Carolina matters
13 only because the stipulation, the matters presented to me I
14 think restrict you to the arguments about the South Carolina
15 buildings and what was paid on the South Carolina buildings.

16 Now, I invite you to say anything you'd like to before I
17 turn to Mr. Mack.

18 **MR. McNERNEY:** Yes, Your Honor, on -- and I appreciate
19 Your Honor's ruling on the joint and several.

20 As to the issues where -- as to the last comment, Your
21 Honor, about the -- in terms of trying to demonstrate
22 exhaustion of underlying limits by paying the claims, I don't
23 believe the stipulation limits Beazer to only the Sixteen
24 point Eight Million that was paid to settle the South Carolina
25 claims.

1 The paragraph seven in the stipulation, Your Honor, it
2 says that the parties agree that the record in this case shall
3 consist of all settlement documents, pleadings, discovery, and
4 depositions in both the coverage case and the underlying cases
5 which have been produced in exchange and discovery in this
6 case, and that would include the pre-trial brief that Beazer
7 put in in October of 2007 -- '06 that referenced the evidence
8 that Beazer had paid Twenty Seven Million Dollars to settle
9 the property damage water intrusion case in -- in Indiana.

10 I think if you were to ask Mr. Mack whether his policies
11 and the underlying policies provide coverage, Beazer's losses
12 in Indiana, I think he would be compelled to answer yes. I
13 mean, it's not an issue in dispute. I can show -- I have the
14 pre-trial brief and I have the affidavit, which we put into
15 evidence -- we put into the hearing record the last time, Your
16 Honor.

17 **THE COURT:** Okay.

18 **MR. McNERNEY:** That's why I think I'm not restricted to
19 solely arguing that, just the Sixteen point Eight Million
20 exhausted all of the underlying coverage.

21 **THE COURT:** Okay.

22 All right, Mr. Mack, and combining with ---

23 **MR. McNERNEY:** But it is -- it is exhausted, Your Honor.
24 I mean, I think that exhausted is what, whether it's the
25 Sixteen point Eight Million as I demonstrated or the Twenty

1 Seven is just easier. We could have a Twenty Seven Million
2 Dollar uninsured loss. That blows through whatever limits
3 anybody wants to argue about in the underlying coverage.

4 **THE COURT:** Okay.

5 All right, Mr. Mack, let me hear some arguments from you.
6 Just assume, you know, we're talking some basic issues. We're
7 talking about, you know, prorata, time on risk; we're talking
8 about that. We're -- the Court's determination that I found
9 it ambiguous. It didn't say that you must exhaust the
10 underlying coverage before Cincinnati, that -- I find that to
11 be ambiguous so that you are responsible on -- so let's just
12 assume those to be a given, okay, but let me hear from you.

13 **MR. MACK:** Thank you, Your Honor. First of all, a
14 building contractor is always going to have uninsured losses.
15 The policies, as set forth in the Supreme Court decision and
16 really is referenced in the stipulation, the policies only
17 cover the ensuing damage, not the poor workmanship. If you
18 put the window in crooked and have to take it out and re-set
19 it, that's not covered.

20 Building code violations. The steps aren't quite the
21 right height with risers and runs. All those are uninsured
22 losses in condo cases. They're always uninsured losses, and
23 if you look at stipulation number one, it specifically says
24 the damages from -- at the underlying projects that resulted
25 from water intrusion, going on, are Seven point Two Million

1 Dollars.

2 **THE COURT:** That meets the definition of an occurrence
3 as ---

4 **MR. MACK:** Property damage ---

5 **THE COURT:** Right, property damage, all right.

6 **MR. MACK:** So the Seven point Two Million is the number
7 that has to be used in all the calculations. The balance of
8 the Sixteen point Eight, or whatever that number is, is to
9 cover the just poor workmanship, the shoddy workmanship, that
10 had to be re-worked with no ensuing water damage, the code
11 violations and so forth, so the number ---

12 **THE COURT:** All right, but again just say, just for the
13 sake of argument, let's say I agree with you, Seven point Two.
14 Okay, let's go on from there. What responsibility, if any,
15 does Cincinnati have? Again, and I'll be glad for you to talk
16 about this, but, you know, in looking at my -- if you disagree
17 with the reasons and rationale I said before, that I had my
18 Order. You know, count two talked about duty to defend, duty
19 to indemnify. You didn't appeal that. I think you're bound
20 by that. Do you disagree with that?

21 **MR. MACK:** I agree, Your Honor, if the policies are
22 triggered, ---

23 **THE COURT:** Okay, if the policy -- so, okay. All right.

24 **MR. MACK:** --- if you get above the ---

25 **THE COURT:** Right. All right, so let's talk about that.

1 Let's just assume the dollar figure is -- I'm not saying it
2 is, but let's assume it's Seven point Two, so do you have any
3 responsibility if that's the -- if that's the proper figure?

4 **MR. MACK:** Using the calculation that Your Honor had
5 referred to, the expert reports, ---

6 **THE COURT:** Right.

7 **MR. MACK:** --- or the daily time on risk, and we set
8 this out in our proposed order, ---

9 **THE COURT:** Yes sir.

10 **MR. MACK:** --- Cincinnati would have no liability.
11 Their policy has never triggered. Even using Crossman's
12 calculation, the daily calculation that has been referred to
13 -- this is the first time I've seen it, had the chance to
14 analyze it, but if doing that same calculation on a daily
15 basis, daily limits versus the annual limits, and using the
16 Seven point Two Million that was stipulated to, and then using
17 the Two Million aggregate -- Mr. McNerney used One Million per
18 occurrence, but this is five separate projects, five separate
19 lawsuits, five separate occurrences.

20 If you plug in the Seven point Two Million and the Two
21 Million aggregate limit on each of the carriers, the numbers
22 again would come up with zero, so under either scenario what
23 we've outlined in our proposed order or the revised
24 calculations using the proper number, the Seven point Two
25 Million, damages, and Two Million, aggregate limits, either

1 way it comes up with zero. Cincinnati's policies are never
2 reached.

3 **THE COURT:** All right, sir. Anything else you want to
4 say?

5 **MR. MACK:** Nothing else, Your Honor.

6 **THE COURT:** All right.

7 **MR. McNERNEY:** Your Honor, if I may, ---

8 **THE COURT:** Absolutely.

9 **MR. McNERNEY:** I mean, it's undisputed that these --
10 this Sixteen point Seven Seven Million was paid by Beazer, and
11 it's undisputed that Massachusetts Bay, Regent, and Indiana
12 settled their cases with us. Our claim was that they owed
13 jointly and severally all of that Sixteen point Seven Seven
14 Million up to the limits of the policy.

15 Now, those parties were long gone by the time we sat down
16 to negotiate and sign the stipulation, and the stipulation
17 expressly applies only to Cincinnati and Harleysville, and
18 what Cincinnati argues in their proposed order is that Seven
19 point Two Million also applies backwards to three settling
20 insurers, which just -- we just don't think that's fair
21 because at the time the state of the law in South Carolina at
22 the time we settled with Regent, Indiana, and Massachusetts
23 Bay, we had a claim that those three insurers owed us
24 everything, the whole Sixteen point Eight Million, and I think
25 it's unfair and certainly not in keeping with construing this

1 language in their policy, which is ambiguous, payment of
2 underlying limits.

3 I think it's unfair and it's not within the scope of the
4 stipulation to allow Cincinnati to look backwards at
5 settlements that they were not parties to and to say that the
6 same Seven point Two Million is the limit there to show in
7 their argument at least that their policies are not exhausted.

8 I would also say, Your Honor, if the Seven point Two
9 Million was meant in the stipulation the way that Mr. Mack
10 suggests, and Beazer would have stipulated that it had no
11 recovery available at all, because at the time the insurers
12 were saying, well, Beazer had Eight point Six Million that it
13 had recovered from settling insurers and if we were
14 stipulating that only Seven point Two Million was recovered
15 for all of these projects together, we stipulated away our
16 case, which is not true. That's not what happened.

17 **THE COURT:** Well, okay, and -- okay, I appreciate that.
18 We not only have that figure in paragraph one, Seven point
19 Two, you've got it in 8-B, and it says in the event finds that
20 there was an occurrence -- there's an occurrence, okay, so
21 we've got that, past that. How shall the Seven point Two
22 Million in insured damages, referred to paragraph one, be
23 allocated, whether by joint or several, time on risk? Well,
24 obviously it's got to be time on risk, so there's an
25 occurrence. There's Seven point Two Million Dollars in

1 insured damages, and it's got to be done by time on risk.

2 How can I rule otherwise, whether or not you should have,
3 how can I rule otherwise that you didn't, okay? We've got the
4 issues, occurrence, time on risk, they're done, okay? It's
5 the amount. Well, it says how shall the Seven point Two
6 Million Dollars in insured damages referred to in paragraph
7 one be allocated, and then you go on and say the time on risk
8 is the property allocation method. What is the proper period
9 over which the time on risk should be calculated? All parties
10 reserve their right to argue from applicable facts and law,
11 the appropriate start date, end date, prorata time on risk
12 allocation period.

13 How can I use any other figure but Seven point Two
14 Million Dollars?

15 **MR. MCNERNEY:** Because we're look- -- we're not looking
16 to change the amount that's allocated between Cincinnati and
17 Harleysville, which is what this Seven point Two Million
18 Dollars was designed to do.

19 **THE COURT:** Okay.

20 **MR. MCNERNEY:** We're looking at what payment of claims
21 in accordance with this ambiguous policy term in the
22 Cincinnati language would satisfy the exhaustion of the
23 underlying limits by payment of claims, and I don't think that
24 the stipulation in any fair reading of it limits that
25 analysis. Obviously we had to pay the claims.

1 Beazer paid the claims, and at the time we paid the
2 claims and at the time we collected some portion of that money
3 back from Massachusetts Bay, Indiana, and Regent, we were
4 arguing, and they compromised the claim, that they owed us the
5 entirety of their policy limits, and they -- so I think it's
6 unfair, in essence, to move this Seven point Two Million
7 Dollars backwards in time to 2005 and 2006 when Beazer and
8 these three settling insurers who did step up to their
9 obligation settled their claims.

10 **THE COURT:** All right. Is it -- I'm just asking you.
11 Is it another interpretation that yes, you are bound by the
12 Seven point Two Million, and Cincinnati is, too, but the
13 agreement that you entered into doesn't give them the right to
14 claim these amounts that were already paid, and so then you
15 use Seven point Two, and you look at what Harleysville has to
16 pay, and you calculate all that in with Indiana, and then you
17 look at then what Cincinnati has to pay.

18 **MR. McNERNEY:** I don't think the Seven point Two --
19 there was no Seven point Two Million Dollar limitation in
20 Beazer's claims against either Indiana, Massachusetts Bay or
21 Regent. That's why I think it's an unfair reading of the
22 stipulation for Cincinnati to try to take advantage of this
23 Seven point Two stipulated damage number that was solely
24 between Cincinnati -- or among Cincinnati, Beazer, and
25 Harleysville and apply it backwards in time so they can escape

1 without an obligation.

2 **THE COURT:** All right.

3 Mr. Mack, let me ask you the same question. Assume we
4 get down to I agree that figure is Seven point Two Million
5 Dollars. You've got the stipulation in there, okay, and it
6 says what it says, and you can make reference to it. Did you
7 leave yourself -- in your agreement, did you leave yourself
8 the opportunity to claim these setoffs, because that's what
9 you're asking for is setoffs.

10 **MR. MACK:** Your Honor, we are asking for the excess
11 policy to be interpreted according to its terms. It isn't
12 triggered. It's not so much a setoff. It's just is the
13 policy triggered.

14 **THE COURT:** Okay. Well, okay. If I'm saying the policy
15 is ambiguous, okay, it doesn't say you have to exhaust the
16 underlying coverage. Let's assume I'm saying that, that, you
17 know, I'm looking at the policy. You look at it; to me, it's
18 ambiguous. It doesn't say you must exhaust.

19 It's ambiguous, so there's -- you're responsible there,
20 okay, so you combine that with did you give yourself the
21 opportunity to look at those -- these figures in your proposed
22 order that you want to take, you know, -- you give the
23 settlement figures, Indiana Two point Seven Million,
24 Massachusetts Bay, Two point Nine, Regent, Three, both those
25 figures. Did you give yourself the opportunity to argue that?

1 **MR. MACK:** Yes, Your Honor.

2 **THE COURT:** And where is that? That's my question.
3 Where is it in the stipulation?

4 **MR. MACK:** And this is -- and I'm looking for the
5 stipulation where we reserved the right to argue ---

6 **THE COURT:** Paragraph nine?

7 **MR. MACK:** Paragraph nine. Yes, Your Honor.

8 **THE COURT:** Okay. It says the parties can -- the
9 parties agree that Cincinnati can argue to the Court that the
10 underlying insurance has not been exhausted and that
11 Cincinnati has no obligation to drop down and cover the losses
12 in the underlying lawsuits, and Plaintiff can oppose
13 Cincinnati's contention and argue Cincinnati's policies are
14 presently triggered.

15 Okay, part of that -- is not part of that covered by my
16 ruling on count two? Isn't part of that taken away, okay? I
17 made my ruling on count two and said I rule against
18 Harleysville and Cincinnati on count two, okay, and count two
19 we go back to, it says underlying complaints and damages,
20 covered by policies, have triggered duties, including
21 insurers, Defendants duty to defend and duty to indemnify, so
22 you are bound by that, okay?

23 **MR. MACK:** Duty to defend and indemnify if the
24 Cincinnati policy has been triggered, and we are not -- we are
25 simply asking the Court to interpret the policy ---

1 **THE COURT:** Did I say that, if it's triggered?

2 **MR. MACK:** I don't think that's in your Order, Your
3 Honor. I agree.

4 **THE COURT:** I don't think I said that. I think I said
5 in the Order -- give me the Order and let's see what it says.
6 For the reasons set forth above and based upon the record
7 herein, judgment is entered on count two of Plaintiff's second
8 amended complaint in favor of the Plaintiffs and against
9 Defendants, Harleysville and Cincinnati, and the parties
10 rights and obligations under the respective policy are as set
11 forth in the Order.

12 **MR. MACK:** And then in your Order you said you did not
13 consider whether or not Cincinnati's policy has been
14 triggered.

15 **THE COURT:** Yeah, let me go -- let me go to -- that was
16 like on a previous page, I think. Hold on a second. Page 16.

17 The Court need not rule upon whether the excess umbrella
18 insurance policies covering Plaintiffs and issued by
19 Cincinnati are presently triggered.

20 **MR. MACK:** So you never ---

21 **THE COURT:** All right, just assume you could -- I didn't
22 by the fact that I said what I said in the Order you didn't
23 appeal. I don't -- so you think a broad interpretation of
24 paragraph nine says -- that covers -- you can bring up what
25 happened regarding Indiana, and Regent, and the other one, and

1 you're not -- you didn't -- though you didn't carve out that
2 specifically, okay? The parties carved out specifically a
3 setoff earlier, but, I mean, you didn't carve it out
4 specifically by name, but you think a broad interpretation of
5 paragraph nine in the stipulation allows you to do that?

6 **MR. MACK:** Your Honor, I think a reasonable
7 interpretation of paragraph nine and your Order on Page 16
8 where you say you're not ruling, you're making no decision as
9 to whether or not Cincinnati's policies have been triggered.
10 That's what we are here today to try to figure out, have they
11 been triggered, and under the calculation we presented in our
12 proposed order, and also, I think, under the calculation
13 presented if you use the Seven point Two Million and the Two
14 Million aggregate, you'll wind up at the same place, that the
15 policies have not been triggered.

16 **THE COURT:** Okay. All right.

17 Mr. McNerney, any ---

18 **MR. MCNERNEY:** Your Honor, I would just stress that I
19 think it's unfair for Cincinnati to try to take advantage of
20 the Seven point Two stipulated number to a completely
21 different issue which is payment of claims, which is the --
22 you know, the policy language that Your Honor has held as
23 ambiguous. I think Sixteen point Eight has to apply to that,
24 and I think ---

25 **THE COURT:** And what -- and let's go back to that. I

1 was going to -- I found it now. What page was it on in their
2 policy?

3 **MR. McNERNEY:** In their policy it's Exhibit M to the
4 submission we put in to the Court.

5 **THE COURT:** Well, I've got the policy -- the page of the
6 policy?

7 **MR. McNERNEY:** Oh, the page of the policy, it's on -- it
8 is on Page 7 of 15, and it's in the middle of the page. It's
9 4-A and B.

10 **THE COURT:** Yes, there it is. Okay. Yes.

11 So you're saying if I find that to be ambiguous, ---

12 **MR. McNERNEY:** Yes, Your Honor, and what I would suggest
13 is ---

14 **THE COURT:** --- then I should be using the Sixteen point
15 Seven Seven Zero, Seven Fifty figure?

16 **MR. McNERNEY:** Yes, Your Honor, because I would submit
17 that under this policy language that you're looking at, it is
18 ambiguous, and as soon as Beazer writes that check for Seven
19 point Four Two Five Million, that's a payment of a claim.

20 They go down to settle River Oaks II, and they write a
21 check for Two point Eight Two Six, that's a payment of a
22 claim, which is all this policy language requires, and as to
23 the stipulation, if the stipulation means what Cincinnati is
24 arguing it means, then we would have dismissed Cincinnati when
25 we signed the stipulation because under Cincinnati's view,

1 there's no way they could ever get reached ever, because you
2 can't use the settlement payments from other states where
3 Cincinnati admits that their policy covers, and you're stuck
4 with Seven point Two in assessing a settlement in 2005 to 2006
5 when those settling insurers were buying a piece from our
6 claim that they owned their whole policy limit jointly and
7 severally. Thank you, Your Honor.

8 **THE COURT:** All right. Thank you.

9 **MR. MACK:** Your Honor, just very briefly?

10 **THE COURT:** Yes sir.

11 **MR. MACK:** Mr. McNerney is asking the Court to say that
12 Cincinnati should pay damages that are not covered by their
13 policy or should be responsible for damages that are not
14 covered by their policy under the stipulation. The
15 stipulation is Seven point Two for water damage. The policy
16 does not include or does not cover workmanship, code
17 violations, anything other than the ensuing water damage.
18 Thank you, Your Honor.

19 **THE COURT:** All right. Thank you.

20 All right, gentlemen, I need to take a break and look at
21 a couple of things, and I'll let you know where we are. All
22 right, thank you.

23 **MR. MCNERNEY:** Thank you, Your Honor.

24 **MR. MACK:** Thank you, Your Honor.

25 **(THE FOLLOWING TAKES PLACE AFTER A BREAK.)**

1 **THE COURT:** All right, gentlemen, regarding this matter
2 in Crossman and Cincinnati, the things I think that aren't in
3 dispute, I mean obviously we've got there is an occurrence.
4 Then you look at Cincinnati's policy. They talk about Page --
5 on the commercial umbrella liability policy, Section 1-A is
6 the insuring agreement. Then you look at Section 3, limits of
7 insurance, and then you go to sub-paragraph four, and it says
8 -- it talked about things preceding it, subject to limits
9 described in two and three above, and to terms and conditions
10 of the underlying insurance.

11 A. If the limits of the underlying insurance have been
12 reduced by payment of claims, this policy will continue in
13 force as excess of the reduced underlying insurance or if the
14 limits of the underlying insurance have been exhausted by
15 payment of claims, this policy will continue in force as
16 underlying insurance.

17 I find that to be confusing and/or ambiguous, so I think
18 with the contract law and insurance law, the policy must be
19 construed to the benefit of the insured and against the
20 insurance company that there is coverage, and then using what
21 the Supreme Court said about time and risk and prorata, the
22 Court has to determine basically the amount that is in play
23 here, and in doing so, one thing that -- well, if the parties
24 had not reached a stipulation in this case, I find that the
25 insured damage that we needed or should be looking at would be

1 Sixteen Million, Seven Hundred and Seventy Thousand, Seven
2 Hundred and Fifty Dollars. That's because of the settlement
3 amounts paid regarding the losses at River Oaks I, River Oaks
4 II, Waterway Village, Buck Creek, and Lightkeepers Village.

5 The parties entered into a stipulation. The stipulation
6 says if there is an occurrence or occurrences under the
7 Harleysville and Cincinnati policies, known as the policies,
8 then the damages at the underlying projects that resulted from
9 water intrusion and that meet the definition of property
10 damage in the policies are Seven point Two Million Dollars.

11 If the Court finds there has been an occurrence or
12 occurrences, and there is, then the Court shall find that
13 Plaintiffs insured loss is Seven point Two Million Dollars.
14 In that agreement, the parties in paragraph 8-B said in the
15 event that the Court finds that there was an occurrence or
16 occurrences, how shall the Seven point Two Million in insured
17 damages, referred to in paragraph one, be allocated, and they
18 have to be allocated time on risk.

19 All right. I think the proper amount of damages that we
20 should have been looking at should have been Sixteen Seven
21 Seventy, Seven Fifty. They're not. The parties agreed to a
22 different figure. They're bound by it, good, bad indifferent.
23 They are bound by it. It's Seven point Two Million Dollars.
24 So what do you do then?

25 I think the proper calculation based on the evidence

1 presented would be by the daily loss amounts by project. Now,
2 how do we get to the assuming or knowing -- not assuming --
3 knowing that the total amount for damages is Seven point Two
4 Million Dollars instead of the Sixteen Seven Seven, Seven
5 Fifty. If you look at -- I guess it was Page 4, Slide 4 of
6 the Crossman Communities presentation. I'm going to make this
7 a Court's Exhibit.

8 What you're going to have to do, gentlemen, is you're
9 going to have to come up with a ratio percentage. You've got
10 your settlement amount, Seven Million, Four Hundred and Twenty
11 Five Thousand for River Oaks I, is what percentage of Sixteen
12 Million, Seven Seven Zero, Seven Fifty? Let's just say for
13 sake of argument I'm going to say forty percent. It's in that
14 range somewhere. I don't know what it is, whatever it is,
15 just say it's forty percent, so when you go to -- go to Page
16 34, your calculation of daily loss amounts by project, you've
17 got to put in -- let's see, is that thirty-four? Yeah.

18 You have to put in, instead of the Seven Million, Four
19 Hundred and Twenty Five Thousand, you have to put in whatever
20 the percentage is. Let's assume it was forty percent, and so
21 forty percent of Seven point Two Million is whatever that
22 figure is. I don't know what it is, but you put it in there
23 for River Oaks I.

24 For, you know, River Oaks II, if it was twenty percent,
25 so twenty percent of Seven point Two Million is whatever it

1 is, so for all five of those categories, you've got to come up
2 with the total loss amount, understanding that those five
3 categories down at the bottom have to equal Seven point Two
4 Million Dollars, all right? So you divide it out by those
5 average days of progressive loss. You come up -- it comes up
6 with whatever it is.

7 When you do that, you then, using that, come up with what
8 the amount is, you know, using the loss per day, and see what
9 that total amount is and see if it is in excess, if there's
10 any excess. I don't know that there is, don't know that
11 there's going to be, but if there is, that's Cincinnati's
12 responsibility. Again, I don't know what these calculations
13 are going to come up with, but that's, I believe, interpreting
14 the Cincinnati insurance contract, the stipulation of the
15 parties, the facts and evidence presented, that's where we --
16 that's the Court's ruling.

17 I understand again probably nobody agrees with it and
18 more -- some more than others, but that's the Court's ruling.
19 Do you have -- let me just ask, Mr. Mack, do you have an
20 understanding of what the Court's ruling is?

21 **MR. MACK:** Yes, Your Honor. One question. The
22 calculation on Page 35, the last step in that calculation, ---

23 **THE COURT:** Yes sir.

24 **MR. MACK:** --- Crossman used the policy limits of One
25 Million per occurrence. The policies were One Million per

1 occurrence, Two Million aggregate, and there would be a
2 question -- and we can submit calculations both ways, but
3 again there were five projects. Our position is that there
4 were five occurrences, so the aggregate limit should apply
5 rather than the per occurrence. Again, we can submit
6 calculations both ways, but if the Court has any guidance on
7 that, Your Honor.

8 **THE COURT:** I think you'd better give me a submission on
9 that and let me think about that some more.

10 **MR. MACK:** Yes, Your Honor.

11 **THE COURT:** I don't want to just ---

12 **MR. MACK:** And I think under either calculation it's
13 going to be zero ---

14 **THE COURT:** I -- I honestly -- that's my -- honestly, I
15 believe that's what's going to happen, but I haven't done the
16 calculations. I'm not doing them. Just by trying to do rough
17 guesses in my head, I think that's going to be the answer, but
18 I don't know that for sure, all right?

19 **MR. MACK:** We'll submit both cal- ---

20 **THE COURT:** But submit that if you would, Mr. Mack, and,
21 you know, understanding that, you know, what I said about the
22 policy being ambiguous, all right?

23 **MR. MACK:** Certainly, Your Honor.

24 **THE COURT:** Yes sir.

25 **MR. McNERNEY:** Yes, Your Honor. Just some

1 clarification. Is the Court not making a separate
2 determination as to the exhaustion of the Massachusetts Bay,
3 Indiana, and Regent policies?

4 **THE COURT:** I think it is -- and y'all correct me if I'm
5 wrong. I mean, I think we're taking that into calculation. I
6 think that's part of the calculations that had been submitted
7 and that I've looked at. If you tell me otherwise, I'll be
8 glad to hear from you.

9 **MR. MCNERNEY:** Well, I guess I'm unclear on slide number
10 4, so is the Court's ruling that no portion of the claim
11 payments by Beazer above Seven point Two Million can go to --
12 against the Massachusetts Bay, Indiana, Regent policies?

13 **THE COURT:** I'm saying that the amount should have been
14 Sixteen Million, Seven Hundred and Seventy Thousand, Seven
15 Hundred and Fifty Dollars under the terms of Cincinnati's
16 policy. That should have been the amount, but y'all agreed
17 that the damage was different. Okay, that's what I'm saying.
18 I'm saying the damage figure by agreement is Seven point Two
19 Million Dollars.

20 You said -- again, I read it, you know. It says then the
21 damages at the underlying projects that resulted from the
22 water intrusion at the -- and that meet the definition of
23 property damage, and you go back to that page one of their
24 policy, meet the definition of property damage in the
25 policies, are Seven point Two Million Dollars, and if the

1 Court finds there's an occurrence, there's an occurrence, the
2 Court shall find -- it doesn't say can, can calculate it, is
3 the Court shall find the Plaintiffs insured loss is Seven
4 point Two Million Dollars, and it -- you know, and it started
5 off if there's an occurrence under Harleysville and
6 Cincinnati's policies, the Court shall find that Plaintiffs
7 insured loss is Seven point Two Million Dollars.

8 I agree you -- I understand you have -- are saying
9 there's some other interpretation of that, but the Court's
10 ruling is it's clear on its face. You made an agreement. You
11 know, good, bad, indifferent, you made the agreement. You're
12 stuck with it. That's what I'm saying.

13 **MR. McNERNEY:** One last issue, Your Honor, the
14 undisputed Twenty Seven Million Dollar payments to claims in
15 Indiana that are in the record.

16 **THE COURT:** In other states, I don't see how that
17 applies in this particular matter. I just don't see how that
18 -- I don't see that as being part of the underlying litigation
19 in accordance with the pleadings and in accordance with the
20 stipulation, all right, so ---

21 All right. Mr. Mack, submit a proposed order, and
22 reformulate your other -- your last one or, you know, however
23 you want to. What kind of time period are you looking for?

24 **MR. MACK:** I'm scheduled to be in trial next week. I
25 could certainly do it within thirty days, hopefully prior to.

1 **THE COURT:** What was the -- how long -- what was the
2 date? It was the 23rd?

3 **MR. BROWN:** 23rd.

4 **THE COURT:** Can we do it by then?

5 **MR. MACK:** Certainly, Your Honor.

6 **THE COURT:** All right, very good. All right. So
7 they'll both be due on the same date.

8 Now, going back to the first hearing I had on remand.
9 Mr. Miller, you know, we need to address that issue of the
10 post -- post-judgment interest, you know, relying on that
11 Calhoun case, so you need to address that. We talked about it
12 at the last hearing, and I didn't want to have, you know,
13 separate orders, too many separate orders floating around, so
14 you need to include that ruling.

15 **MR. MILLER:** I'm going to put those into one order per
16 the discussion at the end of the last hearing.

17 **THE COURT:** Right. Right. So I just wanted to make
18 sure that we talked about that and that you were going to do
19 that. I assumed you were, but I just wanted to say it. All
20 right.

21 All right, gentlemen, I appreciate it, and maybe we gave
22 the Supreme Court some more help and they'll decide whatever
23 it is they want to decide this thing. Thank you.

24 **MR. McNERNEY:** Thank you, Your Honor.

25 **MR. MACK:** Thank you, Your Honor.

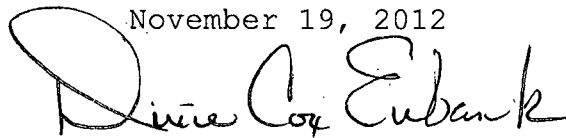
1 (PARTIES ON DEMAND (FROM SLIDES) MARKED COURT EXHIBIT 6.)
2 (THE CINCINNATI INSURANCE COMPANY COMMERCIAL LIABILITY
3 POLICY (7/1/98 THROUGH 7/1/2001) MARKED COURT EXHIBIT 7.)
4 (CONCLUSION OF REQUESTED TRANSCRIPT OF RECORD.)
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C E R T I F I C A T E

I, the undersigned, DIXIE COX EUBANK, Official Court Reporter for the Fifteenth Judicial Circuit of the State of South Carolina, do hereby certify that the foregoing is a true, accurate and complete Transcript of Record of all the proceedings had and evidence introduced in the hearing of the captioned case, relative to appeal, in the Court of Common Pleas for Horry County, South Carolina, on the 1st day of March, 2012.

I DO FURTHER CERTIFY that I am neither of kin, counsel nor interest to any party hereto.

November 19, 2012



DIXIE COX EUBANK

CIRCUIT COURT REPORTER

FIFTEENTH JUDICIAL CIRCUIT

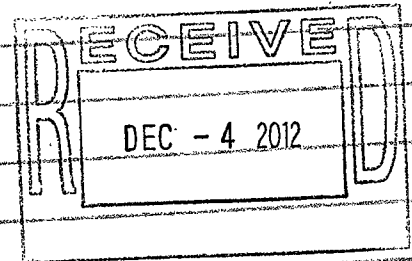
1 STATE OF SOUTH CAROLINA) COURT OF COMMON PLEAS NONJURY
2 COUNTY OF HORRY) (04-CP-26-00084)
3
4 Crossman Communities of)
5 North Carolina, Inc.,)
6 Beazer Homes Investment)
7 Corporation, et al)
8 vs.) TRANSCRIPT OF RECORD
9 Harleysville Mutual)
Insurance Company,) August 27, 2012
Cincinnati Insurance) Conway, S. C.
Company, et al)
9

10 B E F O R E:
11
12 HONORABLE STEVEN H. JOHN, Judge.

13 A P P E A R A N C E S:
14 DAVID B. MILLER, ESQ.
15 MARTIN M. McNERNEY, ESQ.
ATTORNEYS FOR PLAINTIFFS

16 DAVID L. BROWN, ESQ. (for Harleysville)
17 MITCH BROWN, ESQ. (for Harleysville)
18 ROBERT C. CALAMARI, ESQ. (for Harleysville)
FRANCIS M. MACK, ESQ. (for Cincinnati)
RICHARD PLOWDEN, ESQ. (for Cincinnati)
ATTORNEYS FOR DEFENDANTS

22 DIXIE COX EUBANK
23 CIRCUIT COURT REPORTER
24 FIFTEENTH JUDICIAL CIRCUIT
25



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I N D E X

E X H I B I T S

<u>NO.</u>	<u>DESCRIPTION</u>	<u>ID.</u>	<u>EV.</u>
P-1	Slides ("Parties on Remand")		45
P-2	Plaintiff's Third Supplemental Responses		45
P-3	Novemer 14, 2006 cover letter		45
C-1	Page 38 (HV51) ("Other Insurance") Indiana		3
C-2	Pages 66 and 67 (sub-paragraph "Other Insurance")		3
C-3	Page 6 of policy		34

1 (THE FOLLOWING TAKES PLACE ON AUGUST 27, 2012.)

2 (PAGE NUMBER 38 (HV51) ("H" "OTHER INSURANCE"), INDIANA,
3 MARKED COURT'S EXHIBIT NUMBER 1.)

4 (PAGE NUMBERS 66 AND 67 (SUB-PARAGRAPH "OTHER
5 INSURANCE") MARKED COURT'S EXHIBIT NUMBER 2.)

6 THE COURT: Okay. Thank y'all.

7 MR. McNERNEY: Good afternoon, Your Honor.

8 THE COURT: Good afternoon, gentlemen. How are you
9 doing?

10 MR. McNERNEY: Well. Thank you..

11 THE COURT: Good.

12 All right. All right, counsel, I think you've looked at
13 it, but I had marked as -- just want when y'all make some
14 arguments it will be clear what we are talking about, one page
15 of the Harleysville Mutual Insurance policy that is page
16 thirty-eight, and then down below it has HV51 -- it says "H"
17 "Other Insurance", and then the Indiana -- that's Court's
18 Exhibit 1 -- and then the Indiana policy has down at the
19 bottom of it, page sixty-six and sixty-seven, and it covers
20 Sub-paragraph 4, "Other Insurance", so that when y'all are
21 making your arguments, when referring to the policies - that's
22 Court's Exhibit 2 - we've got them marked - it will be clear
23 what you are referring to.

24 All right. All right, so what we have here, have --
25 there was a motion to alter or amend the Court's Order of May

1 23rd, 2012, we filed on that date, and there was Harleysville
2 motion to alter or amend that judgment and this, again, is in
3 Crossman Communities of North Carolina, Inc., Beazer Homes
4 Investment Corporation, and Daniel Rogers, Plaintiff, versus
5 Harleysville Mutual Insurance Company and Cincinnati Insurance
6 Company, Defendants, the docket number being (2004-CP-26-
7 00084). The Court issued it's Order of May 23rd, 2012, as a
8 result of the remand from the South Carolina Supreme Court.
9 After I issued that Order, as I indicated, Harleysville filed
10 it's motion, Crossman Communities of North Carolina, Inc.
11 filed it's Response Brief to Harleysville's motion. In it --
12 and that was filed, I believe, let's see -- I don't know when
13 Harleysville motion was filed. It's dated June 8, 2012, so --
14 I don't have a copy when it was filed with the Clerk of Court.
15 The Crossman Communities was filed August 17, 2012, the
16 Response Brief, but in it they indicated some disagreement
17 with the Court's ruling, so I'm going to take it as their
18 motion to alter or amend.

19 And then they also filed -- Crossman Communities filed
20 their motion regarding Cincinnati Insurance Company to alter
21 or amend or reconsider the Court's Order as involves, or
22 regards to Cincinnati Insurance Company, and there was also a
23 reply Brief that was filed by Crossman Communities in regards
24 to all this.

25 So, as I have in the past, probably just keep the same

1 argument order that we've done in the past. We will start off
2 -- I think the best way to do it is, we'll start off with the
3 Harleysville Motion to Alter or Amend. I'll hear any
4 arguments that Crossman Communities has in response to
5 Harleysville motion, then I'll hear the matters involving
6 Cincinnati, and I guess that would then be Crossman
7 Communities' motion and a response by Cincinnati. So, if we
8 could start in that regard that would be good.

9 And at least the first time that you speak, if you
10 could, say your name and who you represent so the record is
11 clear, and the Court Reporter is clear who it is that's
12 talking. Okay.

13 **MR. MACK:** Your Honor, Frank Mack for Cincinnati ---

14 **THE COURT:** Yes sir.

15 **MR. MACK:** You didn't mention it. We had filed a
16 Memorandum in Opposition to Crossman's ---

17 **THE COURT:** I've got that. I -- you are right, I
18 didn't mention it. I've got it. I was really trying to focus
19 on the affirmative relief that was being requested of the
20 Court today, but you are right, they did, and I have it.

21 **MR. MACK:** Thank you, Your Honor.

22 **THE COURT:** Okay. Yes sir, Mr. Miller.

23 **MR. MILLER:** Thank you, Your Honor. David Miller for
24 Crossman.

25 **THE COURT:** Okay.

1 **MR. MILLER:** For clarity, you mentioned that in our
2 Reply Brief to Harleysville's 59(E) motion we raised a matter.
3 Just want to make sure your file is complete. We have a
4 motion we filed pursuant to 59(E) that was clocked June 8, of
5 2012. I'm not sure you recited that when you looked at your
6 file material.

7 **THE COURT:** I don't think I have ---

8 **MR. MILLER:** I just want to make sure it's ---

9 **THE COURT:** I don't think I was sent a copy of the
10 motion. I was sent a copy of your Brief. That's what I have.
11 But we will take it as such, and it is -- you've got it
12 clocked in, so the Clerk of Court's, I'm sure, has it.

13 **MR. MILLER:** Very good. Thank you.

14 **THE COURT:** Okay. All right. Yes sir.

15 **MR. MITCH BROWN:** May it please the Court, Mitch Brown
16 for Harleysville Insurance.

17 Your Honor, I would like to address the post-judgment
18 interest ruling, which is -- amounts to about -- probably Nine
19 Hundred Thousand Dollars.

20 **THE COURT:** Okay.

21 **MR. MITCH BROWN:** Your Honor, respectfully, counsel for
22 Crossman is leading the Court into committing an error with
23 their arguments that the has accepted so far, that the Calhoun
24 versus Calhoun case overruled the Babb versus Rothrock case.
25 That is essentially the foundation of their argument, is that

1 **Calhoun** overruled **Babb**, and that therefore you need not look
2 at **Babb** at all.

3 And Your Honor, that -- I have a copy, by the way, of
4 those cases if you would like to have those.

5 **THE COURT:** Okay. That's okay.

6 **MR. MITCH BROWN:** Your Honor, **Calhoun** did not overrule
7 **Babb**. **Calhoun** has very different facts from **Babb**. **Calhoun**
8 deals only with modifications of judgments. That's all that
9 **Calhoun** addresses. It does not address when there is a
10 reversal of a judgment and a new judgment that is determined
11 by the Court which makes new legal and factual findings that
12 underpin the new judgment. The **Calhoun** case deals with only
13 modified judgments that occur on appeal or at trial. We don't
14 have that situation here, so **Calhoun** absolutely did not
15 overrule **Babb**. In fact, there's a case called Dale versus
16 Dale, which I have a copy of if Your Honor would like to have
17 it.

18 **THE COURT:** How about tell me the Southeast cite. Why
19 don't you just do that.

20 **MR. MITCH BROWN:** Yes sir. It's Southeast cite, 534
21 S.E. 2d 705. Dale versus Dale actually tells us what **Calhoun**
22 did overrule, and it cites the two cases, Barth versus Barth
23 and Sears versus Fowler. Those are the cases that **Calhoun**
24 overruled. What **Calhoun** did was, there were -- before **Calhoun**
25 came down there were these confusing rules about, well, if a

1 judgment creditor appeals the inadequacy of a verdict and
2 loses, then he doesn't get interest, but if a judgment -- or a
3 creditor appeals the inadequacy of his verdict and wins, and
4 he does get interest that caused a lot of complexities and
5 problems, because when there were multiple different judgments
6 the Court would, you know, struggle with what that meant,
7 therefore, the Court reversed and overruled -- I shouldn't say
8 overruled -- **Barth** and **Sears** in the **Calhoun** case. That's what
9 it did. The Court did not overrule the **Babb** case.

10 Now, let me explain, Your Honor. I think an analogy is
11 important to understand why -- what the difference is. If
12 Your Honor presided over a trial, for example, personal injury
13 trial, and the result was a Five Hundred Thousand Dollar
14 verdict for the plaintiff, okay, and then there was an appeal,
15 and in the appeal the defendant successfully argued that there
16 should be a new trial, and a new trial was had based on some
17 evidence error committed by the Trial Court, and a new trial
18 occurred and a new verdict came out, say Two Hundred Fifty
19 Thousand Dollars, with the wrongfully-admitted evidence
20 excluded, the Court would not take that situation where you've
21 had a brand new judgment now, after a new trial, a second
22 trial, and apply post-judgment interest dating all the way
23 back to the very first verdict in the original trial. That is
24 not what the Court would do. That's not a modification. That
25 is a new judgment, and that's what we have here, Your Honor.

1 What we have here is, the Seven Point Two Million Dollar
2 judgment from this Court was wiped out by the **Crossman**
3 Decision, and the **Crossman** Court said, go back, use a
4 different methodology, make different factual findings, make
5 different legal findings, and come up with some new number, if
6 any, and that's what the Court has done, and the Court is now
7 rendering a new, not a modified, but a new judgment. That
8 is -- that new judgment date is the time when the judgment
9 interest should run.

10 Now, why is this -- also make sense? Because if it --
11 if that weren't true then **Babb** and **Calhoun** can't co-exist,
12 which is what our position is. Their position is, **Babb** is
13 gone, **Calhoun** overruled it. If they were right then the
14 Supreme Court just completely forgot, in the **Crossman**
15 Decision, to say anything about post-judgment interest, and it
16 just didn't say anything about it, even though it was
17 thoroughly briefed. Your Honor will remember, we actually had
18 a remand back to Your Honor to address post-judgment interest
19 in front of Your Honor while the case was pending, so the
20 Supreme Court was very acutely aware that there was a -- a
21 post-judgment interest issue, and that issue was, we were
22 arguing, as Your Honor will recall, that the parties
23 stipulated that there was a total insured loss of Seven Point
24 Two Million, and that that stipulation meant that there can't
25 be any interest added to that, that there had to be -- that

1 stipulation amounted to a waiver, in essence, of the post-
2 judgment interest. That was our argument we made to the
3 Supreme Court in **Crossman**. The Supreme Court didn't say one
4 word about it. Why? Because under the **Babb** case they didn't
5 have to. In the **Babb** case they wiped out the judgment; there
6 was no judgment. They would say -- their position leads you,
7 inexorably, to one conclusion, that the Supreme Court,
8 mistakenly, failed to rule on that point that we made, and
9 that we were under some duty to file a petition for rehearing
10 and say, Court, you forgot to rule on the post-judgment
11 interest issue that we all agreed, we remanded to the Trial
12 Court on, and we briefed, and you've forgotten completely to
13 rule on that, and even though there's no judgment against us
14 now, we would like you to issue a new opinion and rules on
15 that issue.

16 That is just not -- Your Honor, that's not the reality
17 of the case law.

18 **THE COURT:** How about answer a question for me real
19 quick.

20 **MR. MITCH BROWN:** Yes sir.

21 **THE COURT:** Too late to do that?

22 **MR. MITCH BROWN:** Too late -- I'm sorry, Your Honor,
23 I'm not following you.

24 **THE COURT:** Ask the Supreme Court what they meant. Is
25 it too late to do that?

1 **MR. MITCH BROWN:** Well, it -- we could -- we would have
2 to appeal from this Court's ruling, and ask it then.

3 **THE COURT:** No, I mean from their Decision, saying the
4 issue is before this Court and there's a disagreement among
5 the parties. Ask the Supreme Court, is it too late to do that
6 is what I'm asking?

7 **MR. MITCH BROWN:** Yes. Right now it's too late to ask
8 them related to that case. Yes sir.

9 **THE COURT:** Regarding their opinion, the certain time
10 limit has passed?

11 **MR. MITCH BROWN:** Yes sir.

12 **THE COURT:** All right. Very good.

13 **MR. MITCH BROWN:** Yes sir.

14 So, Your Honor, we believe that the -- there are two
15 situations. One is a modification. And in the **Calhoun** case
16 what happened was - and I'll be brief about that - the Trial
17 Court issued a judgment on equitable distribution, Appeals
18 Court modified it, issued a new number, but that's -- that's
19 what they did, they issued a new number. Those two different
20 numbers went up to the Supreme Court, the Supreme Court ran
21 the interest from the first number, and all that the Trial
22 Court had to ever do there was carry out the mandate of the
23 Court of Appeals, which is a modified judgment.

24 Here the Court has to do something very different. The
25 Court has to make further determinations of facts, of law, and

1 create a new judgment. The first judgment is gone in it's
2 entirety. And that is the very language of the **Babb** case.
3 The **Babb** case says, if, after appeal, a further determination
4 by a trial court is necessary in order to fix the amount of
5 the award the award will not draw an interest until that
6 determination is made. That is the rule of law. It's
7 actually been cited by the Wyoming Supreme Court fairly
8 recently as a proper rule in that Court. **Shepard** says it's
9 not overruled. Note many cases have cited **Babb**, Your Honor,
10 since **Babb** was issued. None of them say it's been overruled
11 in part, or abrogated in part, or anything like that, so
12 that's our position, Your Honor.

13 **THE COURT:** All right, sir.

14 All right, Mr. Miller.

15 **MR. MILLER:** Thank you, Your Honor. I've never taken
16 the position whether **Babb** was overruled or not overruled. My
17 position has been, and remains, that **Calhoun** says what it
18 says. **Calhoun** does not say the word modified, and this is the
19 rule for when a case is modified.

20 You will recall, Your Honor, that the **Calhoun** Court went
21 to great lengths to go back and review all types of cases that
22 resulted in the confusion. One of them was **Sears**. I think
23 that was a personal injury case. It also cites two numbers of
24 ALRs and other type of collections of case types, etcetera.
25 I've pulled those, and I have gone and read those collections

1 that are cited to in **Calhoun**, and they -- they run the gamut;
2 they cover all the different scenarios.

3 The operative language of **Calhoun**, again, Your Honor,
4 doesn't say that when a money judgment is modified in the
5 Appellate Court, as Mr. Brown has argued, that this rule
6 applies only when a number is modified, and modified in the
7 Appellate Court. What **Calhoun** says is that, when a judgment
8 is finalized, whether in a lower court or in an appellate
9 court, then the **Calhoun** rule applies, and the scope of
10 scenarios that **Calhoun** looked back and reviewed is exhaustive.

11 Now, whether **Shepard** says that causes it to be the
12 reversed, or it has some remaining viability I don't know. I
13 have not undertaken to abdicate that it does or doesn't. We
14 know that, in this case, that the Supreme Court, in **Crossman**,
15 sent a judgment back to you to finalize in the lower Court,
16 which is precisely what the language in **Calhoun** says, and so,
17 Your Honor, we have argued this, maybe this is the fourth
18 time, and each time they've gone through the same discussion,
19 and each time Your Honor has correctly found that we are, in
20 fact, entitled to post-judgment interest, and you have
21 correctly done so in reliance on **Calhoun**. We think you are
22 right again.

23 **THE COURT:** All right, sir.

24 **MR. MITCH BROWN:** Your Honor, may I say something about
25 those two points that he made?

1 **THE COURT:** Sure.

2 **MR. MITCH BROWN:** First, if Your Honor will look at the
3 **Calhoun** case -- well, I've just got the South Carolina cite.

4 **THE COURT:** I've got it.

5 **MR. MITCH BROWN:** But Mr. Miller began reading from it,
6 and then he stopped reading in mid-sentence, because indeed,
7 the Court did use the word modified, and that is in -- the
8 Rule that was adopted was this. It says, when a money
9 judgment is finalized, whether in a lower court or in the
10 appellate court the interest on that amount, whether it has
11 been modified, upward or downward, or remains the same, runs
12 from the date of the original judgment.

13 The modified word is critical, Your Honor, to this.
14 Their filing -- he said he's never argued **Babb** was overruled.
15 In their filing that they just did -- made August 17th he
16 says, **Babb** predates **Calhoun**; reliance upon it is misplaced;
17 the **Calhoun** case is controlling, and he cites to the part of
18 **Calhoun** that says, "To the extent this new Rule is
19 inconsistent with prior case law that case law is overruled",
20 so he is arguing that **Babb** is overruled by **Calhoun**. That's
21 what he's doing.

22 Again, the analogy, Your Honor, I think makes it plain,
23 is the two separate trial analogy that I gave Your Honor, I
24 don't think anyone would stand up and argue that, well, in the
25 first trial you date the post-judgment interest all the way

1 back on that very first trial when you had a second trial with
2 different facts, different legal rulings in the second trial,
3 and you have a brand new judgment. What's happened here is
4 the same thing in that scenario. The first judgment is wiped
5 out, they sent it back to Your Honor for a factual and legal
6 determination, and that's what Your Honor is doing, and Your
7 Honor has rendered a brand new judgment.

8 **THE COURT:** All right, sir.

9 **MR. MITCH BROWN:** Thank you, Your Honor.

10 **THE COURT:** All right. I appreciate the issues
11 presented here, and I am going to reaffirm the Court's
12 previous ruling regarding pre-judgment -- or not pre-
13 judgment -- the judgment interest, and the reason for that is
14 several, but not only talking about the record in this case, I
15 appreciate -- and it was certainly a valiant attempt to try
16 and help the Court, and to simplify complicated issues.

17 The parties entered into a stipulation, an amount not to
18 exceed was set, also the Court, in it's Order, found coverage
19 in an amount. I found it to be the total of Seven Point Two
20 Million. The Supreme Court said that they affirmed my finding
21 of coverage based on an occurrence, affirming the Court in
22 finding an amount.

23 Now, the Court sent it back to me for an analysis -- let
24 me find -- there they are -- that after all their discussion
25 about it, re-reversed the Trial Court's Order, allocating the

1 entire Seven Point Two Million Dollars of stipulated damages
2 to Harleysville, and hold that "The proper method of
3 allocating damages in a progressive property damage case is to
4 assign each triggered insurer a pro-rata portion of the loss
5 based on that insurer's time-on-risk, and we remand for
6 further proceedings consistent with the time-on-risk
7 approach", and they go on to discuss all that.

8 I take the remand as affirming the Trial Court's
9 decision that an award of damages was proper. They found how
10 I calculated the damages to be improper, and I have,
11 hopefully, consistent with their opinion, recalculated the
12 amount of damages, therefore, the date was set to calculate
13 damages from, therefore, I am going to reaffirm my previous
14 ruling.

15 Mr. Miller, do an order regarding this particular issue
16 and forward it to me within ten days of today's date, please
17 sir.

18 Thank you very much.

19 All right. Let's go on then to the other issues raised
20 in Harleysville motion, please.

21 **MR. DAVID BROWN:** Good afternoon. May it please the
22 Court, David Brown here on behalf of Harleysville Mutual
23 Insurance Company.

24 Your Honor, the issue -- the issue that I want to
25 address at least first is this question of the damages part

1 and formula. The Court will recall we talked about -- the
2 Supreme Court talked about, and this Court, following the
3 Supreme Court's mandate, identified a -- a fraction that
4 needed to be decided, that is a numerator and denominator, and
5 we've spent lots of time talking, and may spend some more time
6 this afternoon talking about this numerator question, which
7 begs the question of this "other insurance" cost analysis
8 between Harleysville and Indiana, but then once the Court
9 identifies a numerator and denominator, and that's a fraction,
10 then the Court has to multiply each fraction on a building by
11 building basis as the Court has determined by the amount of
12 stipulated damages for each building.

13 So it's that question of the amount of stipulated
14 damages for each building that I would like to turn our
15 attention, because candidly, I think that's the one issue
16 raised by Harleysville's motion that we haven't talked about
17 here before, and so I want to spend just a moment talking
18 about that.

19 **THE COURT:** Okay. And I will let you in just one
20 minute.

21 **MR. DAVID BROWN:** Yes sir.

22 **THE COURT:** I wanted to ask you one question
23 beforehand. You made some argument in your motion that you
24 filed June 8th, 2012 - it's on page two ---

25 **MR. DAVID BROWN:** Yes sir.

1 **THE COURT:** ---That I was required - and maybe I
2 misunderstood it - that I should have empaneled a jury to --
3 in some fashion, to make this decision. You talk about it
4 here at the end of the -- well, I mean, it's not even -- it
5 takes up the whole page, but the paragraph starts on the
6 previous page.

7 **MR. DAVID BROWN:** Right. I think I understand the
8 question. Let me address it in this way. I think that goes
9 to this question, of what the damages per building are. And
10 Harleysville's position on the damages per building was, and
11 the Court may recall, that you take the Seven point Two
12 Million Dollars in stipulated damages, you divide that by the
13 hundred and twenty-two buildings, and that yields a number of
14 approximately Fifty-Nine Thousand Dollars per building.

15 **THE COURT:** Right.

16 **MR. DAVID BROWN:** The Court rejected that and instead,
17 indicated that it was inclined to try to make some
18 determination of damages on a building by building basis by
19 looking through expert reports, comparing the reports of the
20 Plaintiff's expert, Skip Lewis, and the Defendant's expert,
21 David McCantless, and try to come up with some sort of formula
22 as to which of those types of expert reports' numbers, or an
23 average of the two, or something else, might be appropriate to
24 plug into this formula of damages per building.

25 And the point that we advanced earlier, and then

1 reiterated here in our papers in this June 8, motion, is that
2 that's moving into a fact-finding determination, where the
3 Court is then making a factual finding of what the damages per
4 building are.

5 **THE COURT:** Okay. That's my question then. I thought
6 we eliminated the need for a jury to make any of those
7 determinations, and leaving it solely for the Court to make
8 those determinations pursuant to your stipulation. I think by
9 your stipulation did you not agree, Judge, we are going to
10 leave it to you to make the decision; we are not going to have
11 a jury trial; we are going to -- the issues that we want
12 resolved are going to be resolved by you, and any appeal
13 therefrom go to the Appellate Court, that y'all did not ask
14 for a jury to make any kind of determinations, you gave that
15 up, entered into a stipulation and said, Judge, you decide; we
16 enter into these stipulations and you decide, so was that not
17 my job?

18 **MR. DAVID BROWN:** It is true we entered into
19 stipulations and left the -- all the questions of law for Your
20 Honor. The intent of the stipulation was to eliminate any
21 factual disputes, was to say, we know we can come in here and
22 have a jury trial on damages per building and date -- start
23 date of a trigger spread or end date of damages and the like,
24 and that would require a factual determination, but at the end
25 of the day we have some very serious legal questions that the

1 Court is going to have to address, that being, is there an
2 occurrence or not, what is the proper allocation method, how
3 does that allocation methodology apply? So the intent of the
4 stipulations was to take factual disputes off the table, and
5 to leave only questions of law for the Court to address, and
6 the Court did that.

7 **THE COURT:** Okay. Well, I appreciate that, but in your
8 stipulation you said, in the event a judgment is entered the
9 Court determines which allocation method is proper, and the
10 Supreme Court said, no, you've got to use time-on-risk, so we
11 are doing time-on-risk. Does that not take, and require upon
12 the Court, to look at the entire record - and I'll address
13 that again in just a second - the entire record, and come up
14 with the damage amount from the record? Again, we are not
15 talking about anything a jury has to decide, it was my
16 question, you presented it to me, I had to look at the entire
17 record, and I did not make my decision solely on those two
18 reports, and I want the record clear about that. You reserved
19 the entire record in your stipulation. I used the entire
20 record, all the exhibits, all the facts and evidence that were
21 in the record to make my determination, not just those
22 reports. They were helpful, but they were not the sole
23 determinate, so I want that clear also.

24 But I reject -- and we'll just go on from there -- I
25 reject anything that you have any argument about that a jury

1 was required in any fashion. That was completely and totally
2 given up by the parties. You asked me to make a decision, I
3 make a decision based on the entirety of the record, so let's
4 just move on from there.

5 MR. DAVID BROWN: Thank you, Your Honor.

6 Turning to this question of expert reports -- and I
7 appreciate the Court's comment that it considered the entirety
8 of the record. The -- the expert reports at issue, Mr. Lewis,
9 the Plaintiff's expert, produced two reports. The first
10 report was dated August 25, 2006, and then he was questioned
11 about that when his deposition was taken on September 27,
12 2006. That was the report -- Lewis Report Number One was the
13 report that we contend should be the one upon which the Court
14 relies in this process, and primarily because of two reasons,
15 one, that's the report that was available to Harleysville,
16 that's the -- when we deposed Mr. Lewis, that's the report
17 that we had available to us when we questioned him during his
18 deposition, that's the report that was submitted, ultimately,
19 to the Supreme Court as part of the record on appeal in the
20 first **Crossman** case, so we contend that that is the report
21 that should be used when the Court makes it's determinations
22 about the damages per building.

23 Mr. Lewis then, on the eve of trial, issued a second
24 report. That second report was issued after discovery closed,
25 after Mr. Lewis was no longer -- you know, when he finished

1 his deposition several months beforehand. That report issued
2 just before trial was, perhaps not surprisingly, one that
3 said, well, actually you know what, the consequential damages
4 out there are more than I thought, and so therefore he
5 identified, in his second, just on the eve of trial report, an
6 amount of consequential damages per building that was higher
7 than those amounts in his first report, and consequently, when
8 you look at the second report and then average that with the
9 defense's expert's analysis, one yields a higher number. We
10 are talking about a -- we submitted to the Court, basically a
11 Ninety Thousand Dollar difference, that is, holding everything
12 else that the Court has ruled constant, okay, all the rulings
13 on the other insurance clause, all your other rulings on the
14 numerator and the denominator being the same, all the rulings
15 on what the damages per building are.

16 If one takes the second Lewis report, that is, the one
17 taken after we have an opportunity to ask about his position,
18 and not the one submitted to the Supreme Court, if one takes
19 that report, which is what the Plaintiff suggests, one gets to
20 the One Million Five Hundred Eighty Thousand One Hundred
21 Twelve Dollar number that's in the current Order. If, on the
22 other hand, one uses the first Lewis report, that is, the one
23 about which he was examined in deposition, and the one in the
24 record on appeal, everything else being exactly the same, all
25 the other orders being exactly the same, the number is One

1 Million Four Hundred Ninety Thousand Five Hundred Twenty-Two
2 Dollars, in other words, a Ninety Thousand Dollar
3 differential.

4 So, this issue is not one that we've argued before. As
5 you may recall, when we were here in March on the last
6 occasion. Your Honor basically said, here is how I am ruling,
7 here is what I want the order to say with regard to the "other
8 insurance" clause, the numerator, the denominator, the
9 methodology; the only thing left is which report to use; you
10 all go back and do the math and figure that out, and when we
11 went back and did the math we came up with different numbers
12 and realized that the reason we came up with different numbers
13 is because Mr. Lewis had issued two reports, one about -- one
14 which we had an opportunity to examine him about, and one
15 which we did not, and so that's the argument that we bring
16 here to you today. We would respectfully ask that the number
17 be modified to One Million Four Hundred Ninety Thousand Five
18 Hundred Twenty-Two Dollars just on that single issue of the
19 Lewis report.

20 **THE COURT:** The report that you didn't examine him on,
21 you didn't have that at the time you entered into the
22 stipulation?

23 **MR. DAVID BROWN:** I believe we did have it. I believe
24 it was given to us in the pretrial exchanges.

25 **THE COURT:** Okay. And did you raise it to the Court at

1 any point in time that, Judge, we want to delay this matter to
2 take the -- or renew the deposition of this individual
3 regarding this other report?

4 **MR. DAVID BROWN:** No. That was part of our pretrial
5 motion work which never got that far because we entered into
6 the stipulations and never got to the point of having motions
7 in limine and the like heard. But the answer to your question
8 is no, we never -- we never got that far.

9 **THE COURT:** And you never raised it to me until now,
10 today. This is the first time I've heard about it.

11 **MR. DAVID BROWN:** No, we raised it in March.

12 **THE COURT:** The second report, that you didn't depose
13 him on?

14 **MR. DAVID BROWN:** Yes. In fact, I have my
15 correspondence to the Court to that effect.

16 **THE COURT:** I don't recall that, but anyway, okay.
17 I'll take that as a given.

18 **MR. DAVID BROWN:** Yes. I have my correspondence to the
19 Court outlining this issue and submitting ---

20 **THE COURT:** All right. I'll just take that as a given,
21 okay, I just don't recall it. That's fine. I'll take it as a
22 given.

23 **MR. DAVID BROWN:** Okay. That's all I have on that
24 point, Your Honor.

25 **THE COURT:** All right. Thank you.

1 All right, Mr. Miller, address that point, please.

2 MR. MILLER: Very briefly. We did serve -- well, let
3 me back up. Mr. Brown took Mr. Lewis's deposition very late
4 in the game, and unbeknown to us, and reactive to that, Mr.
5 Lewis made adjustments to his report, reactive to the issues
6 that Mr. Brown had made while he reviewed Mr. Lewis's. There
7 was a couple of just errors in it that he acknowledged,
8 etcetera. He fixed that and he looked at the way some of the
9 allocations were made.

10 Contrary to what Mr. Brown has told you, the overall
11 resultant loss number went down, not up. Be that as it may,
12 we were -- we submitted the new report as soon as we got it,
13 and that was sometime prior to the pretrial submissions. We
14 did it as a supplemental discovery response. What changed was
15 the percentage of damages within the different projects, so
16 two things happened. Mr. Lewis's total resultant damage
17 number went down, and it changed the percentage within the
18 different projects. It's the percentage within the different
19 projects that Your Honor reviewed post-March hearing in coming
20 up with the allocation that you did, and I, too, wrote the
21 Court at that point, and it was post-March hearing that this
22 came up. It didn't come up at the March hearing. It was
23 after that. Mr. Brown -- you asked Mr. Brown and I to work
24 together to do the math based on your rulings, and we did,
25 scratched our heads and said, why do we keep coming up with

1 different numbers, and then it was realized that Mr. Brown was
2 using Mr. Lewis's dated report and we were using his current
3 report, so we advised the Court about those things, in
4 correspondence, both from Mr. Brown and from me, and you
5 reviewed them and decided that the more current report was the
6 correct one. Mr. Lewis' current report is the report that is
7 in the Record of Appendix Evidence filed with this Court, and
8 under the stipulation it is proper that Your Honor rely on it,
9 and you did rely on it.

10 So, again, it's -- it's a matter that Your Honor has
11 reviewed and determined ---

12 **THE COURT:** Okay. Thank you.

13 All right, regarding the arguments of Harleysville,
14 going back to the Supreme Court Order in this matter, and
15 again, the parties' stipulation as set forth previously as a
16 Court's Exhibit as to what was before me, I clearly had to
17 determine an amount using a theory. The Supreme Court has
18 told me to use time-on-risk, so it requires me to use time-on-
19 risk to come up with an amount. The only way I can come up
20 with an amount is to examine the facts and evidence in this
21 matter. The parties did not ask for a jury trial to fix the
22 amount using an allocation method. However you want to call
23 it, you left it to the Court to decide, and the Supreme Court
24 has told me to decide it; I have to use time-on-risk, so,
25 looking at what they've said about time-on-risk an ideal

1 application of the time-on-risk approach would require the
2 finder-of-fact - who that's me, that's not a jury, that's me -
3 "...To determine precisely how much of the injury, in fact,
4 occurred during each policy period, and precisely what quantum
5 of the damage award in the underlying suit was attributable to
6 that injury. Unfortunately it is often both scientifically
7 and administratively impossible to make such determinations.
8 In cases where it is impossible to know the exact measure of
9 damages attributable to the injury that triggered each policy
10 Courts have looked to the total loss incurred as a result of
11 all the property damage, and then devised a formula to divide
12 that loss in a manner that reasonably approximates the loss
13 attributable to each policy period. The basic formula
14 consists of a numerator representing the number of years an
15 insurer provided coverage, and a denominator representing the
16 total number of years during which the damage progressed.
17 This fraction is multiplied by the total amount the
18 policyholder has become liable to pay his damages for the
19 entire progressive injury. In this way each triggered insurer
20 is responsible for a share of the total loss that is
21 proportionate to it's time-on-risk. This formula is not a
22 perfect estimate of the loss attributable to each insurer's
23 time-on-risk, rather, it is a default rule that assumes the
24 damage occurred in equal portions during each year that it
25 progressed. If proof is available showing that the damage

1 progressed in some different way then the allocation of losses
2 would need to conform to that proof, however, absent such
3 proof, assuming an even progression is a logical default."

4 They go on to say, in this case, talking about the
5 **Crossman Communities, Harleysville Mutual Insurance** case, "A
6 strict application of the basic time-on-risk formula might be
7 inappropriate. There were numerous buildings involved in the
8 underlying lawsuit against Crossman, each with it's own
9 Certificate of Occupancy, and the parties have stipulated that
10 the damage began within thirty days after the Certificate of
11 Occupancy was issued for each building." Go back to the
12 stipulation. "Further, the parties stipulated that the damage
13 progressed until repaired, or until Beazer Homes paid to
14 settle the underlying cases, whichever came first.

15 Accordingly it may be that, as to each building each policy
16 was on-risk for a slightly different proportion of the total
17 damage period. We leave it to the sound discretion of the
18 Trial Court to determine whether it is necessary to apply the
19 time-on-risk formula separately to each individual building,
20 or whether, instead, it would be prudent to modify the default
21 formula to arrive at a reasonable methodology for this case.
22 Thus, we emphasize that the Trial Court's employing the time-
23 on-risk approach may alter the default formula set forth above
24 where a strict application would be unduly burdensome, or
25 otherwise inappropriate under the circumstances of a

1 particular case, however, any such alterations must remain
2 within the bounds of a pro-rata time-on-risk approach; the
3 formula must result in a reasonable approximation of the
4 amount of property damage that occurred during each insurer's
5 policy period."

6 Taking the Supreme Court's opinion, and it's remand to
7 me, reading what they said in their Opinion, authored by
8 Justice Kitchings, I found that the default method, that
9 decision being left to me, was not appropriate under the facts
10 and evidence in this particular case. It was more
11 appropriate, and produced what the Court finds to be a proper
12 allocation, and justice in this case, to alter the default
13 formula based on the facts and evidence presented in this
14 case, and therefore I respectfully decline to alter or amend
15 the previous Court's Decision as to that particular issue.

16 Mr. Miller, do an order to that effect, again, within
17 ten days of today's date.

18 Further arguments, Mr. Brown, regarding your motion?

19 **MR. DAVID BROWN:** Your Honor, I -- in light of that I
20 think you may have addressed all the issues.

21 The only other issue I wanted to discuss this afternoon
22 was this "other insurance" clause question, which is both a
23 part of our motion and a part of Beazer's motion as well, and
24 I know that we had previously identified, just before we went
25 on the record today, Court's Exhibit 1 and Court's Exhibit 2,

1 as the other -- or maybe that was right after we went on the
2 record - I'm sorry - Number 1 being the Harleysville "other
3 insurance" clause, and Number 2 being the Cincinnati "other
4 insurance" clause.

5 **THE COURT:** Right. But -- I just want to be clear.
6 Before we get to that - and yes, we do have to address that.
7 Is there anything else, Mr. Brown, that you wanted to argue
8 under your motion, before we got to that particular issue that
9 you raised?

10 **MR. DAVID BROWN:** No. Only -- only that "other
11 insurance" clause issue, Your Honor, and since that raises
12 both motions, that's the only other thing I wanted to discuss
13 this afternoon.

14 **THE COURT:** Okay. Since you are standing I'll be glad
15 to -- glad to hear from you.

16 **MR. DAVID BROWN:** Very good. Thank you, Your Honor.

17 **THE COURT:** And just so that you are clear.
18 Harleysville is Court's Exhibit 1, that one page, and then the
19 two-page from Indiana is Court's Exhibit 2 from this
20 particular hearing.

21 **MR. DAVID BROWN:** Very good. Thank you, Your Honor.

22 **THE COURT:** Yes sir.

23 **MR. DAVID BROWN:** The issue here is that the Court has
24 previously identified a period of overlapping coverage as
25 between Harleysville and Indiana, that is, the Harleysville

1 coverage that was issued to Pinehurst Builders and then
2 Crossman Communities of North Carolina, Inc., was in place for
3 a period of time before that coverage was canceled by Crossman
4 Communities, Inc., and similarly, Crossman Communities, Inc.'s
5 insurer, which was Indiana Insurance, also had a policy in
6 place that would be applicable to that same period of time.
7 What we have advanced, both previously and in this motion,
8 Your Honor, is that the Harleysville "other insurance" clause
9 is excess to the Indiana "other insurance" clause, and
10 consequently, for the period of overlap Indiana should be
11 primary, and Harleysville should not have any obligation there
12 insofar as the -- as Beazer's settlement with Indiana was
13 equal to or greater than the time-on-the-risk attributed to
14 that window of time. Beazer has kind of argued to the
15 contrary, and the Court has determined that the two "other
16 insurance" clauses are mutually repugnant, and then that
17 Harleysville and Indiana therefore share that window of time,
18 so that that -- that, I think, is the issue that brings us
19 here.

20 Looking first at Court's Exhibit 1 for today's hearing,
21 the Harleysville "other insurance" clause provides, very
22 plainly, in H(1), that if there is other insurance covering
23 the same loss or damage we will pay only for the amount of
24 covered loss or damage in excess of the amount due from that
25 other insurance, whether you can collect on it or not. So, I

1 think the Harleysville clause is abundantly plain that it's a
2 standard excess clause; if you have any other insurance or
3 access to it, period.

4 When we turn to the Indiana policy it's a little more
5 complicated, because the Indiana policy has various hoops to
6 jump through to try to get to this point. But I think it's
7 important to note that whereas the Harleysville policy, as a
8 threshold matter, says we are excess - Harleysville is excess.
9 The Indiana policy, as a threshold matter, says we are primary
10 unless certain things apply, so on Court's Exhibit 2, at the
11 bottom of the first page, it says that, if the Indiana policy
12 provides that if there is other valid and collectible
13 insurance our obligations are limited as follows: "(A),
14 primary insurance - this insurance is primary except when (B)
15 below applies." So the threshold point of the Indiana policy
16 is, hey, we are primary.

17 The question then becomes, do any of the excess language
18 in (B) below apply, thereby making both Indiana and
19 Harleysville policies both, quote, excess, if you will. In
20 the discussion we've had before, I think revolve around (B) (1)
21 - this insurance is excess over any of the other insurance,
22 whether primary, excess, contingent, or any other basis, that
23 is, fire, extended coverage, builders risk, installation risk,
24 or similar coverage for your work. And our position is that
25 the Harleysville policy does not meet any of those

1 definitions; the Harleysville policy is not first-party fire
2 coverage, first-party extended risk -- extended coverage, it's
3 plainly not builders risk coverage, installation coverage, and
4 it's not coverage for your work. We know from the Supreme
5 Court Opinion what Harleysville covers is consequential
6 damages from the insured's work, not the work itself. So, our
7 position here is that, very plainly, this language does not
8 apply, therefore, Indiana's primary insurance, Section (A)
9 applies, and therefore during this period of overlap the
10 Indiana policy should be primary to the Harleysville policy.

11 **THE COURT:** All right, sir.

12 All right, Mr. Miller.

13 **MR. MILLER:** Thank you, Your Honor. If I may,
14 initially there was a little confusion about the pages US
15 copied out of the Indiana policy.

16 If I may approach ---

17 **THE COURT:** Yes sir.

18 **MR. MILLER:** ---There is one additional clause that I
19 had shown Mr. Brown earlier.

20 **THE COURT:** All right.

21 **MR. MILLER:** I think there was a little confusion and
22 your copy got torn up, or shredded.

23 **THE COURT:** All right. So that is page six. The one I
24 had was page seven and eight, and this is page six, so we'll
25 mark that as Court's Exhibit 3, have the Court Reporter mark

1 that then. Hold on one second, please.

2 (PAGE THREE OF POLICY MARKED COURT'S EXHIBIT NUMBER 3.)

3 THE COURT: All right. And Mr. Brown, you have seen
4 what's now marked as Court's Exhibit 3? You have a copy of
5 that?

6 MR. DAVID BROWN: I do, Your Honor. Thank you.

7 THE COURT: Okay. I just want to be clear about that.
8 All right. Go ahead, Mr. Miller.

9 MR. MILLER: Thank you, Your Honor. If you will
10 recall, Harleysville insured an entity, Pinehurst Builders,
11 Inc., and that is the named insured under the Harleysville
12 policy. Crossman was insured by Indiana. At some point in
13 time Crossman bought Pinehurst, so the first question that the
14 Court has to address is, under that scenario did Pinehurst
15 become an insured under the Crossman policy with Indiana,
16 because the Crossman policy with Indiana doesn't list
17 Pinehurst as a named insured, but it does have language about
18 "after-acquired entities", and that is the language that I
19 just handed up to you that is at page six of the Indiana
20 policy on Court's Exhibit 3. That language says that, yes, if
21 you go acquire an entity we will pick them up, we will count
22 them as an additional named insured for an "after-acquired
23 entity, unless, or if, there is no other similar insurance
24 available to that organization." Well, as Mr. Brown noted at
25 the beginning of this section of the discussion, the

1 Harleysville and Indiana coverages are the same coverages for
2 the same risks. That part is a given, and so the threshold
3 question for Your Honor is, did Pinehurst ever even qualify as
4 a named insured under the Indiana policy. If the answer to
5 that is no, the inquiry ends, if the answer to that is yes,
6 then we go to the competing other insurance clauses that Mr.
7 Brown has been discussing.

8 **THE COURT:** Just for the sake of argument, just assume
9 I said yes, because obviously I already said yes one time, so
10 let's just -- though I might change my mind, who knows -- but
11 just assume that, let's address then those arguments that Mr.
12 Brown made.

13 **MR. MILLER:** Okay. The Indiana language that Your
14 Honor has in front of you says, this is primary except when
15 (B) below applies. Okay. (B) below says, this is excess over
16 coverages that are extended coverage, builders risk,
17 installation risk, or similar coverage for your work. Now
18 we've heard, over the many years of the life of this case, a
19 lot of different labels tagged onto what kind of coverage are
20 we talking about. The "your work", quote, that is in the
21 Indiana policy is in quotation marks. The words "your work"
22 are in quotation marks in the policy itself, and I'm sure you
23 don't need much reminding that we have had long, extensive
24 discussions about "your work" and the subcontractor exception
25 to the "your work" exclusion within these completed operations

1 policies. And I believe at the prior hearing, Your Honor, the
2 question from the bench was, is Harleysville arguing that this
3 coverage is not similar coverage for your work and thus caught
4 under exception (B) (1), and then you ruled that it is, and
5 that therefore there were competing coverages which, under the
6 South Carolina case law when there are mutually repugnant
7 excess clauses, as these would be repugnant if you reached
8 this far, that then you apply the pro-rata rule, which is what
9 we did, and that means we shared that risk fifty/fifty during
10 the period of overlap, which I want to say was around ninety-
11 three days, maybe.

12 It may -- as a refresher, Your Honor, you may recall
13 asking me during the arguments at the March hearing, when I
14 was having the same discussion about whether Pinehurst ever
15 became a named insured you said, well, is that going to be a
16 real big deal with you if I find that they did, and I think I
17 responded something like, well, maybe not a real big deal, but
18 we -- which we would certainly still maintain that they never
19 became an additional insured under this plain policy language,
20 and I think I made a comment to the effect that I'm seeing
21 very little policy language that is clear, but this one sure
22 seems to be, so ---

23 **THE COURT:** All right. Yes sir.

24 **MR. MILLER:** ---And those are our two positions on
25 that.

1 **THE COURT:** All right. Very good.

2 All right. Mr. Brown, let's just concentrate on Mr.
3 Miller's argument that is set forth in Exhibit 3.

4 **MR. DAVID BROWN:** That argument responds to, and
5 addresses the question of whether the Indiana policy has any
6 obligation prior to May of 1998, when Crossman bought
7 Pinehurst Builders. From the -- the way the Court has ruled
8 currently is that Harleysville has no -- that Pinehurst
9 Builders would not be entitled to any coverage under the
10 Indiana policy prior to Crossman acquiring Pinehurst in May of
11 1998, so with regard to -- that -- that's what that issue, on
12 Court's Exhibit 3 addresses, that is, can you reach back in
13 time.

14 **THE COURT:** Okay. Well, but it's -- does not apply to
15 the first day of this ninety-six day period that they overlap;
16 it applies to that -- to that first day when we've got an
17 overlap?

18 **MR. DAVID BROWN:** Once we get to the ninety-six day
19 period there's no question but that both policies apply,
20 because both policies -- during that ninety-six day period,
21 Crossman Communities, Inc. owns everything; Crossman
22 Communities, Inc. is insured by both the Indiana policy and
23 the Harleysville policy and indeed, that's why on August 29,
24 of 1998 the Risk Manager of Crossman Communities, Inc.
25 canceled all that coverage and started a new insurance

1 program. So I think during the ninety-six day window is when
2 the "other insurance" clause analysis -- that's what I was
3 trying to address myself to.

4 MR. MILLER: If I may, briefly, Your Honor.

5 THE COURT: Yes sir.

6 MR. MILLER: I have also highlighted the sub-section
7 (B) under that Paragraph Four.

8 THE COURT: Yes sir.

9 MR. MILLER: So what this Paragraph Four says, if we've
10 got similar insurance -- if we don't have similar insurance,
11 okay, we are on the hook and you are an additional insured
12 with us. Then that sub-paragraph (B) says, but even if we are
13 on the hook there is no retroactivity to that; it only picks
14 up at the beginning of the ninety-six day period; it doesn't
15 look back even if you become an insured. So I think that is
16 squarely the opposite of what ---

17 THE COURT: So when did Pinehurst become a part of
18 Crossman?

19 MR. MILLER: The date?

20 THE COURT: Well, in conjunction with the ninety-six
21 days. The ninety-six days starts on a certain day.

22 MR. MILLER: That would be the merger date ---

23 THE COURT: That would be the same date.

24 MR. MILLER: Correct.

25 THE COURT: All right. So on day one of the ninety-six

1 days Pinehurst becomes a part of Crossman.

2 MR. MILLER: They are an acquired -- correct.

3 THE COURT: All right. So that's day one of the
4 ninety-six days. That's your position, right?

5 MR. MILLER: I'm not sure I'm hearing you right, but --

6 -

7 THE COURT: Okay. The date Crossman takes over,
8 assumes, consumes, Pinehurst becomes a part of Crossman, that
9 date, is that day the same day as day one of the ninety-six
10 day overlap?

11 MR. MILLER: It is.

12 THE COURT: All right, sir. Day one is -- that's the
13 day that Pinehurst becomes a part of; however they become a
14 part of, Crossman?

15 MR. MILLER: Correct.

16 THE COURT: All right. So, that's my question to you,
17 Mr. Brown. Okay, we are talking about day one, Pinehurst
18 becomes a part of Crossman. On that day Indiana's policy
19 says, any organization you newly acquire, or form, other than
20 a partnership, over which you maintain ownership or a majority
21 interest, will qualify as a named insured if there is no other
22 similar insurance available to that organization, the
23 organization you acquired. And then it goes on to say,
24 "Coverage (A) does not apply to bodily injury or property
25 damage that occurred before you acquired a formed

1 organization. Okay. But I think the main point is, you newly
2 acquire something, if they've got insurance then they are
3 saying they aren't covered; is that -- is that not what the
4 Indiana policy says?

5 **MR. DAVID BROWN:** I don't believe it is, Your Honor.

6 **THE COURT:** All right. What does it say?

7 **MR. DAVID BROWN:** I think it says that if there is --
8 there -- if you are acquiring an organization then we are not
9 going to reach back in time.

10 Bear in mind here that we've got buildings that are out
11 there with property damage were C.O.ed, say in '97, for
12 example, that have property damage occurring every day, in
13 this progressive pro-rata time-on-the-risk scenario. What
14 they are saying here is, we are not going to reach back in
15 time, if you look at 4(B), and cover that, for past damages,
16 but once they are now under our umbrella, once Pinehurst
17 Builders, or anything else, is under the Crossman umbrella;
18 they are on a going-forward basis, we are one. So now you
19 have two policies, each of which applies, and that's when you
20 look at the "other insurance" clause analysis.

21 **THE COURT:** All right. In reviewing the Harleysville
22 and Indiana policies, I think my duty was to determine the, as
23 indicated by cases cited in my previous Order, the total
24 policy insuring intent. In looking at the policies I do
25 believe, and I do so find, that they have mutually repugnant

1 terms and conditions such that the Court finds that it's
2 proper to allocate it as I did in my previous Order.

3 I appreciate the arguments, but I think taking the
4 policies as a whole, what they were intended to cover, the
5 intent of the policies, and trying to reconcile each terms and
6 conditions of the two policies, I find that that is not
7 possible, that they are mutually repugnant, and therefore the
8 allocation as I previously addressed in my previous Order is
9 proper, and I respectfully decline to change that allocation.

10 Again, Mr. Miller, do an order that covers that
11 particular point in the order within ten days.

12 All right. Mr. Brown, any other issues we need to
13 cover?

14 **MR. DAVID BROWN:** No, Your Honor.

15 **THE COURT:** All right. Very good.

16 All right. Why don't we then, if we can, we move on to
17 the motion as filed by Crossman Communities of North Carolina,
18 Inc. as to the Court's decision as to Cincinnati Insurance
19 Company, your motion to alter or amend the Court's decision.

20 **MR. McNERNEY:** Yes, Your Honor. Thank you. Marty
21 McNerney of King and Spalding.

22 I'll address the Cincinnati issues, and we really have
23 three issues, Your Honor, I think, that were raised in the
24 papers. First of all, Beazer agrees with the statement on
25 page twelve of the May 23rd Order dealing with the Cincinnati

1 issues that the limits of the underlying insurance may be
2 exhausted by payment of the claims by the carriers or by
3 Crossman, or by some combination of those two. I think that
4 result is mandated by the policy language that we went through
5 in the last hearing. I think that result is also mandated by
6 the Decision of the U.S. Court of Appeals for the Seventh
7 Circuit in an appeal involving the parties before Your Honor,
8 and also involving the same insurance policies from Cincinnati
9 that are before the Court in this remand.

10 Beazer does respectfully disagree with the Court's
11 conclusion that payments by Beazer to settle property damage
12 claims in states other than South Carolina should not be
13 considered when determining Cincinnati's liability in this
14 case. We've put evidence in the record, including several
15 documents on Plaintiff's trial exhibit list, as the January,
16 2007 trial approached, that specifically dealt with payments
17 made by Beazer in states other than South Carolina to settle
18 third-party homeowner property damage claims where the claim
19 was water damage resulting from defective sub-contractor work.

20 If I may approach, Your Honor ---

21 **THE COURT:** Yes sir.

22 **MR. MCNERNEY:** I have some -- I didn't bring my
23 projector, but I do have some slides some of which are similar
24 to what we used before, and I just wanted to point out a
25 couple of -- some of these slides are similar to what we had

1 in March, Your Honor, but on page nine of the slide deck I
2 just handed up ---

3 **THE COURT:** Yes sir.

4 **MR. MCNERNEY:** ---There's a copy of the Declarations
5 page from the Cincinnati policy, and you will see that the
6 Cincinnati policy was issued to the first named insured, and
7 the first named insured is Crossman Communities, listing it's
8 address, which was the headquarters at the time, on Meridian
9 Street in Indianapolis, Indiana, and the sentence at the
10 bottom of that page, also from the Cincinnati policy, says
11 that this coverage applies anywhere, so anywhere that Crossman
12 may face some liability for property damage claims by
13 homeowners those liability claims are potentially within the
14 hand of the Cincinnati coverage.

15 Now, we submitted, I believe as an exhibit that the
16 Court accepted at the conclusion of our January hearing on
17 remand, an Affidavit that was signed in March of 2006 by Mark
18 Berry. Mr. Berry was deposed in this case twice. He was the
19 Vice-President of Risk Management for Beazer at the time. Mr.
20 Berry's Affidavit, which we listed as trial Exhibit -- trial
21 Exhibit 137 on Plaintiff's Trial Exhibit list, indicated --
22 Mr. Berry indicated that Beazer had paid, in Indiana, the home
23 state where Crossman was headquartered, and where the
24 Cincinnati policy was delivered, had paid Twenty-Seven Million
25 Dollars to settle homeowner property damage cases as of that

1 day. I think that his Affidavit took that number through
2 January of 2007.

3 If I could also approach, Your Honor, we've got -- Your
4 Honor, may I approach ---

5 **THE COURT:** Yes, absolutely.

6 **MR. McNERNEY:** ---Approach the bench?

7 **THE COURT:** Yes sir.

8 **MR. McNERNEY:** Another exhibit on Plaintiff's trial
9 exhibit list were some Supplemental Interrogatory Responses
10 that Beazer submitted in -- I believe it was July of 2006, and
11 this was Exhibit 137 on the exhibit list.

12 **THE COURT:** All right. Before you go any further,
13 these two that you handed the Court, do you want to mark --
14 have the Court Reporter mark those as Crossman's exhibits for
15 the purpose of this hearing?

16 **MR. McNERNEY:** Yes, Your Honor, if we could.

17 **THE COURT:** Great. We will do the slide copy, or -- as
18 the -- your Exhibit 1, and then the Supplement Responses as 2.

19 **MR. McNERNEY:** Actually I have one other, Your Honor,
20 if I could approach. This will my last one, I promise.

21 **THE COURT:** All right. That's okay. Why don't you
22 take these two and give them to the Court Reporter, and put
23 the other one as third ---

24 **MR. McNERNEY:** Thank you, Your Honor.

25 **THE COURT:** ---And so the Court Reporter can mark

1 those, the Court Reporter.

2 MR. McNERNEY: Thank you.

3 (SLIDES MARKED PLAINTIFF'S EXHIBIT NUMBER 1, PLAINTIFF'S
4 THIRD SUPPLEMENTAL RESPONSES MARKED PLAINTIFF'S EXHIBIT NUMBER
5 2, NOVEMBER 14, 2006 COVER LETTER MARKED PLAINTIFF'S EXHIBIT
6 NUMBER 3.)

7 THE COURT: All right. So that we are all on the same
8 page, the copies of the slides, that's Plaintiff's Exhibit 1,
9 the Plaintiff's Third Supplemental Responses to Defendant,
10 Harleysville Mutual Insurance Company and Cincinnati Insurance
11 Company, and Associated Insurers of Myrtle Beach
12 Interrogatories, that's Plaintiff's Exhibit 2, and then the
13 copy of the cover letter, and then the exhibit list, cover
14 letter dated November 14, 2006, along with the Plaintiff's
15 exhibit list that is attached thereto, that's Plaintiff's
16 Exhibit 3.

17 All right. Go -- go ahead, Mr. McNerney.

18 MR. McNERNEY: Thank you, Your Honor. Just to be clear
19 - I think I misspoke earlier. Mr. -- on Plaintiff's Exhibit
20 3, which is the trial exhibit list that was exchanged by the
21 parties in November of 2006, Plaintiff's trial exhibit 121 was
22 the March 30, 2006 Affidavit of Mr. Berry I spoke of earlier.

23 THE COURT: Okay.

24 MR. McNERNEY: That's in the record from the first
25 hearing. And what the Court has marked as Plaintiff's Exhibit

1 2 is Plaintiff's Exhibit, from the trial -- trial exhibit
2 list, Plaintiff's Exhibit 137.

3 **THE COURT:** All right. Great.

4 **MR. McNERNEY:** So those documents were in the record at
5 the time the stipulation was entered into by the parties, and
6 the stipulation indicated that if the Court's ruling, or if
7 the ruling on the appeal was something other than joint and
8 several allocation, that both Plaintiffs and Defendant,
9 Cincinnati, were free to argue from all the documents and
10 evidence in the trial record as to whether the limits of the
11 underlying insurance beneath the Cincinnati policies had been
12 exhausted, and of course, Cincinnati did argue from whatever
13 evidence was in the record they've put in, that those limits
14 were not exhausted.

15 So when the Court, the Supreme Court sent back the case
16 for the remand consideration, and Beazer was prepared to
17 demonstrate that in 2005 and 2006, before the stipulation had
18 been entered into, Beazer had paid, in other jurisdictions,
19 around Thirty Million Dollars to settle homeowner claims of
20 property damage arising from water intrusion that came about
21 as a result of sub-contractor negligence, and we think that,
22 because the Thirty Million Dollars paid out by Beazer, which
23 is uncontroverted in this record, is more than enough to
24 exhaust the limits of all of the policies that underlie the
25 Cincinnati excess policies, that the Cincinnati policies would

1 trigger from dollar one in this remand proceeding, because the
2 payments made by Beazer to settle the claims into -- in
3 Kentucky and Indiana, those payments were made before this --
4 the case was submitted by the stipulation in January of 2007,
5 and I would point out, we put in the record earlier that
6 Cincinnati even acknowledges exhaustion if these are the same
7 policies that are implied in claims in Kentucky and Indiana
8 Cincinnati had settled claims in Kentucky and Indiana but I
9 think Beazer left a Million Dollars - that was at the end of
10 last year - that's last month, Beazer and Cincinnati finalized
11 a settlement of the Fairways coverage dispute. Fairways is a
12 construction project here in South Carolina. So even
13 Cincinnati recognizes that the -- that very large payments
14 made by Beazer exhausts the limits underlying the Cincinnati
15 coverage, and we respectfully disagree with the Court's
16 conclusion in it's May, 2012 Order, that those substantial
17 claim payments should not be considered in determining whether
18 Cincinnati's policies are triggered.

19 That's all I have on the first issue, Your Honor. If
20 you want me to continue I'll be happy to.

21 **THE COURT:** Well, why don't we address them one at a
22 time if you don't mind.

23 **MR. MCNERNEY:** Okay.

24 **THE COURT:** All right, Mr. Mack.

25 **MR. MACK:** Thank you, Your Honor. We don't dispute

1 that Beazer has paid Thirty Million Dollars to settle claims
2 in other jurisdictions. What Beazer has -- or, excuse me --
3 Crossman. What Crossman has failed to do is show any
4 allocation as to how much of those payments were for covered
5 damages which might fall into, or help address the issue of
6 exhaustion in the -- this case. They haven't shown what was
7 covered, what was uncovered. As Your Honor is aware, under
8 Crossman, for instance, if the paint color is wrong that is
9 not -- there is no ensuing damage. That may be something that
10 Crossman would be obligated to pay to fix, or if there is a
11 code violation, there's not a fire wall in a place, but
12 there's been no ensuing damage, that's something that Crossman
13 would have to pay to fix, but it's not covered damages, so
14 they have failed to show, of the Thirty Million Dollars, what
15 is covered, what is not covered.

16 In addition, they failed to show of those damages if
17 some of them were covered, which ones fell within Cincinnati's
18 policy periods. If the damage -- if they paid for damage,
19 even though it may be covered, paid for damage that was
20 outside of Cincinnati's policy period it would have no effect
21 on whether it was exhausted, the underlying coverage was
22 exhausted or not. Not having that information Your Honor took
23 the realistic approach to it, looked at what damages occurred
24 during Cincinnati's policy periods, which relevant periods,
25 May 29, '98 through September 1, '02, look at what underlying

1 damage, whether it was paid for by Crossman, paid for by some
2 of the other carriers, but just what were the amounts of the
3 underlying damage. In all those cases it was less than the
4 primary limits, and Your Honor's ruling on that point was
5 correct. Crossman, having failed to provide the breakdown
6 either between covered and uncovered, and also the policy
7 periods, Your Honor took a reasonable approach, looked at what
8 damages occurred during Cincinnati's policy periods, and did
9 that exceed the primary limits. In every case it did not
10 exceed the primary limits, and therefore there was nothing to
11 trigger the Cincinnati policies. Again, the Court properly
12 looked at the policy period, this project, what were the
13 damages during this policy period for this project, and your
14 original Order was well-founded, both in fact and law, on that
15 point.

16 **THE COURT:** All right. Thank you.

17 All right, Mr. McNerney, you can continue, please sir.

18 **MR. McNERNEY:** If I could just address one point that
19 Mr. ---

20 **THE COURT:** Yes sir.

21 **MR. McNERNEY:** ---Mack raised, Your Honor. In Mr.
22 Berry's Affidavit he refers to the large class action in
23 Indiana as claims for property damage claimed by homeowners
24 who alleged that water intrusion had caused damage to their
25 homes, and in interrogatory responses the amounts are

1 characterized as payments for substantial claims against
2 Beazer for property damage to a certain class of homes caused
3 by the acts and omissions of sub-contractors. That evidence
4 is unrefuted by anything Cincinnati put in the record. I
5 believe it supports a prima facie case that Beazer has
6 demonstrated entitlement to coverage and it would be then
7 incumbent upon Cincinnati to come forward with some specifics
8 to prove what percentage, if any, of those payments attribute
9 to the wrong paint color or the absence of hurricane straps,
10 the examples I guess that Mr. Mack has given. Obviously water
11 damage doesn't result when the wrong paint color is used in a
12 building. So we think that that's unrefuted and that it
13 should have been considered by the Court in it's assessment of
14 whether the limits of the underlying insurance had, in fact,
15 been paid.

16 **THE COURT:** All right.

17 **MR. McNERNEY:** The next point, Your Honor, is -- and
18 this point was dealt with in the Court's May, 2007, Order on
19 the Cincinnati issues, and that is whether the settlements
20 that were made, entered into by Indiana and Massachusetts Bay,
21 and Recent Insurance Company - they were the three primary
22 insurers that underlied the Cincinnati excess coverage,
23 whether those settlements pertained to the claims that Beazer
24 was making at the time of those settlements, which was Sixteen
25 point Seven Seven Million Dollars - that was the total amount

1 paid by Beazer to settle with the homeowners - or whether, as
2 Cincinnati argued, that the payments and the claims against
3 the insurers who made the payments are, in essence, irrelevant
4 because the only thing that mattered was a pro-rated time-on-
5 the-risk of Seven Point Two Million Dollars. And I submit,
6 Your Honor, that the claim that Massachusetts Bay, Regent, and
7 Indiana Insurance Company settled with Beazer in 2005 and 2006
8 was to compromise their claim -- their defense in claims by
9 Beazer that each of them, jointly and severally of Beazer,
10 Sixteen Point Seven Seven Million up to their policy limit,
11 and so I think, because of the Seven Point Two Million Dollars
12 in the stipulation pertains only to the policies with the
13 capital "P", which is for Cincinnati and Harleysville, that
14 the charts that we put in with our Briefs on remand, and the
15 slides that we looked through in January and March, and some
16 of which are in the Plaintiff's Exhibit 1 I handed up earlier,
17 show that Cincinnati was triggered from dollar one on the
18 payments in this case.

19 **THE COURT:** All right, sir.

20 **MR. MACK:** Your Honor, just very briefly. I think Your
21 Honor ruled that the -- based on the stipulation the Seven
22 Point Two Million was the number that would be used in the
23 analysis. Once again, you chose a method of looking at the
24 underlying policies. You didn't necessarily try to allocate
25 the others, the Indiana, Mass Bay and so forth, but what

1 damages occurred during the Cincinnati policy periods. We
2 think your ruling, original ruling, was correct, Your Honor;
3 you used the Seven Point Two Million, you expressed some
4 reluctance - maybe it should have been the Sixteen Point
5 Seven-Seven, however, the stipulations govern, and I think
6 that the parties entered into the stipulation, and I think the
7 parties have to live by that.

8 **THE COURT:** All right. Thank you.

9 All right, Mr. McNerney.

10 **MR. MCNERNEY:** Unless -- the point I would like to
11 argue, Your Honor, raised in our motion to reconsider, is
12 whether the Court's May, 2007, Order, that allocation of the
13 covered loss, was to be by the joint and several methodology
14 is the law of the case for Cincinnati - we argued about this
15 in March - there's no question the Court's Order clearly ruled
16 that, if Cincinnati's policies were triggered they were
17 jointly and severally liable for the entirety of Beazer's
18 loss, up to the limits of their policy.

19 The Court's May, 2007, judgment ultimately concluded you
20 didn't need to reach the coverage obligations of Cincinnati
21 because the joint and several ruling, combined with the
22 Court's other rulings in Plaintiff's favor, resulted in the
23 Seven Point Two Million Dollar judgment against Harleysville
24 that would satisfy the Plaintiffs for their recovery.

25 Cincinnati did not appeal from your judgment, Your

1 Honor, but now they are trying to take advantage of the
2 allocation result that was obtained by Harleysville at the
3 Supreme Court. We think that Cincinnati was clearly an
4 aggrieved party when Your Honor entered judgment against
5 Cincinnati on count two of our Second Amended Complaint, and
6 in fact, adopted the methodology set forth by the Plaintiff's,
7 the joint and several methodology.

8 I think what's -- that the rulings that the Court made
9 in May in the Cincinnati -- or in May of this year, I think
10 presented an analogous situation, Your Honor. Cincinnati
11 argued, on remand, that the limits of the underlying insurance
12 for the policies that underline the Cincinnati coverage can
13 only be exhausted by payments by insurers. Beazer argued, and
14 the Court so found, that the limits of the underlying
15 insurance could be exhausted by claim payments made by Beazer,
16 by insurers, or by some combination of those two, so
17 Cincinnati lost on that issue, but then the Court concluded
18 that Cincinnati had no financial obligation to Beazer. I
19 submit that if Harleysville appeals the Court's rulings on
20 remand, and Cincinnati does not, if the case comes back for
21 further proceedings I think that your ruling in May, 2012,
22 that Beazer can satisfy exhaustion of the underlying insurance
23 by payments it makes, as well as payments the insureds make,
24 that would be the law of the case for any further remand
25 proceeding. I think the same situation presents itself for

1 Cincinnati's failure to appeal from the judgment against it,
2 that any covered losses, jointly and severally alloc --
3 pending allocated by the joint and several methodology, so we
4 believe that Cincinnati was bound by the Order that the Court
5 entered on allocation in May of 2007, from which they did not
6 appeal, and that's the law of the case for these remand
7 proceedings.

8 Thank you, Your Honor.

9 **THE COURT:** Thank you, sir.

10 Mr. Brown.

11 **MR. MACK:** Again, briefly, Your Honor. In your May,
12 2007 Order - and these are all the same arguments that were
13 made earlier this year. In your May, 2007 Order you
14 specifically said you were not ruling on Cincinnati's
15 position. The Supreme Court, in its Opinion, under footnote
16 one, it states that the Trial Court did not rule on whether
17 Cincinnati's policies provided coverage. Cincinnati was not
18 an aggrieved party; it did not need to appeal. The Supreme
19 Court has issued its Decision that in coverage cases such as
20 this the pro-rata time-on-risk analysis should be applied.
21 That's what Your Honor did in your Order earlier this year,
22 and that's proper. It is -- you followed what the Supreme
23 Court said to do. Cincinnati did not appeal the earlier Order
24 simply because it was not aggrieved; it did not have to pay
25 anything, or simply, you did not rule on their coverage

1 because it wasn't reached, and that's acknowledged by the
2 Supreme Court in it's decision.

3 Thank you, Your Honor.

4 **THE COURT:** All right. And I think just continuing on
5 with that footnote one, the Supreme Court said that, because
6 the Trial Court found Harleysville's policies were sufficient
7 to indemnify the entire Seven Point Two Million and stipulate
8 damages, it did not rule on whether Cincinnati's policies
9 provided coverage, though it did find that the homeowners in
10 the underlying lawsuits suffered property damage during
11 Cincinnati's policy period. So, that fact, I think, probably
12 is binding on Cincinnati, but I don't know that Cincinnati
13 takes any exception to that particular finding.

14 **MR. MACK:** Well, take exception to it, but the property
15 damage did not exceed ---

16 **THE COURT:** I appreciate that. It all -- you know, as
17 the Supreme Court said, and I believe my Order says, what I
18 did find was the homeowners in the underlying lawsuits did
19 suffer property damage during the policy period. Left open,
20 as in the stipulation, and as has become clear, the arguments
21 whether Cincinnati is liable for it was a completely different
22 question.

23 **MR. McNERNEY:** Your Honor, if I could just raise one
24 other thing.

25 **THE COURT:** Sure.

1 **MR. McNERNEY:** I do apologize.

2 **THE COURT:** That's fine.

3 **MR. McNERNEY:** Cincinnati's position appears to be
4 that, unless the Trial Court's judgment includes some
5 financial obligation on the part of the allegedly aggrieved
6 party that they are, in fact, not agreeing to have no
7 obligation to appeal, but I believe that some of the cases we
8 cited in our Briefs on remand situations where the standing of
9 the party that did appeal is challenged on the grounds that
10 they are aggrieved, but the Courts ultimately conclude that
11 they do have standing because their interests have been
12 affected by the lower Court ruling, even if the lower Court
13 ruling did not include monetary judgment against them.

14 **THE COURT:** All right. Thank you.

15 Again, I go back to the entirety of the parties'
16 stipulation, and how it affected, I believe, the respective
17 parties' rights, all of them, I mean, everybody that was a
18 party to this case, how it affected them, and what -- again,
19 what the Court was suppose to do in this particular matter. I
20 appreciate the arguments of Crossman Communities, but the
21 Court respectfully declines to change my previous ruling as
22 set forth in my Order of May 23rd, 2012, and therefore I
23 reaffirm that ruling as it involves the arguments between
24 Crossman Communities of North Carolina, Inc. and Cincinnati
25 Insurance Company in toto.

1 If you could, Mr. Mack, I would appreciate it if you
2 would do a proposed order reflecting the arguments as made in
3 this matter, and the Court is reaffirming it's prior decisions
4 set forth in the previous Order, and if you can, again, using
5 that same ten day time period that I gave to Mr. Miller.

6 All right.

7 **MR. MACK:** Certainly, Your Honor.

8 **THE COURT:** All right, gentlemen, anything else?

9 **MR. MACK:** Nothing further, Your Honor.

10 **MR. McNERNEY:** Nothing from the Plaintiff's Your Honor.

11 **THE COURT:** All right.

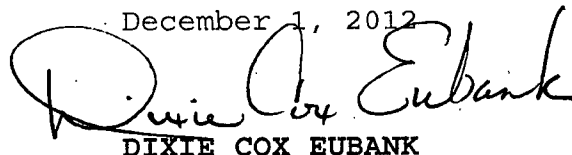
12 -----END OF REQUESTED TRANSCRIPT OF RECORD-----
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C E R T I F I C A T E

I, the undersigned, DIXIE COX EUBANK, Official Court Reporter for the Fifteenth Judicial Circuit of the State of South Carolina, do hereby certify that the foregoing is a true, accurate and complete Transcript of Record of all the proceedings had and evidence introduced in the **MOTIONS HEARING** of the captioned case, relative to appeal, in the **COURT OF COMMON PLEAS NON-JURY** for **HORRY COUNTY, SOUTH CAROLINA**, on the **27th day of August, 2012.**

I DO FURTHER CERTIFY that I am neither of kin, counsel nor interest to any party hereto.

December 1, 2012



DIXIE COX EUBANK

CIRCUIT COURT REPORTER

FIFTEENTH JUDICIAL CIRCUIT

Steve Ventre, Assistant Vice President

THE CINCINNATI INSURANCE COMPANY

P.O. BOX 145496, CINCINNATI, OHIO 45250-5496
(513) 870-2000

COMMERCIAL UMBRELLA LIABILITY POLICY DECLARATIONS

RENEWAL OF CCC 438 27 66

Item	DECLARATIONS	POLICY NUMBER	CCC 444 58 40
1.	CROSSMAN COMMUNITIES INC. (REFER TO IA450A NAMED INSURED ENDORSEMENT) 9202 N MERIDIAN ST. SUITE 300 INDIANAPOLIS, IN 46260	NAMED INSURED ADDRESS	
2.	From: 07-01-1998 To: 07-01-2001 MBAH INS. 13-728 LAFAYETTE, IN	Policy Period	12.01 A.M. STANDARD TIME AT THE ADDRESS OF THE NAMED INSURED AS STATED HEREIN AGENCY
3.	LIMITS OF INSURANCE \$ 10,000,000 Each Occurrence Limit \$ 10,000,000 Aggregate Limit		
4.	PREMIUM is payable ☐ Annually ☐ Semi-annually ☒ Quarterly as follows Advance Premium \$ 8,455 (includes installment charge \$ 5) Each Subsequent Installment \$ 8,455 (includes installment charge \$ 5) Applicable to Premium, if box is checked: ☒ Subject to Annual Adjustment ☐ Subject to Audit (see Endorsement for Rating Basis)		
5.	Form Numbers of the Policy and Endorsements forming a part of the policy at issue: REFER TO IA450F		

SCHEDULE A-SCHEDULE OF UNDERLYING POLICIES

Insurer, Policy Number & Period	Type of Policy	Applicable Limits
(a) INDIANA INSURANCE WC 9086277 07/01/1998 TO 1999	Employer's Liability	Employer's Liability Bodily Injury By Accident Each Accident Bodily Injury By Disease Each Employee Bodily Injury By Disease Policy Limit
(b) INDIANA INSURANCE 42-178-801 07/01/1998 TO 1999 & INDIANA INSURANCE TO BE DETERMINED 08/01/1998 TO 1999	Commercial General Liability including ☒ products-completed operations coverage	Bodily Injury and Property Damage Liability each occurrence limit general aggregate limit (other than products- completed operations) products-completed operations aggregate limit Personal Injury and Advertising Injury Limit
(c) INDIANA INSURANCE BA9174752 07/01/1998 TO 1999 DMC PMS AUG 3 2 1998	Automobile Liability including ☒ owned automobiles ☒ non-owned automobiles ☒ hired automobiles	Bodily Injury Liability each person each occurrence Property Damage Liability each occurrence or Bodily Injury Liability and/or Property Damage Liability or Both Combined each occurrence

RETURN THIS DECLARATION TO COMPANY IF CANCELLED

08-27-1998 AW5

Countersigned by _____
Authorized Representative

USC504 01 96

COMPANY COPY

BZH104331

ROA 1013

NAMED INSURED: CROSSMAN COMMUNITIES, INC.

EFFECTIVE DATE 07-01-1998

ADDITIONAL SCHEDULE A--SCHEDULE OF UNDERLYING POLICIES Issued to Form a Part of Policy
No. CCC 444 58 40

Carrier, Policy Number & Period	Type of Policy	Applicable Limits
(d) INDIANA INS 42-178-476 01-01-1998 TO 1999 & INDIANA INS. 42-179-108 07-01-1998 TO 1999	COMMERCIAL GENERAL LIABILITY INCLUDING PRODUCTS-COMPLETED OPERATIONS COVERAGE	BODILY INJURY LIABILITY PROPERTY DAMAGE LIABILITY 1,000,000 EACH OCCURRENCE LIMIT 2,000,000 GENERAL AGGREGATE LIMIT (OTHER THAN PRODUCTS- COMPLETED OPERATIONS) 2,000,000 PRODUCTS-COMPLETED OPERATIONS AGGREGATE LIMIT PERSONAL INJURY AND ADVERTISING INJURY LIMIT 1,000,000

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY DECLARATIONS

NAMED INSURED ENDORSEMENT

CROSSMAN COMMUNITIES, INC.
DELUXE HOMES, INC.
DELUXE HOMES OF LAFAYETTE, INC.
TRIMARK DEVELOPMENT, INC.
TRIMARK HOMES, INC.
DBA CROSSMAN COMMUNITIES PARTNERSHIP
MERIT REALTY, INC.(WHOLLY OWNED SUBSIDIARY)
DELUXE HOMES OF OHIO, INC. (WHOLLY OWNED SUBSIDIARY)
DBA DELUXE HOMES OF COLUMBUS(WHOLLY OWNED SUBSIDIARY)
CROSSMAN MORTGAGE CORPORATION(WHOLLY OWNED SUBSIDIARY)
CROSSMAN COMMUNITIES OF OHIO, INC.(WHOLLY OWNED SUBSIDIARY)
CUTTER HOMES LTD.
ASHLEY COMMONS CONDOMINIUM ASSOCIATION
COTTAGES AT MEADOWVILLE COUNCIL OF CO-OWNERS, INC.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

UMBRELLA LIABILITY POLICY DECLARATIONS

FORMS LIST

✓US511	05/90	✓IA450A	11/87	✓IA450F	11/87	✓US101P	07/97
✓US489	01/96	✓HI1371	10/95	✓US455IN	01/96	✓US324	11/96
✓UA302	01/96	✓US306	01/96	✓US315	01/96	✓US341	01/96
✓US385	01/96	✓US395	01/96	✓US406	01/96		

IA 450 11 87 F

BZH104334

COMMERCIAL UMBRELLA LIABILITY POLICY

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).

In return for the payment of premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy.

SECTION I - COVERAGES

A. Insuring Agreement

We will pay on behalf of the insured the "ultimate net loss" which the insured is legally obligated to pay as damages in excess of the "underlying insurance" or for an "occurrence" covered by this policy which is either excluded or not covered by "underlying insurance" because of:

1. "Bodily injury" or "property damage" covered by this policy occurring during the policy period and caused by an "occurrence"; or
2. "Personal injury" or "advertising injury" covered by this policy committed during the policy period and caused by an "occurrence".

This coverage applies anywhere.

The amount we will pay is limited as described in Limits of Insurance (Section III).

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Defense and Supplementary Payments.

B. Exclusions

This policy does not apply to:

1. Asbestos

Any liability arising out of, attributable to or any way related to asbestos in any form or transmitted in any manner.

2. Breach of Contract, Failure to Perform, Wrong Description

"Advertising injury" arising out of:

- a. Breach of contract, other than misappropriation of advertising ideas under an implied contract;
- b. The failure of goods, products or services to conform with advertised quality or performance; or
- c. The wrong description of the price of goods, products or services.

3. 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:

- a. A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

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- b. 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.

4. Damage to Property

"Property damage" to property owned by any insured.

5. Damage to Your Product

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

6. 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.

7. Employer's Liability Limitation

"Bodily injury" or "personal injury" to:

- a. An "employee" of the insured arising out of and in the course of employment by the insured or performing duties related to the conduct of the insured's business; or
- b. The spouse, child, parent, brother or sister of that "employee" as a consequence of a. 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 when such insurance is provided by a valid and collectible policy listed in the Schedule of Underlying Policies, or would have been provided by such listed policy except for the exhaustion by payment of claims of its limits of insurance, and then only for such hazards for which coverage is provided by such "underlying insurance".

8. Employment-Related Practices

"Bodily injury" or "personal injury" to:

- a. A person arising out of any:
 - (1) Refusal to employ that person;
 - (2) Termination of that person's employment; or
 - (3) Other employment-related practices, policies, acts or omissions including but not limited to coercion, criticism, demotion, evaluation, failure to promote, reassignment, discipline, defamation, harassment, humiliation or discrimination directed at that person; or
- b. The spouse, child, parent, brother or sister of that person as a consequence of "bodily injury" or "personal injury" to that person at whom any of the employment-related practices described in Paragraphs (1), (2), or (3) above is directed.

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.

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9. Expected or Intended Injury

"Bodily injury" or "property damage" which may reasonably be expected to result from the intentional or criminal acts of the insured or which is in fact expected or intended by the insured even if the injury or damage is of a different degree or type than actually intended or expected.

This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

10. Falsity, Prior Publication, Willful Violation

"Advertising injury" or "personal injury" arising out of:

- a. Oral or written publication of material if done by or at the direction of the insured with knowledge of its falsity;
- b. Oral or written publication of material whose first publication took place before the beginning of the policy period; or
- c. The willful violation of a penal statute or ordinance committed by or with the consent of the insured.

11. Laws

Any liability or obligation of the insured under any of the following laws:

- a. Any workers' compensation, unemployment compensation, disability benefits 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", or
- b. Any uninsured motorist, underinsured motorist, automobile no-fault or first party personal injury law.

12. Non-Owned Auto Limitation

Any liability of the owner or anyone else, except "executive officers" and owners of insured organizations, arising out of the ownership, maintenance or use of any "auto" which you do not own, unless such coverage is provided by a valid and collectible policy listed in the Schedule of Underlying Policies, and then only for such hazards for which coverage is provided by such "underlying insurance".

13. Pollutant

- a. Any liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:

(1) That are, or that are contained in any property that is:

- (a) Being transported or towed by, handled, or handled for movement into, onto or from, the "auto";
- (b) Otherwise in the course of transit by or on behalf of the insured; or
- (c) Being stored, disposed of, treated or processed in or upon the "auto";

(2) 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

(3) 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) 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.

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Paragraphs (2) and (3) 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:

- (a) 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
 - (b) The discharge, dispersal, seepage, migration, release or escape of the pollutants is caused directly by such upset, overturn or damage.
- b. Any liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:
- (1) 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;
 - (2) 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;
 - (3) 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
 - (4) 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:
 - (a) 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
 - (b) 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 (1) and (4) (a) 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.

- 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.
- d. Any liability caused by pollutants excluded by "underlying insurance".

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.

Exclusion 13. applies to every injury to person or property caused directly or indirectly by pollutants regardless of whether:

- a. The insured is regularly or otherwise engaged in activities that taint or degrade the environment; or
- b. The insured uses, generates or produces the pollutant.

14. Recall of Products, Work or Impaired Property

Any liability or 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:

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- a. "Your product";
- b. "Your work"; or
- c. "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.

15. 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. This exclusion does not apply with respect to "occurrences" taking place in the United States of America, its territories or possessions, or Canada.

C. Defense and Supplementary Payments

1. We have the right and duty to defend any claim or "suit" against the insured for damages covered by this policy, even if the allegations are groundless, false, or fraudulent, when:
 - a. The applicable limits of the "underlying insurance" and any other insurance have been exhausted by payment of claims; or
 - b. Damages are sought for "bodily injury", "property damage", "personal injury" or "advertising injury" which are not covered by "underlying insurance" or other insurance.
2. When we have the duty to defend we will pay all expenses we incur in addition to the applicable limits of insurance.

Our right and duty to defend ends when the applicable limits of insurance as stated in the Declarations has been exhausted by payment of claims.

3. We have no duty to investigate, settle or defend any claim or "suit" other than those circumstances described in Paragraph C.1. However, we do have the right to participate in the investigation, settlement or defense of any claim or "suit" for which coverage may be afforded by this policy. If we exercise this right, we will do so at our expense.
4. If there is no underlying insurer obligated to do so we will pay the following when we provide a defense:
 - a. All expenses we incur.
 - b. The cost of bail bonds up to \$3,000. We do not have to furnish these bonds.
 - c. The cost of bonds to appeal a judgment or award in any claim or "suit" we defend and the cost of bonds to release attachments, but only for bond amounts within the applicable limits of insurance. We do not have to furnish these bonds.
 - d. Reasonable expenses incurred by the insured at our request to assist us in the investigation of defense of the claim or "suit", including the actual loss of earnings.
 - e. All costs taxed against the insured in the "suit".

These payments will not reduce the limits of insurance.

5. If there is no underlying insurer obligated to do so we will pay the following for an "occurrence" to which this insurance applies even if we have no duty to provide a defense:
 - a. Prejudgment interest awarded against the insured on that part of the judgment we become obligated to pay. If we make an offer to pay the applicable limits of insurance, we will not pay any prejudgment interest based on that period of time after the offer.

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- b. All interest awarded against the insured on that amount of any judgment which we become obligated to pay that accrues after entry of the judgment and before we have paid, offered to pay or deposited in court the part of the judgment which we are obligated to pay and that is within the applicable limits of insurance.

These payments will not reduce the limits of insurance.

6. If we are prevented by law or otherwise from carrying out any of the provisions of Section C. Defense and Supplementary Payments, we will pay any expense incurred with our written 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, 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. Each of the following is also an insured:

- (1) Any subsidiary company of such organization, including any subsidiary company thereof:

- (a) Existing at the effective date of this policy; or
- (b) Acquired during the policy period.

- (2) Any other company 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.

2. Each of the following is also an insured:

- a. Any "executive officer", director, "employee" or stockholder of yours while acting within the scope of their duties as such.
- b. Any person, organization, trustee or estate with respect to which you are obligated by written contract to provide insurance such as is afforded by this policy, but only with respect to operations by or on behalf of you or property owned or used by you.
- c. Any person or organization while acting as your real estate manager.
- 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.
- f. At your option and subject to the terms of the coverage of this insurance, any additional insureds covered in the "underlying insurance" listed in the Schedule of Underlying Policies, but only to the extent that insurance is provided for such additional insureds thereunder.

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

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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"; or
 - b. Because of "bodily injury" by disease sustained by your "employees" arising out of and in the course of their employment by you.

The Aggregate Limit applies separately to a. and b.
3. Subject to limits described in 2. above the Each Occurrence Limit is the most we will pay for the "ultimate net loss":
 - a. In excess of the applicable limits of "underlying insurance"; or
 - b. If an "occurrence" is not covered by "underlying insurance", but covered by the terms and conditions of this policy

because of all "bodily injury", "property damage", "personal injury" or "advertising injury" arising out of any one "occurrence".

We will not pay more than the Limits of Insurance shown in the Declarations for each "occurrence" because any Personal Umbrella Liability Endorsement(s) is attached to and forms a part of this policy.
4. Subject to limits described in 2. and 3. above and to the terms and conditions of the "underlying insurance":
 - a. If the limits of "underlying insurance" have been reduced by payment of claims, this policy will continue in force as excess of the reduced "underlying insurance"; or
 - b. If the limits of "underlying insurance" have been exhausted by payment of claims, this policy will continue in force as "underlying insurance".
5. The Limits of Insurance 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.

SECTION IV - CONDITIONS

1. Appeals

If the insured or any insurer who provides the applicable "underlying insurance" elects not to appeal a judgment which exceeds the "underlying limit", we may elect to do so at our own expense. We shall be liable for the taxable costs and disbursements and interest incidental thereto, but in no event shall this provision increase our liability beyond our applicable limits of liability for all "ultimate net loss" plus the expense of such appeal.

2. Audit

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

3. Bankruptcy

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

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Page 7 of 15

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4. Cancellation

- a. The first Named Insured shown in the Declarations may cancel this policy by mailing to us written notice stating when thereafter the cancellation shall be effective.
- b. We may cancel this policy 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. Our notice of cancellation will be mailed to the first Named Insured's last mailing address known to us and will indicate the date on which coverage is terminated. The policy period will end on that date. The cancellation will be effective for all insureds.
- d. If we cancel, the return premium will be computed pro rata. If the first Named Insured cancels, the return premium will be computed at 90% of pro rata. The cancellation will be effective even if we have not made or offered a refund.
- e. If the notice is mailed, proof of mailing will be sufficient proof of notice.

5. Changes

This policy contains all the agreements between you and us concerning this policy. 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 a written endorsement issued to form a part of this policy, signed by our duly authorized representative.

6. Duties In The Event of Occurrence, Claim or Suit

- a. You must see to it that we are notified as soon as practicable of an "occurrence" which may result in a claim or "suit". To the extent possible, notice should include:
 - (1) How, when and where the "occurrence" 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".This requirement applies only when the "occurrence" 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; or
 - (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 that is likely to involve this policy, 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 or manager, if you are a limited liability company; or

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- (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"; 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 their own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

7. First Named Insured

The person or organization first named in Item 1 of the Declarations will act on behalf of all other insureds where indicated in this policy.

8. 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. And we do not warrant that conditions:

- a. Are safe or healthful; or
- b. 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.

9. Legal Action Against Us and Loss Payments

- a. No legal action may be brought against us unless there has been full compliance with all the terms of this policy nor until the amount of the insured's obligation to pay has been finally determined as provided below. No person or organization has any right under this policy to bring us into any action to determine the liability of the insured.
- b. We shall be liable for payment of the "ultimate net loss" for any "occurrence" to which this policy applies:
 - (1) For "occurrences" not covered by "underlying insurance"; or
 - (2) In excess of the "underlying limit" applicable to the "occurrence" only after the insurers who provide the applicable "underlying insurance" have paid or become obligated to pay the amount of the "underlying limit" applicable to the "occurrence".

Our payment will be made following final determination of the amount of the insured's obligation to pay either by final judgment against the insured or by written agreement with the insured, the claimant, the underlying insurers and us.

10. Maintenance of Underlying Insurance

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While this policy is in effect, the insured shall maintain in force the "underlying insurance" listed in the Schedule of Underlying Policies as collectible 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 in the aggregate limits of insurance due to payment of claims. In the event you fail or neglect to maintain "underlying insurance" as required, this policy will apply as though such "underlying insurance" was in force and collectible at the time of the "occurrence".

The limits of "underlying insurance" shall be deemed applicable regardless of any defense which the insurer who provides the "underlying insurance" may assert because of the insured's failure to comply with any Condition of the policy or the inability of the insurer to pay by reason of bankruptcy or insolvency.

11. Other Insurance

The insurance provided by this policy is excess over any other valid and collectible insurance, other than insurance written specifically to be excess over this insurance, and shall not be contributory.

12. Premium

The premium for this policy shall be as stated in the Declarations. The advance and anniversary premiums are not subject to adjustment except as stated in the Declarations, or as stated in an endorsement issued by us to form a part of this policy.

You shall maintain records of such information as is necessary for premium computation, and shall send copies of such records to us at the end of the policy period and at such times during the policy period as we may direct.

13. Representations

By acceptance of this policy, you agree that the statements in the Declarations are your agreements and representations, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements existing between you and the company or any of our agents relating to this insurance.

14. 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 claim is made or "suit" is brought.

15. Transfer of Rights of Recovery Against Others to Us

- a. 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.
- b. Any recoveries shall be applied as follows:
 - (1) First, we will reimburse anyone, including the insured, the amounts actually paid by them that were in excess of our payments;
 - (2) Next, we will be reimbursed to the extent of our actual payment; and
 - (3) Lastly, we will reimburse anyone, including the insured, as to which this policy is in excess are entitled to the residue, if any.

Expenses incurred in the recovery shall be apportioned among all interests in the ratio of their respective recoveries as finally settled. If there is no recovery as a result of our attempts, we shall bear all of the recovery expenses.

16. Transfer of Your Rights and Duties Under this Policy

Your rights and duties under this policy may not be transferred without our written consent.

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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 committed in the course of advertising your goods, products or services:
 - 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.

Advertising means an advertisement, publicity article, broadcast or telecast.

2. "Auto" means a land motor vehicle, trailer or semi-trailer designed for travel on public roads, including any attached machinery or equipment. "Auto" also means self-propelled vehicles with the following types of permanently attached equipment:
 - a. Equipment designed primarily for:
 - (1) Snow removal;
 - (2) Road maintenance, but not construction or resurfacing; or
 - (3) Street cleaning;
 - b. Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and
 - c. Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well-servicing equipment.

"Auto" does not include "mobile equipment".
3. "Bodily injury" means bodily harm or injury, sickness, disease, disability, humiliation, shock, fright, mental anguish or mental injury, including care, loss of services or death resulting from any of these at any time.
4. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".
5. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, by-laws or any similar governing document.
6. "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.
7. "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".

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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, 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.
9. "Occurrence" means:
- a. An accident, including continuous or repeated exposure to substantially the same general harmful conditions, that results in "bodily injury" or "property damage".
All damages arising from continuous or repeated exposure to substantially the same general conditions shall be deemed one "occurrence".
 - b. An offense that results in "personal injury" or "advertising injury". All damages that arise from the same act, publication or general conditions shall be deemed to arise from one "occurrence" regardless of:
 - (1) The frequency of repetition;
 - (2) The number or kind of media used; or
 - (3) The number of claimants.
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. 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, unless insurance coverage therefor is prohibited by law or statute.
11. "Products-completed operations hazard" means:
- a. 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

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- (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.
 - 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 or destruction of tangible property including all resulting loss of use. All such loss of use shall be deemed to occur at the time of the physical injury or destruction 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.
13. "Suit" means a civil proceeding in which money 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 money damages are claimed and to which you must submit or do submit with our consent;
 - b. Any other alternative dispute resolution proceeding in which such money damages are claimed and to which you submit with our consent; or
 - c. An appeal of a civil proceeding.
14. "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.
15. "Ultimate net loss" means the sum actually paid or payable in the settlement or satisfaction of the insured's legal obligation for damages, covered by this insurance, either by adjudication or compromise. "Ultimate net loss" does not include Defense and Supplementary Payments as described in SECTION I.C. of this policy.
16. "Underlying insurance" means the policies of insurance listed in the Schedule of Underlying Policies and the insurance available to the insured under all other insurance policies applicable to the "occurrence". "Underlying insurance" also includes any type of self-insurance or alternative method by which the insured arranges for funding of legal liabilities that affords coverage that this policy covers.
17. "Underlying limit" means the total of the applicable limits of all "underlying insurance" less the amount, if any, by which the applicable limit of the applicable policy listed in the Schedule of Underlying Policies has been reduced solely by payment of loss for an "occurrence" during the policy period.
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

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(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:

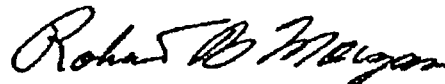
- a. Warranties or representations made at any time with respect to the fitness, quality, durability, performance or use of your work; and
b. The providing of or failure to provide warnings or instructions.

IN WITNESS WHEREOF, we have caused this policy to be signed by our Secretary and President at Cincinnati, Ohio and countersigned on the Declarations page by authorized agents of The Cincinnati Insurance Company, The Cincinnati Casualty Company and The Cincinnati Indemnity Company.

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company

The Cincinnati Insurance Company
The Cincinnati Indemnity Company


Secretary


President

The Cincinnati Casualty Company


President

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US 101 P 07 97

Page 14 of 15

BZH104348

ROA 1030

NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT

1. This insurance does not apply:
 - A. To any liability:
 - (1) With respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by 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. To any liability resulting from the "hazardous properties" of "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 injury or 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.
2. As used in this exclusion:
 - A. "Hazardous properties" include radioactive, toxic or explosive properties;
 - B. "Nuclear material" means "source material", "special nuclear material" or "by-product material";
 - C. "Source material", "special nuclear material" and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;
 - D. "Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor";
 - E. "Waste" means any waste material (a) containing "by-product material" other than the tailings or wastes produced by the 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" included under the first two paragraphs of the definition of "nuclear facility";
 - F. "Nuclear facility" means:
 - (1) Any "nuclear reactor";
 - (2) Any equipment or device designed or used for (a) separating the isotopes of uranium or plutonium, (b) processing or utilizing "spent fuel", or (c) handling, processing or packaging "waste";
 - (3) 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;
 - (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;
 - G. "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;
 - H. "Property damage" includes all forms of radioactive contamination of property.

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Page 15 of 15

BZH104349

1996 NOTICE TO POLICYHOLDERS COMMERCIAL UMBRELLA LIABILITY PROGRAM

BROADENINGS, RESTRICTIONS AND CLARIFICATION OF COVERAGE

This is a summary of the major changes found in the new editions of the Commercial Umbrella Liability Coverage Forms. NO COVERAGE IS PROVIDED BY THIS SUMMARY nor can it be construed to replace any provision of your policy. YOU SHOULD READ YOUR POLICY AND REVIEW YOUR DECLARATIONS PAGE for complete information on the coverages you are provided. If there is any conflict between the policy and this summary, THE PROVISIONS OF THE POLICY SHALL PREVAIL.

There are three versions of the Commercial Umbrella Liability Coverage Form, the Commercial Umbrella US 101P 01 96, the Professional Umbrella US 103P 01 96 and the Professional Umbrella - Claims Made US 106P 01 96.

The areas within the policy that broaden, reduce or clarify coverage are highlighted below. We have followed the policy sequence of provisions in setting out this material.

BROADENINGS OF COVERAGE

Defense and Supplementary Payments (SECTION I. C.) amended to include:

- \$3,000 for bail bonds
- Actual loss sustained for loss of earnings
- Pre-judgment interest

WHO IS AN INSURED (SECTION II.) amended to include Limited Liability Companies.

Definitions (SECTION V.) amended to include definitions of "employee" and "leased worker", thereby giving a "leased worker" the same status (both coverage and exclusions) under the Umbrella program as the traditional "employee".

RESTRICTIONS OF COVERAGE

Exclusions (SECTION I. B.) amended to include the following:

- The Asbestos Exclusion formerly added via form US 366 has been incorporated into the form.
- An Employer's Liability Limitation has been added, making the umbrella follow form to the "underlying insurance".
- An Employment-Related Practices exclusion has been added.
- The Excess Uninsured/Underinsured Motorists exclusion formerly added via form US 336 has been incorporated under the Laws exclusion in the form.
- The Pollutant Exclusion formerly added via endorsement has been incorporated into the form.
- A Non-Owned Auto Limitation has been added limiting coverage for the owners of non-owned autos to being follow form to the "underlying insurance".

WHO IS AN INSURED (SECTION II.) amended to exclude current or past un-named partnerships, joint ventures or limited liability companies.

CLARIFICATIONS OF COVERAGE

Definitions (SECTION V.) amended to include:

- A definition of a "suit", which includes alternative dispute resolution proceedings.
- A definition of a "temporary worker" in order to distinguish them from an "employee" or "leased worker".

**THE
CINCINNATI COMPANIES**

THE CINCINNATI INSURANCE COMPANY
THE CINCINNATI CASUALTY COMPANY

THE CINCINNATI INDEMNITY COMPANY
THE CINCINNATI LIFE INSURANCE COMPANY

P.O. BOX 145496
CINCINNATI, OHIO 45250-5496
(513) 870-2000

NOTICE TO POLICYHOLDERS

We are here to serve you...

As our policyholder, your satisfaction is very important to us. Should you have a valid claim, we fully expect to provide a fair settlement in a timely fashion. If you feel you are not being treated fairly, or if your claim is not being handled in a timely fashion, you may obtain assistance by contacting:

Customer Relations--Claims
The Cincinnati Companies
P.O. Box 145496
Cincinnati, OH 45250-5496
Phone (513) 870-2153

If you are not satisfied...

Should you feel you are not being treated fairly, we want you to know you may contact the Indiana Department of Insurance with your complaint and seek assistance from the governmental agency that regulates insurance.

To contact the Department, write or call:

Consumer Services Division
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, IN 46204-2787

Consumer Hotline: 1-800-622-4461

In the Indianapolis Area: 1-317-232-2395

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

INDIANA CHANGES - CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY
EXCESS LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE

The CANCELLATION Condition is replaced by the following:

a. Cancellation of Policies In Effect for 90 days or less

If this policy has been in effect for 90 days or less, we may cancel this policy 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;
- (2) 20 days before the effective date of cancellation if you have perpetrated a fraud or material misrepresentation on us;
- (3) 30 days before the effective date of cancellation if we cancel for any other reason.

b. Cancellation of Policies In Effect for More Than 90 Days

If this policy has been in effect for more than 90 days, or is a renewal of a policy we issued, we may cancel this policy, only for one or more of the reasons listed below, 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;
- (2) 20 days before the effective date of cancellation if you have perpetrated a fraud or material misrepresentation on us;
- (3) 45 days before the effective date of cancellation if:
 - (a) There has been a substantial change in the scale of risk covered by this policy; or
 - (b) Reinsurance of the risk associated with this policy has been cancelled.

B. The following is added and supersedes any provision to the contrary.

NONRENEWAL

1. If we elect not to renew this policy, we will mail or deliver to the first Named Insured written notice of nonrenewal at least 45 days before:
 - a. The expiration date of this policy, if the policy is written for a term of one year or less; or
 - b. The anniversary date of this policy, if the policy is written for a term of more than one year.
2. We will mail or deliver our notice to the first Named Insured's last mailing address known to us. If notice is mailed, proof of mailing will be sufficient proof of notice.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CONTRACTORS LIMITATIONS

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE

Exclusions (Section I.B.) is modified to add the following:

1. This policy does not apply to:
 - a. Any liability arising out of any project insured under a wrap-up or similar rating plan.
 - b. (1) Any liability arising out of the rendering of or failure to render any professional services by you or on your behalf, but only with respect to either or both of the following operations:
 - (a) Providing engineering, architectural or surveying services to others; and
 - (b) Providing, or hiring independent professionals to provide, engineering, architectural or surveying services in connection with construction work you perform.
 - (2) Subject to Paragraph (3) below, professional services include:
 - (a) The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders, or drawings and specifications; and
 - (b) Supervisory or inspection activities performed as part of any related architectural or engineering activities.
 - (3) To the extent coverage is provided by valid and collectible "underlying insurance" as listed in the Schedule of Underlying Policies, and then only for such hazards for which coverage is afforded by such "underlying insurance", professional services shall not include services within construction means, methods, techniques, sequences and procedures employed by you in connection with construction work you perform.
- c. "Property damage" to:
 - (1) Leased, rented, or borrowed equipment; or
 - (2) Property being transported, installed, erected, or worked upon by the insured or any contractors or subcontractors working directly or indirectly on your behalf.
2. The following exclusions apply unless insurance is provided to the insured by valid and collectible "underlying insurance" as listed in the Schedule of Underlying Policies, but only to the extent insurance is provided at the limits specified by such "underlying insurance" and subject to all its limitations and exclusions:

This policy does not apply to:

- a. "Property damage" arising out of (1) blasting or explosion other than the explosion of air or steam vessels, piping under pressure, prime movers, machinery or power transmitting equipment or, (2) the collapse of or structural injury to any building or structure due to (i) grading of land, excavating, burrowing, filling or backfilling, tunneling, pile driving, cofferdam work or caisson work, or (ii) moving, shoring, underpinning, raising, or demolition of any building or structure or removal or rebuilding of any structural support thereof.
- b. "Property damage" to wires, conduit, pipes, mains, sewers, tanks, tunnels or other similar property, or any apparatus in connection therewith, below the surface of the ground, if such "property damage" is caused by and occurs during the use of mechanical equipment for the purpose of grading of land, paving, excavating, drilling, burrowing, filling, backfilling, or pile driving.
- c. Any liability assumed under any contract.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION OF DESIGNATED PROFESSIONAL SERVICES

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE

Exclusions (SECTION I.B.) is modified to add the following:

This insurance does not apply to "bodily injury", "property damage", "personal injury", or "advertising injury" due to the rendering or failure to render any professional service shown in the schedule.

SCHEDULE

- 1.
- 2.
- 3.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

AUTO LIABILITY LIMITATION

This endorsement modifies insurance provided under the following:

**COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE**

Exclusions (SECTION I.B.) is modified to add the following:

This policy does not apply to "bodily injury" or "property damage" arising out of the ownership, maintenance, operation, use, loading, or unloading of any "auto", unless such liability is covered by valid and collectible "underlying insurance" as listed in the Schedule of Underlying Policies, and then only for such hazards for which coverage is afforded by such "underlying insurance".

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CARE, CUSTODY, OR CONTROL EXCLUSION

This endorsement modifies insurance provided under the following:

**COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE**

Exclusions (SECTION I.B.) is modified to add the following:

This policy does not apply to "property damage" to property of others in the care, custody or control of an insured.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

REAL ESTATE PROPERTY MANAGED EXCLUSION

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE

Exclusions (SECTION I.B.) is modified to add the following exclusion:

This policy does not apply to "property damage" to property you operate or manage or as to which you act as agent for the collection of rents or in any other supervisory capacity.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

REAL ESTATE OPERATIONS LIMITATION

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE

Exclusions (SECTION I.B.) is modified to add the following:

With respect to real estate operations, this insurance applies to only "bodily injury", "property damage", "personal injury" or "advertising injury" arising out of the ownership, operation, maintenance or use of:

1. Such part of any premises you use for general office purposes; and
2. Premises listed with you for sale or rental, if:
 - a. You do not own, operate, manage or rent the premises;
 - b. They are not in your care, custody, or control; or
 - c. You do not act as agent for the collection of rents or in any supervisory capacity.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LEAD LIABILITY EXCLUSION

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE

Exclusions (SECTION I.B.) is modified to add the following:

We will not cover you or anyone else for:

1. "Bodily injury", "property damage", "personal injury" or advertising injury" arising out of, resulting from, or in any way caused by or contributed to the actual, alleged or threatened ingestion, inhalation, absorption of, exposure to or presence of lead in any form emanating from any source.
2. Any loss, cost or expense arising out of, resulting from or in any way related to any:
 - a. Claim, suit, request, demand, directive, or order by or on behalf of any person, entity, or governmental authority that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify, neutralize, or in any way respond to, or assess the effects of lead in any form;
 - b. Claim or suit by or on behalf of any person, entity, or governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating or detoxifying or neutralizing, or in any way responding to, or assessing the effects of lead in any form.

We shall not be obligated to investigate, defend, or indemnify any insured or any person or entity claiming any right under the policy for the matters excluded in this endorsement.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

PRODUCTS - COMPLETED OPERATIONS HAZARD LIMITATION

This endorsement modifies insurance provided under the following:

**COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE**

Exclusions (SECTION I.B.) is modified to add the following:

This policy does not apply to "bodily injury" or "property damage" included in the "products-completed operations hazard", unless such coverage is provided by valid and collectible "underlying insurance" as listed in the Schedule of Underlying Policies, and then only for such hazards for which coverage is afforded by such "underlying insurance".

GENERAL CHANGE ENDORSEMENT

Attached to and forming part of Policy No. CCC 444 58 40

Issued to CROSSMAN COMMUNITIES, INC.

Effective Date of
Endorsement 07-01-1998 Agent MBAH INS. 13-728

LAFAYETTE, IN

Due at Endorsement Effective Date	Additional Premium	Return Premium
	NONE	

Subsequent ☐ Annual ☐ Semi ☐ Quarterly Installments ☐ Increased by ☐ Decreased by \$
Revised Install. Payment \$

It is agreed that the policy is amended as indicated by ☒

☒ Named Insured amended to:
SEE BELOW

☐ Mailing Address

☒
CROSSMAN COMMUNITIES, INC.
DELUXE HOMES, INC.
DELUXE HOMES OF LAFAYETTE, INC.
TRIMARK DEVELOPMENT, INC.
TRIMARK HOMES, INC.
DBA CROSSMAN COMMUNITIES PARTNERSHIP
MERIT REALTY, INC. (WHOLLY OWNED SUBSIDIARY)
DELUXE HOMES OF OHIO, INC. (WHOLLY OWNED SUBSIDIARY)
DBA DELUXE HOMES OF COLUMBUS (WHOLLY OWNED SUBSIDIARY)
CROSSMANN MORTGAGE CORPORATION (WHOLLY OWNED SUBSIDIARY)
CROSSMANN COMMUNITIES OF OHIO, INC. (WHOLLY OWNED SUBSIDIARY)
CUTTER HOMES LTD.
ASHLEY COMMONS CONDOMINIUM ASSOCIATION
COTTAGES AT MEADOWVIEW COUNCIL OF CO-OWNERS, INC.
CROSSMAN COMMUNITIES, INC. AND ALL OF ITS SUBSIDIARIES:
FINANCIALLY CONTROLLED ORGANIZATIONS; AND JOINT-VENTURES
RELATED TO HOME BUILDING OR LAND DEVELOPMENT: NOW EXISTING,
PREVIOUSLY EXISTING, OR HEREAFTER ACQUIRED OR CREATED, AND
FOR WHICH COVERAGE IS NOT OTHERWISE MORE SPECIFICALLY
PROVIDED IN WHICH THE NAMED INSURED HAS AN OWNERSHIP INTEREST.

10-21-1998 JMK

US 460 (12/90)

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

BZH104361

ROA 1043

GENERAL CHANGE ENDORSEMENT

Attached to and forming part of Policy No. CCC 444 58 40

Issued to CROSSMAN COMMUNITIES INC.

Effective Date of
Endorsement 10-15-1998 Agent MBAH INS. 13-728

LAFAYETTE, IN

Due at Endorsement Effective Date	Additional Premium	Return Premium
	NONE	

Subsequent ☐ Annual ☐ Semi ☐ Quarterly Installments ☐ Increased by ☐ Decreased by \$
Revised Install. Payment \$

It is agreed that the policy is amended as indicated by ☒

☐ Named Insured amended to:

☐ Mailing Address

☒ AMENDING SCHEDULE A ON USC504 & US511 PART (a), (b), & (c) TO READ:

(a) HANOVER INSURANCE CO.
WHI5260803
08-29-1998 TO 1999

(b) HANOVER INSURANCE CO.
ZDI5260801
08-29-1998 TO 1999

(c) HANOVER INSURANCE CO.
ADI5260802
08-29-1998 TO 1999

AMENDING SCHEDULE A ON USC504 & US511 PART (d) TO DELETE
INDIANA INS.
42-179-108

10-21-1998 JMK

US 460 (12/90)

ALL OTHER TERMS AND CONDITIONS REMAIN UNCHANGED

BZH104362

ROA 1044

CLB PMS OCT 27 1998

KG REC'D
OCT 23 1998
DATA ENTRY

RECEIVED
MAY 27 1993
DATA ENTRY

THE CINCINNATI INSURANCE COMPANY

P.O. BOX 145496, CINCINNATI, OHIO 45250-5496
(513) 870-2000

COMMERCIAL UMBRELLA LIABILITY POLICY DECLARATIONS

RENEWAL OF CCC 444 58 40

Item	DECLARATIONS	POLICY NUMBER	CCC 444 58 40
1.	CROSSMANN COMMUNITIES, INC. (REFER TO NAMED INSURED ENDORSEMENT IA450A) 9210 N. MERIDIAN STREET INDIANAPOLIS, IN 46260	NAMED INSURED ADDRESS	
2.	From: 07-01-2001 To: 07-01-2002 MBAH INS. 13-728 LAFAYETTE, IN	Policy Period	12:01 A.M. STANDARD TIME AT THE ADDRESS OF THE NAMED INSURED AS STATED HEREIN AGENCY
3.	LIMITS OF INSURANCE \$ 10,000,000 Each Occurrence Limit	\$ 10,000,000 Aggregate Limit	
4.	PREMIUM is payable ☐ Annually ☐ Semi-annually ☒ Quarterly as follows Advance Premium \$ 13,410 (includes installment charge \$ 5) Each Subsequent Installment \$ 13,410 (includes installment charge \$ 5) Applicable to Premium, if box is checked: ☐ Subject to Annual Adjustment ☐ Subject to Audit (see Endorsement for Rating Basis)		
5.	Form Numbers of the Policy and Endorsements forming a part of the policy at issue: US511 05/90 IA450A 11/87 US101P 07/97 MI1371 10/95 US455IN 01/96 IA4123 11/95 US324 11/96 UA302 01/96 US306 01/96 US334 01/96 US341 01/96 US395 01/96		

SCHEDULE A-SCHEDULE OF UNDERLYING POLICIES

Insurer, Policy Number & Period	Type of Policy	Applicable Limits
(a) HOOSIER INS. CO. TO BE DETERMINED 01-01-2001 TO 2002	Employer's Liability	Employer's Liability Bodily Injury By Accident Each Accident Bodily Injury By Disease Each Employee Bodily Injury By Disease Policy Limit
	\$ 500,000	
	\$ 500,000	
	\$ 500,000	
(b) HOOSIER INS. CO. TO BE DETERMINED 01-01-2001 TO 2002	Commercial General Liability including ☒ products-completed operations coverage	Bodily Injury and Property Damage Liability each occurrence limit general aggregate limit (other than products- completed operations) products-completed operations aggregate limit
	\$ 1,000,000	
	\$ 2,000,000	
	\$ 2,000,000	
	\$ 1,000,000	Personal Injury and Advertising Injury Limit
(c) HOOSIER INS. CO. TO BE DETERMINED 01-01-2001 TO 2002	Automobile Liability including ☒ owned automobiles ☒ non-owned automobiles ☒ hired automobiles	Bodily Injury Liability each person each occurrence Property Damage Liability each occurrence or Bodily Injury Liability and/or Property Damage Liability of Both Combined each occurrence
	\$	
	\$	
	\$	
	\$ 1,000,000	

RETURN THIS DECLARATION TO COMPANY IF CANCELLED

Countersigned by

Authorized Representative

10-05-2001 JMK

USC504 01 96

ORIGINAL

ROA 1045

PLAINTIFF'S
EXHIBIT

Reiders 10
Dec 3-24-05

NAMED INSURED: CROSSMANN COMMUNITIES, INC.
EFFECTIVE DATE 07-01-2001

ADDITIONAL SCHEDULE A--SCHEDULE OF UNDERLYING POLICIES Issued to Form a Part of Policy
No. CCC 444 58 40

Carrier, Policy Number & Period	Type of Policy	Applicable Limits
(d) HOOSIER INS. CO. TO BE DETERMINED 01-01-2001 TO 2002	EMPLOYEE BENEFIT LIABILITY	500,000 EACH CLAIM 500,000 AGGREGATE

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY

NAMED INSURED ENDORSEMENT

CROSSMANN COMMUNITIES, INC. AND ALL OF ITS SUBSIDIARIES, FINANCIALLY CONTROLLED ORGANIZATIONS, AND JOINT VENTURES PROVIDED THAT THESE ENTITIES' PRIMARY BUSINESS PURPOSE IS HOME, APARTMENT AND CONDOMINIUM BUILDING AND/OR LAND DEVELOPMENT

THE APPLIES TO ENTITIES NOW EXISTING, PREVIOUSLY EXISTING, OR HEREAFTER ACQUIRED OR CREATED, IN WHICH CROSSMANN HAS AN OWNERSHIP INTEREST, AND FOR WHICH COVERAGE NOT OTHERWISE MORE SPECIFICALLY PROVIDED. THIS IS SUBJECT TO THE PROVISION THAT COVERAGE A DOES NOT APPLY TO BODILY INJURY OR PROPERTY DAMAGE THAT OCCURRED BEFORE YOU ACQUIRED OR FORMED THE ORGANIZATION; AND COVERAGE B DOES NOT APPLY TO PERSONAL INJURY OR ADVERTISING INJURY ARISING OUT OF AN OFFENSE COMMITTED BEFORE YOU ACQUIRED OR FORMED THE ORGANIZATION

IA 450 11 87 A

COMMERCIAL UMBRELLA LIABILITY POLICY

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).

In return for the payment of premium, and subject to all the terms of this policy, we agree with you to provide the insurance as stated in this policy.

SECTION I - COVERAGES

A. Insuring Agreement

We will pay on behalf of the insured the "ultimate net loss" which the insured is legally obligated to pay as damages in excess of the "underlying insurance" or for an "occurrence" covered by this policy which is either excluded or not covered by "underlying insurance" because of:

1. "Bodily injury" or "property damage" covered by this policy occurring during the policy period and caused by an "occurrence"; or
2. "Personal Injury" or "advertising injury" covered by this policy committed during the policy period and caused by an "occurrence".

This coverage applies anywhere.

The amount we will pay is limited as described in Limits of Insurance (Section III).

No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Defense and Supplementary Payments.

B. Exclusions

This policy does not apply to:

1. Asbestos

Any liability arising out of, attributable to or any way related to asbestos in any form or transmitted in any manner.

2. Breach of Contract, Failure to Perform, Wrong Description

"Advertising injury" arising out of:

- a. Breach of contract, other than misappropriation of advertising ideas under an implied contract;
- b. The failure of goods, products or services to conform with advertised quality or performance; or
- c. The wrong description of the price of goods, products or services.

3. 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:

- a. A defect, deficiency, inadequacy or dangerous condition in "your product" or "your work"; or

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- b. 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.

4. Damage to Property

"Property damage" to property owned by any insured.

5. Damage to Your Product

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

6. 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.

7. Employer's Liability Limitation

"Bodily injury" or "personal injury" to:

- a. An "employee" of the insured arising out of and in the course of employment by the insured or performing duties related to the conduct of the insured's business; or
- b. The spouse, child, parent, brother or sister of that "employee" as a consequence of a. 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 when such insurance is provided by a valid and collectible policy listed in the Schedule of Underlying Policies, or would have been provided by such listed policy except for the exhaustion by payment of claims of its limits of insurance, and then only for such hazards for which coverage is provided by such "underlying insurance".

8. Employment-Related Practices

"Bodily injury" or "personal injury" to:

- a. A person arising out of any:
 - (1) Refusal to employ that person;
 - (2) Termination of that person's employment; or
 - (3) Other employment-related practices, policies, acts or omissions including but not limited to coercion, criticism, demotion, evaluation, failure to promote, reassignment, discipline, defamation, harassment, humiliation or discrimination directed at that person; or
- b. The spouse, child, parent, brother or sister of that person as a consequence of "bodily injury" or "personal injury" to that person at whom any of the employment-related practices described in Paragraphs (1), (2), or (3) above is directed.

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.

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9. Expected or Intended Injury

"Bodily injury" or "property damage" which may reasonably be expected to result from the intentional or criminal acts of the insured or which is in fact expected or intended by the insured even if the injury or damage is of a different degree or type than actually intended or expected.

This exclusion does not apply to "bodily injury" resulting from the use of reasonable force to protect persons or property.

10. Falsity, Prior Publication, Willful Violation

"Advertising injury" or "personal injury" arising out of:

- a. Oral or written publication of material if done by or at the direction of the insured with knowledge of its falsity;
- b. Oral or written publication of material whose first publication took place before the beginning of the policy period; or
- c. The willful violation of a penal statute or ordinance committed by or with the consent of the insured.

11. Laws

Any liability or obligation of the insured under any of the following laws:

- a. Any workers' compensation, unemployment compensation, disability benefits 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", or
- b. Any uninsured motorist, underinsured motorist, automobile no-fault or first party personal injury law.

12. Non-Owned Auto Limitation

Any liability of the owner or anyone else, except "executive officers" and owners of insured organizations, arising out of the ownership, maintenance or use of any "auto" which you do not own, unless such coverage is provided by a valid and collectible policy listed in the Schedule of Underlying Policies, and then only for such hazards for which coverage is provided by such "underlying insurance".

13. Pollutant

- a. Any liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:

(1) That are, or that are contained in any property that is:

- (a) Being transported or towed by, handled, or handled for movement into, onto or from, the "auto";
- (b) Otherwise in the course of transit by or on behalf of the insured; or
- (c) Being stored, disposed of, treated or processed in or upon the "auto";

(2) 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

(3) 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) 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 (2) and (3) 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:

- (a) 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
 - (b) The discharge, dispersal, seepage, migration, release or escape of the pollutants is caused directly by such upset, overturn or damage.
- b. Any liability arising out of the actual, alleged or threatened discharge, dispersal, seepage, migration, release or escape of pollutants:
- (1) 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;
 - (2) 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;
 - (3) 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
 - (4) 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:
 - (a) 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
 - (b) 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 (1) and (4) (a) 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.

- 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.
- d. Any liability caused by pollutants excluded by "underlying insurance".

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.

Exclusion 13. applies to every injury to person or property caused directly or indirectly by pollutants regardless of whether:

- a. The insured is regularly or otherwise engaged in activities that taint or degrade the environment; or
- b. The insured uses, generates or produces the pollutant.

14. Recall of Products, Work or Impaired Property

Any liability or 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:

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- a. "Your product";
- b. "Your work"; or
- c. "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.

15. 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. This exclusion does not apply with respect to "occurrences" taking place in the United States of America, its territories or possessions, or Canada.

C. Defense and Supplementary Payments

1. We have the right and duty to defend any claim or "suit" against the insured for damages covered by this policy, even if the allegations are groundless, false, or fraudulent, when:
 - a. The applicable limits of the "underlying insurance" and any other insurance have been exhausted by payment of claims; or
 - b. Damages are sought for "bodily injury", "property damage", "personal injury" or "advertising injury" which are not covered by "underlying insurance" or other insurance.
2. When we have the duty to defend we will pay all expenses we incur in addition to the applicable limits of insurance.

Our right and duty to defend ends when the applicable limits of insurance as stated in the Declarations has been exhausted by payment of claims.
3. We have no duty to investigate, settle or defend any claim or "suit" other than those circumstances described in Paragraph C.1. However, we do have the right to participate in the investigation, settlement or defense of any claim or "suit" for which coverage may be afforded by this policy. If we exercise this right, we will do so at our expense.
4. If there is no underlying insurer obligated to do so we will pay the following when we provide a defense:
 - a. All expenses we incur.
 - b. The cost of bail bonds up to \$3,000. We do not have to furnish these bonds.
 - c. The cost of bonds to appeal a judgment or award in any claim or "suit" we defend and the cost of bonds to release attachments, but only for bond amounts within the applicable limits of insurance. We do not have to furnish these bonds.
 - d. Reasonable expenses incurred by the insured at our request to assist us in the investigation of defense of the claim or "suit", including the actual loss of earnings.
 - e. All costs taxed against the insured in the "suit".

These payments will not reduce the limits of insurance.

5. If there is no underlying insurer obligated to do so we will pay the following for an "occurrence" to which this insurance applies even if we have no duty to provide a defense:
 - a. Prejudgment interest awarded against the insured on that part of the judgment we become obligated to pay. If we make an offer to pay the applicable limits of insurance, we will not pay any prejudgment interest based on that period of time after the offer.

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- b. All interest awarded against the insured on that amount of any judgment which we become obligated to pay that accrues after entry of the judgment and before we have paid, offered to pay or deposited in court the part of the judgment which we are obligated to pay and that is within the applicable limits of insurance.

These payments will not reduce the limits of insurance.

- 6. If we are prevented by law or otherwise from carrying out any of the provisions of Section C. Defense and Supplementary Payments, we will pay any expense incurred with our written 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, 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. Each of the following is also an insured:
 - (1) Any subsidiary company of such organization, including any subsidiary company thereof:
 - (a) Existing at the effective date of this policy; or
 - (b) Acquired during the policy period.
 - (2) Any other company 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.
- 2. Each of the following is also an insured:
 - a. Any "executive officer", director, "employee" or stockholder of yours while acting within the scope of their duties as such.
 - b. Any person, organization, trustee or estate with respect to which you are obligated by written contract to provide insurance such as is afforded by this policy, but only with respect to operations by or on behalf of you or property owned or used by you.
 - c. Any person or organization while acting as your real estate manager.
 - 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.
 - f. At your option and subject to the terms of the coverage of this insurance, any additional insureds covered in the "underlying insurance" listed in the Schedule of Underlying Policies, but only to the extent that insurance is provided for such additional insureds thereunder.

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

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1. The Limits of Insurance shown in the Declarations and the rules below are 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"; or
 - b. Because of "bodily injury" by disease sustained by your "employees" arising out of and in the course of their employment by you.

The Aggregate Limit applies separately to a. and b.
3. Subject to limits described in 2. above the Each Occurrence Limit is the most we will pay for the "ultimate net loss":
 - a. In excess of the applicable limits of "underlying insurance"; or
 - b. If an "occurrence" is not covered by "underlying insurance", but covered by the terms and conditions of this policy because of all "bodily injury", "property damage", "personal injury" or "advertising injury" arising out of any one "occurrence".

We will not pay more than the Limits of Insurance shown in the Declarations for each "occurrence" because any Personal Umbrella Liability Endorsement(s) is attached to and forms a part of this policy.
4. Subject to limits described in 2. and 3. above and to the terms and conditions of the "underlying insurance":
 - a. If the limits of "underlying insurance" have been reduced by payment of claims, this policy will continue in force as excess of the reduced "underlying insurance"; or
 - b. If the limits of "underlying insurance" have been exhausted by payment of claims, this policy will continue in force as "underlying insurance".
5. The Limits of Insurance 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.

SECTION IV - CONDITIONS

1. Appeals

If the insured or any insurer who provides the applicable "underlying insurance" elects not to appeal a judgment which exceeds the "underlying limit", we may elect to do so at our own expense. We shall be liable for the taxable costs and disbursements and interest incidental thereto, but in no event shall this provision increase our liability beyond our applicable limits of liability for all "ultimate net loss" plus the expense of such appeal.

2. Audit

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

3. Bankruptcy

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

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4. Cancellation

- a. The first Named Insured shown in the Declarations may cancel this policy by mailing to us written notice stating when thereafter the cancellation shall be effective.
- b. We may cancel this policy 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. Our notice of cancellation will be mailed to the first Named Insured's last mailing address known to us and will indicate the date on which coverage is terminated. The policy period will end on that date. The cancellation will be effective for all insureds.
- d. If we cancel, the return premium will be computed pro rata. If the first Named Insured cancels, the return premium will be computed at 90% of pro rata. The cancellation will be effective even if we have not made or offered a refund.
- e. If the notice is mailed, proof of mailing will be sufficient proof of notice.

5. Changes

This policy contains all the agreements between you and us concerning this policy. 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 a written endorsement issued to form a part of this policy, signed by our duly authorized representative.

6. Duties In The Event of Occurrence, Claim or Suit

- a. You must see to it that we are notified as soon as practicable of an "occurrence" which may result in a claim or "suit". To the extent possible, notice should include:

- (1) How, when and where the "occurrence" 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".

This requirement applies only when the "occurrence" 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; or
- (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 that is likely to involve this policy, 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 or manager, if you are a limited liability company; or

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- (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"; 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 their own cost, voluntarily make a payment, assume any obligation, or incur any expense, other than for first aid, without our consent.

7. First Named Insured

The person or organization first named in Item 1 of the Declarations will act on behalf of all other insureds where indicated in this policy.

8. 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. And we do not warrant that conditions:

- a. Are safe or healthful; or
- b. 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.

9. Legal Action Against Us and Loss Payments

- a. No legal action may be brought against us unless there has been full compliance with all the terms of this policy nor until the amount of the insured's obligation to pay has been finally determined as provided below. No person or organization has any right under this policy to bring us into any action to determine the liability of the insured.
- b. We shall be liable for payment of the "ultimate net loss" for any "occurrence" to which this policy applies:
 - (1) For "occurrences" not covered by "underlying insurance"; or
 - (2) In excess of the "underlying limit" applicable to the "occurrence" only after the insurers who provide the applicable "underlying insurance" have paid or become obligated to pay the amount of the "underlying limit" applicable to the "occurrence".

Our payment will be made following final determination of the amount of the insured's obligation to pay either by final judgment against the insured or by written agreement with the insured, the claimant, the underlying insurers and us.

10. Maintenance of Underlying Insurance

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While this policy is in effect, the insured shall maintain in force the "underlying insurance" listed in the Schedule of Underlying Policies as collectible 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 in the aggregate limits of insurance due to payment of claims. In the event you fail or neglect to maintain "underlying insurance" as required, this policy will apply as though such "underlying insurance" was in force and collectible at the time of the "occurrence".

The limits of "underlying insurance" shall be deemed applicable regardless of any defense which the insurer who provides the "underlying insurance" may assert because of the insured's failure to comply with any Condition of the policy or the inability of the insurer to pay by reason of bankruptcy or insolvency.

11. Other Insurance

The insurance provided by this policy is excess over any other valid and collectible insurance, other than insurance written specifically to be excess over this insurance, and shall not be contributory.

12. Premium

The premium for this policy shall be as stated in the Declarations. The advance and anniversary premiums are not subject to adjustment except as stated in the Declarations, or as stated in an endorsement issued by us to form a part of this policy.

You shall maintain records of such information as is necessary for premium computation, and shall send copies of such records to us at the end of the policy period and at such times during the policy period as we may direct.

13. Representations

By acceptance of this policy, you agree that the statements in the Declarations are your agreements and representations, that this policy is issued in reliance upon the truth of such representations and that this policy embodies all agreements existing between you and the company or any of our agents relating to this insurance.

14. 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 claim is made or "suit" is brought.

15. Transfer of Rights of Recovery Against Others to Us

- a. 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.
- b. Any recoveries shall be applied as follows:
 - (1) First, we will reimburse anyone, including the insured, the amounts actually paid by them that were in excess of our payments;
 - (2) Next, we will be reimbursed to the extent of our actual payment; and
 - (3) Lastly, we will reimburse anyone, including the insured, as to which this policy is in excess are entitled to the residue, if any.

Expenses incurred in the recovery shall be apportioned among all interests in the ratio of their respective recoveries as finally settled. If there is no recovery as a result of our attempts, we shall bear all of the recovery expenses.

16. Transfer of Your Rights and Duties Under this Policy

Your rights and duties under this policy may not be transferred without our written consent.

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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 committed in the course of advertising your goods, products or services:
 - 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.

Advertising means an advertisement, publicity article, broadcast or telecast.

2. "Auto" means a land motor vehicle, trailer or semi-trailer designed for travel on public roads, including any attached machinery or equipment. "Auto" also means self-propelled vehicles with the following types of permanently attached equipment:
 - a. Equipment designed primarily for:
 - (1) Snow removal;
 - (2) Road maintenance, but not construction or resurfacing; or
 - (3) Street cleaning;
 - b. Cherry pickers and similar devices mounted on automobile or truck chassis and used to raise or lower workers; and
 - c. Air compressors, pumps and generators, including spraying, welding, building cleaning, geophysical exploration, lighting and well-servicing equipment.

"Auto" does not include "mobile equipment".

3. "Bodily injury" means bodily harm or injury, sickness, disease, disability, humiliation, shock, fright, mental anguish or mental injury, including care, loss of services or death resulting from any of these at any time.
4. "Employee" includes a "leased worker". "Employee" does not include a "temporary worker".
5. "Executive officer" means a person holding any of the officer positions created by your charter, constitution, by-laws or any similar governing document.
6. "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.
7. "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".

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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, 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.
9. "Occurrence" means:
- a. An accident, including continuous or repeated exposure to substantially the same general harmful conditions, that results in "bodily injury" or "property damage".
All damages arising from continuous or repeated exposure to substantially the same general conditions shall be deemed one "occurrence".
 - b. An offense that results in "personal injury" or "advertising injury". All damages that arise from the same act, publication or general conditions shall be deemed to arise from one "occurrence" regardless of:
 - (1) The frequency of repetition;
 - (2) The number or kind of media used; or
 - (3) The number of claimants.
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. 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, unless insurance coverage therefor is prohibited by law or statute.
11. "Products-completed operations hazard" means:
- a. 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.
- 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 or destruction of tangible property including all resulting loss of use. All such loss of use shall be deemed to occur at the time of the physical injury or destruction 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.
- 13. "Suit" means a civil proceeding in which money 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 money damages are claimed and to which you must submit or do submit with our consent;
 - b. Any other alternative dispute resolution proceeding in which such money damages are claimed and to which you submit with our consent; or
 - c. An appeal of a civil proceeding.
- 14. "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.
- 15. "Ultimate net loss" means the sum actually paid or payable in the settlement or satisfaction of the insured's legal obligation for damages, covered by this insurance, either by adjudication or compromise. "Ultimate net loss" does not include Defense and Supplementary Payments as described in SECTION I.C. of this policy.
- 16. "Underlying insurance" means the policies of insurance listed in the Schedule of Underlying Policies and the insurance available to the insured under all other insurance policies applicable to the "occurrence". "Underlying insurance" also includes any type of self-insurance or alternative method by which the insured arranges for funding of legal liabilities that affords coverage that this policy covers.
- 17. "Underlying limit" means the total of the applicable limits of all "underlying insurance" less the amount, if any, by which the applicable limit of the applicable policy listed in the Schedule of Underlying Policies has been reduced solely by payment of loss for an "occurrence" during the policy period.
- 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

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(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.

IN WITNESS WHEREOF, we have caused this policy to be signed by our Secretary and President at Cincinnati, Ohio and countersigned on the Declarations page by authorized agents of The Cincinnati Insurance Company, The Cincinnati Casualty Company and The Cincinnati Indemnity Company.

The Cincinnati Insurance Company
The Cincinnati Casualty Company
The Cincinnati Indemnity Company

The Cincinnati Insurance Company
The Cincinnati Indemnity Company

J. F. Elchynski
Secretary

Robert B. Morgan
President

The Cincinnati Casualty Company

Samuel R. Allen
President

NUCLEAR ENERGY LIABILITY EXCLUSION ENDORSEMENT

1. This insurance does not apply:

A. To any liability:

- (1) With respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by 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. To any liability resulting from the "hazardous properties" of "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 injury or 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.

2. As used in this exclusion:

- A. "Hazardous properties" include radioactive, toxic or explosive properties;
- B. "Nuclear material" means "source material", "special nuclear material" or "by-product material";
- C. "Source material", "special nuclear material" and "by-product material" have the meanings given them in the Atomic Energy Act of 1954 or in any law amendatory thereof;
- D. "Spent fuel" means any fuel element or fuel component, solid or liquid, which has been used or exposed to radiation in a "nuclear reactor";
- E. "Waste" means any waste material (a) containing "by-product material" other than the tailings or wastes produced by the 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" included under the first two paragraphs of the definition of "nuclear facility".
- F. "Nuclear facility" means:
 - (1) Any "nuclear reactor";
 - (2) Any equipment or device designed or used for (a) separating the isotopes of uranium or plutonium, (b) processing or utilizing "spent fuel", or (c) handling, processing or packaging "waste";
 - (3) 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;
 - (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;
- G. "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;
- H. "Property damage" includes all forms of radioactive contamination of property.

C



THE CINCINNATI COMPANIES

THE CINCINNATI INSURANCE COMPANY
THE CINCINNATI CASUALTY COMPANY

THE CINCINNATI INDEMNITY COMPANY
THE CINCINNATI LIFE INSURANCE COMPANY

P.O. BOX 145496
CINCINNATI, OHIO 45250-5496
(513) 870-2000

NOTICE TO POLICYHOLDERS

We are here to serve you...

As our policyholder, your satisfaction is very important to us. Should you have a valid claim, we fully expect to provide a fair settlement in a timely fashion. If you feel you are not being treated fairly, or if your claim is not being handled in a timely fashion, you may obtain assistance by contacting:

Customer Relations—Claims
The Cincinnati Companies
P.O. Box 145496
Cincinnati, OH 45250-5496
Phone (513) 870-2153

If you are not satisfied...

Should you feel you are not being treated fairly, we want you to know you may contact the Indiana Department of Insurance with your complaint and seek assistance from the governmental agency that regulates insurance.

To contact the Department, write or call:

Consumer Services Division
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, IN 46204-2787

Consumer Hotline: 1-800-622-4461

In the Indianapolis Area: 1-317-232-2395

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

INDIANA CHANGES - CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY
EXCESS LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE

The CANCELLATION Condition is replaced by the following:

a. Cancellation of Policies In Effect for 90 days or less

If this policy has been in effect for 90 days or less, we may cancel this policy 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;
- (2) 20 days before the effective date of cancellation if you have perpetrated a fraud or material misrepresentation on us;
- (3) 30 days before the effective date of cancellation if we cancel for any other reason.

b. Cancellation of Policies in Effect for More Than 90 Days

If this policy has been in effect for more than 90 days, or is a renewal of a policy we issued, we may cancel this policy, only for one or more of the reasons listed below, 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;
- (2) 20 days before the effective date of cancellation if you have perpetrated a fraud or material misrepresentation on us;
- (3) 45 days before the effective date of cancellation if:
 - (a) There has been a substantial change in the scale of risk covered by this policy; or
 - (b) Reinsurance of the risk associated with this policy has been cancelled.

B. The following is added and supersedes any provision to the contrary.

NONRENEWAL

1. If we elect not to renew this policy, we will mail or deliver to the first Named Insured written notice of nonrenewal at least 45 days before:
 - a. The expiration date of this policy, if the policy is written for a term of one year or less; or
 - b. The anniversary date of this policy, if the policy is written for a term of more than one year.
2. We will mail or deliver our notice to the first Named Insured's last mailing address known to us. If notice is mailed, proof of mailing will be sufficient proof of notice.

NOTICE TO POLICYHOLDERS EXCLUSION - LEAD LIABILITY

This is a notice of a change in your policy. NO COVERAGE IS PROVIDED BY THIS NOTICE nor can it be construed to replace any provisions of your policy. YOU SHOULD READ YOUR POLICY AND REVIEW YOUR DECLARATIONS PAGE for complete information on the coverage you are provided. If there is any conflict between the policy and this notice, THE PROVISIONS OF THE POLICY SHALL PREVAIL.

Your renewal policy contains a Lead Liability Exclusion. This endorsement excludes all liability coverage arising out of the exposure to or presence of lead in any form.

You should be aware that the ingestion of lead paint by young children can potentially result in serious brain damage. The lead paint health hazard can be reduced by sealing or removing the lead paint. We suggest you take action as soon as possible to identify and make safe any lead hazards at your expense to protect yourself from future claims due to lead contamination.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

CONTRACTORS LIMITATIONS

This endorsement modifies insurance provided under the following:

**COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE**

Exclusions (Section I.B.) is modified to add the following:

1. This policy does not apply to:
 - a. Any liability arising out of any project insured under a wrap-up or similar rating plan.
 - b. (1) Any liability arising out of the rendering of or failure to render any professional services by you or on your behalf, but only with respect to either or both of the following operations:
 - (a) Providing engineering, architectural or surveying services to others; and
 - (b) Providing, or hiring independent professionals to provide, engineering, architectural or surveying services in connection with construction work you perform.
 - (2) Subject to Paragraph (3) below, professional services include:
 - (a) The preparing, approving, or failing to prepare or approve, maps, shop drawings, opinions, reports, surveys, field orders, change orders, or drawings and specifications; and
 - (b) Supervisory or inspection activities performed as part of any related architectural or engineering activities.
 - (3) To the extent coverage is provided by valid and collectible "underlying insurance" as listed in the Schedule of Underlying Policies, and then only for such hazards for which coverage is afforded by such "underlying insurance", professional services shall not include services within construction means, methods, techniques, sequences and procedures employed by you in connection with construction work you perform.
 - c. "Property damage" to:
 - (1) Leased, rented, or borrowed equipment; or
 - (2) Property being transported, installed, erected, or worked upon by the insured or any contractors or subcontractors working directly or indirectly on your behalf.
2. The following exclusions apply unless insurance is provided to the insured by valid and collectible "underlying insurance" as listed in the Schedule of Underlying Policies, but only to the extent insurance is provided at the limits specified by such "underlying insurance" and subject to all its limitations and exclusions:

This policy does not apply to:

- a. "Property damage" arising out of (1) blasting or explosion other than the explosion of air or steam vessels, piping under pressure, prime movers, machinery or power transmitting equipment or, (2) the collapse of or structural injury to any building or structure due to (I) grading of land, excavating, burrowing, filling or backfilling, tunneling, pile driving, cofferdam work or caisson work, or (II) moving, shoring, underpinning, raising, or demolition of any building or structure or removal or rebuilding of any structural support thereof.
- b. "Property damage" to wires, conduit, pipes, mains, sewers, tanks, tunnels or other similar property, or any apparatus in connection therewith, below the surface of the ground, if such "property damage" is caused by and occurs during the use of mechanical equipment for the purpose of grading of land, paving, excavating, drilling, burrowing, filling, backfilling, or pile driving.
- c. Any liability assumed under any contract.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION OF DESIGNATED PROFESSIONAL SERVICES

This endorsement modifies insurance provided under the following:

**COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE**

Exclusions (SECTION I.B.) is modified to add the following:

This insurance does not apply to "bodily injury", "property damage", "personal injury", or "advertising injury" due to the rendering or failure to render any professional service shown in the schedule.

SCHEDULE

1. **REAL ESTATE E & O**
- 2.
- 3.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

AUTO LIABILITY LIMITATION

This endorsement modifies insurance provided under the following:

**COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE**

Exclusions (SECTION I.B.) is modified to add the following:

This policy does not apply to "bodily injury" or "property damage" arising out of the ownership, maintenance, operation, use, loading, or unloading of any "auto", unless such liability is covered by valid and collectible "underlying insurance" as listed in the Schedule of Underlying Policies, and then only for such hazards for which coverage is afforded by such "underlying insurance".

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

AIRCRAFT LIABILITY EXCLUSION

This endorsement modifies insurance provided under the following:

**COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE**

Exclusions (SECTION I.B.) is modified to add the following exclusion:

This policy does not apply to any liability arising out of the ownership, maintenance, use, loading, or unloading of any aircraft owned, used, rented or chartered by any insured.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

REAL ESTATE PROPERTY MANAGED EXCLUSION

This endorsement modifies insurance provided under the following:

**COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE**

Exclusions (SECTION I.B.) is modified to add the following exclusion:

This policy does not apply to "property damage" to property you operate or manage or as to which you act as agent for the collection of rents or in any other supervisory capacity.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LEAD LIABILITY EXCLUSION

This endorsement modifies insurance provided under the following:

COMMERCIAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY
PROFESSIONAL UMBRELLA LIABILITY POLICY - CLAIMS MADE

Exclusions (SECTION I.B.) is modified to add the following:

We will not cover you or anyone else for:

1. "Bodily injury", "property damage", "personal injury" or advertising injury" arising out of, resulting from, or in any way caused by or contributed to the actual, alleged or threatened ingestion, inhalation, absorption of, exposure to or presence of lead in any form emanating from any source.
2. Any loss, cost or expense arising out of, resulting from or in any way related to any:
 - a. Claim, suit, request, demand, directive, or order by or on behalf of any person, entity, or governmental authority that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify, neutralize, or in any way respond to, or assess the effects of lead in any form;
 - b. Claim or suit by or on behalf of any person, entity, or governmental authority for damages because of testing for, monitoring, cleaning up, removing, containing, treating or detoxifying or neutralizing, or in any way responding to, or assessing the effects of lead in any form.

We shall not be obligated to investigate, defend, or indemnify any insured or any person or entity claiming any right under the policy for the matters excluded in this endorsement.

*** BD2 ***

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID
NEW BUSINESS		AGENCY BILL	
RISK NEW 07/29/93	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438		*****
	PINEHURST BUILDERS INC PINEHURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467	GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577	* BILLING METHOD *AGENCY BILLED*
	07/29/93 TO 07/29/94	39-0270	* DEPOSIT AMOUNT
	*****		* ISSUE DATE 10/22/93
	* COINSURANCE CONTRACT *		* TRANS EFFECTIVE DATE 07/29/93
	*****		* LAST TRANSACTION NEW BUSINESS
LEGAL STATUS: CORPORATION			* ENDORSEMENT NUM 00
BUSINESS: BUILDING CONTRACTOR			* TERM/ACTIVITY 01/01
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,627.00			* STATUS ACTIVE-NEW BUS
ESTIMATED TOTAL POLICY PREMIUM: \$7,627.00			* SUPPL STATUS
TOTAL AMOUNT DUE: \$7,627.00			* PREV STATUS
			* PREV SUPPL STATUS
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON			* COMMISSION RATE
THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE.			* REINSURANCE
FAILURE TO REMIT WHEN DUE CAN RESULT IN THE CANCELLATION OF YOUR POLICY. IF			* GROSS SALES 400,000
YOU REQUEST CANCELLATION, THERE IS A MINIMUM PREMIUM RETENTION FOR THIS POLICY			* FILING INDICATOR
OF \$75.			* INSPECTION INDICATOR 3
THIS POLICY CONTAINS AN AUDIT CONDITION. ALL RATING INFORMATION AND			* CREDIT RATING
CLASSIFICATIONS ARE SUBJECT TO VERIFICATION AND CHANGE AT AUDIT. PREMIUM WAS			* AUDIT ACTIVITY P
BASED ON EXPOSURES YOU ESTIMATED, AND FINAL PREMIUM WILL BE COMPUTED WHEN YOUR			* PRIOR POLICY
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 HWY 179 CALABASH NC 28459			
**** SCHEDULE OF COVERAGES ****			
SECTION 1: PROPERTY COVERAGES SECTION I DEDUCTIBLE: \$500			
LOC 01 BLDG 01		LIMIT OF INSURANCE	
CB 9A 58 01 END 00 01 01	PAGE 1 CONTINUED	10/22/93	
CONSTRUCTION: FRAME	COINSURANCE: 80%		
TERR: 003 PROTECTION: 07			
OCCUPANCY: OFFICE			
BUILDING		\$200,000	
BUSINESS PERSONAL PROPERTY		\$125,000	
ACCOUNTS RECEIVABLE		\$10,000	
MONEY AND SECURITIES		\$10,000	
	INSIDE THE PREMISES	\$10,000	
	OUTSIDE THE PREMISES	\$10,000	
OTHER COVERAGES AND ENDORSEMENTS -			
	CONTINUE NEXT FRAME		
	*** CD2 ***		

DECLARATION PAGE 1

HV 1

CONTINUE NEXT FRAME
*** 002 ***

REPLACEMENT COST
APPLIES TO BUILDING AND BUSINESS PERSONAL
PROPERTY
COMPUKAK ENDORSEMENT
HARDWARE : : : : : \$30,000
DATA AND MEDIA : : : : : \$15,000

SECTION I: OPTIONAL COVERAGES
COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01 . . . \$50,000

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE \$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/	STATE-			CLASS
BLDG	TERR	DESCRIPTION		CODE
01/01	32-003	PLUMBING - INCLUDING UNDERGROUND		17111
		PAYROLL PREMIUM BASIS	\$27,986	
01/01	32-003	PAINTING, DECORATING OR PAPERHANGING		17211
		PAYROLL PREMIUM BASIS	\$22,000	
01/01	32-003	MASONRY		17411
		PAYROLL PREMIUM BASIS	\$1	
01/01	32-003	CEILING OR WALL INSTALLATION - NOT PLASTERING		17421
		PAYROLL PREMIUM BASIS	\$30,047	
01/01	32-003	CARPENTRY - NEW CONSTRUCTION		17511
		PAYROLL PREMIUM BASIS	\$230,000	

CB 9A 58 01 END 00 01 01 PAGE 2 CONTINUED P 10/22/93
01/01 32-003 DRIVEWAY, PARKING AREA OR SIDEWALK PAVING OR RE- 17714
PAVING
PAYROLL PREMIUM BASIS \$3,341

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

MORTGAGE HOLDER
PREM BLDG
NO. NO.

01 01 MORTGAGE HOLDER
UNITED CAROLINA BANK
PO BOX 308
SHALLOTTE NC 28459

GENERAL ENDORSEMENT 01

ADDITIONAL LIABILITY COVERAGE:
47050- REAL ESTATE AGENTS- INCLUDING PRODUCTS
AND/OR COMPLETED OPERATIONS

CONTINUE NEXT FRAME
*** 002 ***

COMPUKAK ENDORSEMENT

HV 2

CONTINUE NEXT FRAME
.002.

COMPUPAK ENDORSEMENT		PROPERTY COVERED	LIMIT OF INSURANCE
LOC NO	BLDG NO	"DATA" AND "MEDIA"	
01	01	HARDWARE	\$15,000
01	01		\$30,000

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

LOC/
STATE BLDG

*PJ0001E	0991	POLICY JACKET
*B07186	0190	DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
*IL0022	0587	EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
		ENDORSEMENT
*IL0162	0490	NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
		ENDORSEMENT
*IL0269	0892	NORTH CAROLINA CHANGES - CANCELLATION AND
		NONRENEWAL
*PR0617	0190	POLICY QUICK REFERENCE
*PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY
*B07124	1288	COMPUPAK ENDORSEMENT
*B07253	0293	PERSONAL PROPERTY OFF PREMISES
*B07193	0190	DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
*B07208	0490	NORTH CAROLINA CHANGES
*C67149	1092	LEAD LIABILITY EXCLUSION

CB 9A 58 01 END 00 01 01 PAGE 3 CONTINUED

P

10/22/93

*GEN ENDR01 GENERAL ENDORSEMENT 01

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

*517115 0887 PREMIUM AUDIT NOTICE

ADVISORY NOTICE:
DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.
PLEASE READ THIS ENDORSEMENT CAREFULLY.

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

* * * * *

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 58 01 END 00 01 01 PAGE 4

P

10/22/93

CONTRACTOR'S BUSINESS OWNERS POLICY

HV 3

*** C06 ***

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS POLICY
DECLARATIONS
ENDORSEMENT
RISA NEW 07/29/95
HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438
AGENCY BILL

PREV POLICY ID 97252884D02
PRIOR TERM ID 97027884F18

PINEHURST BUILDERS INC
10239 BEACH DR, SW
CALABASH NC 28467
ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577
07/29/97 TO 07/29/98 09/10/97 39-0270
AGENT'S PHONE 8 883-449-7405

COINSURANCE CONTRACT

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

IT IS AGREED THAT THE FOLLOWING ITEM IS ADDED TO CONTRACTORS
EQUIPMENT: ITEM 0107 1997 GENL TELESCOPING BOOM FORKLIFT
MODEL 8663, SN JN084754 - VALUE 962,100. ADDITIONAL INSURED
& LOSS PAYEE IS ADDED AS FOLLOWS: SAFECO CREDIT CO INC,
SAFECO PLAZA, BLDG A, SEATTLE, WA 98105. THIRTY (30) DAY
CANCELLATION CLAUSE APPLIES.

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: 65,300.00
PREMIUM FOR THIS ENDORSEMENT: 8212.00
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: 8212.00
**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

PJ0001E 0095 POLICY JACKET
B07206 0290 EXCLUSION-ASBESTOS
GEN ENDR01 GENERAL ENDORSEMENT 01
IL0022 0507 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT
IL0162 0498 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT
IL0269 1094 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL
PT0617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112 1200 LOSS PAYABLE PROVISIONS
B07124 1200 COMPUPAK ENDORSEMENT
B07191 0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
B07235 0290 PERSONAL PROPERTY OFF PREMISES
B07102 1200 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
B07195 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07201 0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
B07208 0499 NORTH CAROLINA CHANGES

LOC/
STATE BLDG

BILLING METHOD AGENCY BILLED
ISSUE DATE 09/17/97
TRANS EFFECTIVE DATE 09/10/97
LAST TRANSACTION ENDORSEMENT
ENDORSEMENT NUM 04
TERM/ACTIVITY 05/06
STATUS ACTIVE-RENEWAL
SUPPL STATUS
PREV STATUS
PREV SUPPL STATUS
COMMISSION RATE
REINSURANCE
GROSS SALES 400,000
FILING INDICATOR
INSPECTION INDICATOR 3
CREDIT RATING
AUDIT ACTIVITY P
PRIOR POLICY

CB 9A 58 01 END 04 05 06 PAGE 1 CONTINUED

09/17/97

B07235 0195 EMPLOYMENT - RELATED PRACTICES EXCLUSION
B07302 0195 AMENDMENT - LEASED WORKERS
B07314 0896 AMENDMENT SECTION II - WHO IS AN INSURED
C07149 1092 LEAD LIABILITY EXCLUSION

CONTINUE NEXT FRAME
*** 006 ***

C07167 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.

001145 0394 HERE'S AN '000' NUMBER WE HOPE YOU WILL NEVER NEED
077115 0196 PREMIUM AUDIT NOTICE
077200 1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
077206 1296 IMPORTANT NOTICE TO POLICYHOLDERS
077213 0597 IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

== END OF DECLARATIONS ==

CB 9A 58 01 END 04 05 06 PAGE 2

09/17/97

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS
POLICY INFORMATION SHEET

CB 9A 58 01

HV 4

ROA 1077

Harleysville Mutual Insurance Company

355 Maple Avenue
Harleysville, Pennsylvania 19438



HV 5

This policy jacket with the policy provisions, declarations or information page, and endorsements, if any, completes this policy.

We will provide the insurance described in this policy in return for the premium and compliance with all applicable policy provisions.

Mutual Conditions

This policy is non-assessable. Upon acceptance of this policy, the insured becomes a member of the Company but such membership shall terminate if and when the policy of insurance shall be terminated, without renewal, for any reason whatsoever. The insured shall participate in the distribution of dividends to the extent and upon the conditions fixed and determined by the Board of Directors in accordance with the provision of law.

Annual Meeting

As a member of the Company the insured is entitled to vote either in person or by proxy at any and all meetings of said Company. The Annual Meeting is held in the Company's home office, Harleysville, Pennsylvania on the fourth Wednesday of April in each year at 11:00 o'clock a.m. The inclusion of this notice in this policy shall constitute notice of the time and place of the Annual Meeting.

In Witness Whereof, the Company has caused this policy to be executed and attested.

Bradford W. Mitchell

Chairman of the Board

Lucinda J. Gannon

Secretary

This endorsement modifies insurance provided by the following:

CONTRACTORS' BUSINESS OWNERS

**BO-7186
(Ed. 1-90)**

**DEDUCTIBLE LIABILITY INSURANCE
SPRAY PAINTING**

SCHEDULE

Coverage
Property Damage Liability

Amount and Basis of Deductible
\$ 250 per claim

APPLICATION OF ENDORSEMENT

THIS ENDORSEMENT APPLIES ONLY TO PROPERTY DAMAGE ARISING OUT OF SPRAY EMANATING FROM ANY SPRAY PAINTING APPARATUS AND OCCURRING DURING SPRAY PAINTING OPERATIONS BY THE INSURED.

1. Our obligation under Property Damage Liability Coverage to pay damages on your behalf applies only to the amount of damages in excess of the deductible amount stated in the Schedule above as applicable to such coverage and the limits of insurance applicable to "each occurrence" for such coverage will be reduced by the amount of the deductible. "Aggregate" limits for such coverages shall not be reduced by the application of the deductible amount.
2. The deductible amount stated in the Schedule applies on a PER CLAIM BASIS. The deductible amount applies under the Property Damage Liability Coverage to all damages because of "property damage" sustained by one person or organization as a result of any one "occurrence."
3. The terms of this insurance, including those with respect to:
 - a. Our right and duty to defend any "suits" seeking those damages; and
 - b. Your duties in the event of an "occurrence," claim, or suitapply irrespective of the application of the deductible amount.
4. We may pay any part or all of the deductible amount to effect settlement of any claim or suit and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as has been paid by us.

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

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HV 7

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

**EFFECTIVE TIME CHANGES -
REPLACEMENT OF 12 NOON**

This endorsement modifies the COMMON POLICY DECLARATIONS.

To the extent that coverage in this policy replaces coverage in other policies terminating noon standard time on the inception date of this policy, coverage under this policy shall not become effective until such other coverage has terminated.

THIS ENDORSEMENT CHANGES THE POLICY, PLEASE READ IT CAREFULLY.

NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS

This endorsement modifies insurance provided under the following:

BUSINESSOWNERS POLICY
COMMERCIAL PROPERTY COVERAGE PART
STANDARD PROPERTY POLICY

The provisions of the Standard Fire Policy are stated below. State law still requires that they be attached to all policies. If any conditions of this form are construed to be more liberal than any other policy conditions relating to the perils of fire, lightning or removal, the conditions of this form will apply.

IN CONSIDERATION OF THE PROVISIONS AND STIPULATIONS HEREIN OR ADDED HERETO, AND OF THE PREMIUM SPECIFIED in the Declarations or in endorsements made a part hereof, this Company, for the term of years specified in the Declarations from inception date shown in the Declarations At 12:01 A.M. (Standard Time) to expiration date shown in the Declarations At 12:01 A.M. (Standard Time) at location of property involved, to an amount not exceeding the limit of liability specified in the Declarations, does insure the Insured named in the Declarations and legal representatives, to the extent of the actual cash value of the property at the time of loss, but not exceeding the amount which it would cost to repair or replace the property with material of like kind and quality within a reasonable time after such loss, without allowance for any increased cost of repair or reconstruction by reason of any ordinance or law regulating construction or repair, and without compensation for loss resulting from interruption of business or manufacture, nor in any event for more than the interest of the insured, against all DIRECT LOSS BY FIRE, LIGHTNING AND OTHER PERILS INSURED AGAINST IN THIS POLICY INCLUDING REMOVAL FROM PREMISES ENDANGERED BY THE PERILS INSURED AGAINST IN THIS POLICY, EXCEPT AS HEREINAFTER PROVIDED, to the property described in the Declarations while located or contained as described in this policy, or pro rata for five days at each proper place to which any of the property shall necessarily be removed for preservation from the perils insured against in this policy, but not elsewhere.

Assignment of this policy shall not be valid except with the written consent of this Company.

This policy is made and accepted subject to the foregoing provisions and stipulations and those hereinafter stated, which are hereby made a part of this policy, together with such other provisions, stipulations and agreements as may be added hereto, as provided in this policy.

1 Concealment, This entire policy shall be void if, whether
2 fraud, before or after a loss, the insured has wil-
3 fully concealed or misrepresented any ma-
4 terial fact or circumstance concerning this insurance or the
5 subject thereof, or the interest of the insured therein, or in case
6 of any fraud or false swearing by the insured relating thereto.
7 Uninsurable This policy shall not cover accounts, bills,
8 and currency, deeds, evidences of debt, money or
9 excepted property, securities; nor, unless specifically named
10 hereon in writing, bullion or manuscripts.
11 Perils not This Company shall not be liable for loss by
12 included, fire or other perils insured against in this
13 policy caused, directly or indirectly, by: (a)
14 enemy attack by armed forces, including action taken by mili-
15 tary, naval or air forces in resisting an actual or an immediately
16 impending enemy attack; (b) invasion; (c) insurrection; (d)
17 rebellion; (e) revolution; (f) civil war; (g) usurped power; (h)
18 order of any civil authority except acts of destruction at the time
19 of and for the purpose of preventing the spread of fire, provided
20 that such fire did not originate from any of the perils excluded
21 by this policy; (i) neglect of the insured to use all reasonable
22 means to save and preserve the property at and after a loss, or
23 when the property is endangered by fire in neighboring prem-
24 ises; (j) nor shall this Company be liable for loss by theft.
25 Other Insurance. Other insurance may be prohibited or the
26 amount of insurance may be limited by en-
27 dorsement attached hereto.
28 Conditions suspending or restricting insurance. Unless other-

29 wise provided in writing added hereto this Company shall not
30 be liable for loss occurring
31 (a) while the hazard is increased by any means within the con-
32 trol or knowledge of the insured; or
33 (b) while a described building, whether intended for occupancy
34 by owner or tenant, is vacant or unoccupied beyond a period of
35 sixty consecutive days; or
36 (c) as a result of explosion or riot, unless fire ensue, and in that
37 event for loss by fire only.
38 Other perils Any other peril to be insured against or sub-
39 or subjects, ject of insurance to be covered in this policy
40 shall be by endorsement in writing hereon or
41 added hereto.
42 Added provisions. The extent of the application of insurance
43 under this policy and of the contribution to
44 be made by this Company in case of loss, and any other pro-
45 vision or agreement not inconsistent with the provisions of this
46 policy, may be provided for in writing added hereto, but no pro-
47 vision may be waived except such as by the terms of this policy
48 is subject to change.
49 Waiver No permission affecting this insurance shall
50 provisions, exist, or waiver of any provision be valid, un-
51 less granted herein or expressed in writing
52 added hereto. No provision, stipulation or forfeiture shall be held
53 to be waived by any requirement or proceeding on the part of
54 this Company relating to appraisal or to any examination pro-
55 vided for herein.

56 Cancellation This policy shall be cancelled at any time at
57 of policy. the request of the insured, in which case
58 this Company shall, upon demand and sur-
59 render of this policy, refund the excess of paid premium above
60 the customary short rates for the expired time. This policy may
61 be cancelled at any time by this Company by giving to the in-
62 sured a five days' written notice of cancellation with or without
63 tender of the excess of paid premium above the pro rata prem-
64 ium for the expired time, which excess, if not tendered, shall
65 be refunded on demand. Notice of cancellation shall state that
66 excess premium (if not tendered) will be refunded on
67 demand.

68 Mortgagee If loss hereunder is made payable, in whole
69 interests and or in part, to a designated mortgagee not
70 obligations. named herein as the insured, such interest in
71 this policy may be cancelled by giving to such
72 mortgagee a ten days' written notice of can-
73 cellation.

74 If the insured fails to render proof of loss such mortgagee, upon
75 notice, shall render proof of loss in the form herein specified
76 within sixty (60) days thereafter and shall be subject to the pro-
77 visions hereof relating to appraisal and time of payment and of
78 bringing suit. If this Company shall claim that no liability existed
79 as to the mortgagor or owner, it shall, to the extent of payment
80 of loss to the mortgagee, be subrogated to all the mortgagee's
81 rights of recovery, but without impairing mortgagee's right to
82 sue; or it may pay off the mortgage debt and require an assign-
83 ment thereof and of the mortgage. Other provisions relating to
84 the interests and obligations of such mortgagee may be added
85 hereto by agreement in writing.

86 Pro rata liability. This Company shall not be liable for a greater
87 proportion of any loss than the amount here-
88 by insured shall bear to the whole insurance covering the pro-
89 perty against the peril involved, whether collectible or not.

90 Requirements in The insured shall give immediate written not-
91 case loss occurs. ice to this Company of any loss, protect the
92 property from further damage, forthwith sep-
93 arate the damaged and undamaged personal property, put it in
94 the best possible order, furnish a complete inventory of the
95 destroyed, damaged and undamaged property, showing in detail
96 quantities, costs, actual cash value and amount of loss claimed;
97 and within sixty days after the loss, unless such time is extended
98 in writing by this Company, the insured shall render to this Com-
99 pany a proof of loss, signed and sworn to by the insured,
100 stating the knowledge and belief of the insured as to the follow-
101 ing: the time and origin of the loss, the interest of the insured
102 and of all others in the property, the actual cash value of each
103 item thereof and the amount of loss thereto, all encumbrances
104 thereon, all other contracts of insurance, whether valid or not,
105 covering any of said property, any changes in the title, use, oc-
106 cupation, location, possession or exposures of said property
107 since the issuing of this policy, by whom and for what purpose
108 any building herein described and the several parts thereof
109 were occupied at the time of loss and whether or not it then
110 stood on leased ground, and shall furnish a copy of all the des-
111 criptions and schedules in all policies and, if required, verified
112 plans and specifications of any building, fixtures or machinery
113 destroyed or damaged. The insured, as often as may be reason-
114 ably required, shall exhibit to any person designated by this
115 Company all that remains of any property herein described, and
116 submit to examinations under oath by any person named by this

117 Company, and subscribe the same: and, as often as may be
118 reasonably required, shall produce for examination all books of
119 accounts, bills, invoices and other vouchers, or certified copies
120 thereof if originals be lost, at such reasonable time and place as
121 may be designated by this Company or its representative, and
122 shall permit extracts and copies thereof to be made.

123 Appraisal. In case the insured and this Company shall
124 fail to agree as to the actual cash value or
125 the amount of loss, then, on the written demand of either, each
126 shall select a competent and disinterested appraiser and notify
127 the other of the appraiser selected within twenty days of such
128 demand. The appraisers shall first select a competent and dis-
129 interested umpire: and failing for fifteen days to agree upon such
130 umpire, then, on request of the insured or this Company, such
131 umpire shall be selected by a judge of a court of record in the
132 state in which the property covered is located. The appraisers
133 shall then appraise the loss, stating separately actual cash
134 value and loss to each item; and, failing to agree, shall submit
135 their differences, only, to the umpire. An award in writing, so
136 itemized, of any two when filed with this Company shall deter-
137 mine the amount of actual cash value and loss. Each appraiser
138 shall be paid by the party selecting him and the expenses
139 of appraisal and umpire shall be paid by the parties
140 equally.

141 Company's It shall be optional with this Company to take
142 options. all, or any part, of the property at the
143 agreed or appraised value, and also to repair,
144 rebuild or replace the property destroyed or damaged with other
145 of like kind and quality within a reasonable time, on giving not-
146 ice of its intention so to do within thirty days after the receipt of
147 the proof of loss herein required.

148 Abandonment. There can be no abandonment to this Company
149 of any property.

150 When loss The amount of a loss for which this Company
151 payable. may be liable shall be payable sixty days
152 after proof of loss, as herein provided, is,

153 received by this Company and ascertainment of the loss is made
154 either by agreement between the insured and this Company
155 expressed in writing or by the filing with this Company of an
156 award as herein provided.

157 Suit. No suit or action on this policy for the recovery
158 of any claim shall be sustainable in any court
159 of law or equity unless all the requirements of this policy shall
160 have been complied with, and unless commenced within three
161 years next after inception of the loss.

162 Subrogation. This Company may require from the insured an
163 assignment of all right of recovery against any
164 party for loss to the extent that payment therefor is made by this
165 Company.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART
BUSINESSOWNERS POLICY
COMMERCIAL CRIME COVERAGE PART*
COMMERCIAL GENERAL LIABILITY COVERAGE PART
COMMERCIAL INLAND MARINE COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART
FARM COVERAGE PART
LIQUOR LIABILITY COVERAGE PART
POLLUTION LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

* This endorsement does not apply to coverage provided for employee dishonesty (Coverage Form A), forgery or alteration (Coverage Form B), or public employee dishonesty (Coverage Forms O and P).

A. Paragraph 2. of the CANCELLATION Common Policy Condition is replaced by the following:

2.a. **CANCELLATION OF POLICIES IN EFFECT LESS THAN 60 DAYS**

If this policy has been in effect for less than 60 days, we may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:

- (1) 15 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.

b. **CANCELLATION OF POLICIES IN EFFECT FOR 60 DAYS OR MORE**

If this policy has been in effect for 60 days or more, or is a renewal of a policy we issued, we may cancel this policy prior to the:

- (1) Expiration of the policy term; or
- (2) Anniversary date,
stated in the policy only for one or more of the following reasons:
 - (a) Nonpayment of premium;
 - (b) An act or omission by the insured or his or her representative that constitutes material misrepresentation or nondisclosure of a material fact in obtaining this policy, continuing this policy or presenting a claim under this policy;

- (c) Increased hazard or material change in the risk assumed that could not have been reasonably contemplated by the parties at the time of assumption of the risk;
- (d) Substantial breach of contractual duties, conditions or warranties that materially affects the insurability of the risk;
- (e) A fraudulent act against us by the insured or his or her representative that materially affects the insurability of the risk;
- (f) Willful failure by the insured or his or her representative to institute reasonable loss control measures that materially affect the insurability of the risk after written notice by us;
- (g) Loss of facultative reinsurance, or loss of or substantial changes in applicable reinsurance as provided in G.S.58-476;
- (h) Conviction of the insured of a crime arising out of acts that materially affect the insurability of the risk;
- (i) A determination by the Commissioner of Insurance that the continuation of the policy would place us in violation of the laws of North Carolina; or

- (j) You fail to meet the requirements contained in our corporate charter, articles of incorporation or by-laws when we are a company organized for the sole purpose of providing members of an organization with insurance coverage in North Carolina.

We will mail or deliver written notice of cancellation to the first Named Insured at least:

- (i) 15 days before the effective date of cancellation if we cancel for nonpayment of premium; or
(ii) 30 days before the effective date of cancellation if we cancel for any other reason.

c. Cancellation for nonpayment of premium will not become effective if you pay the premium amount due before the effective date of cancellation.

d. We may also cancel this policy for any reason not stated above provided we obtain your prior written consent.

B. The following provisions are added and supersede any other provisions to the contrary:

1. NONRENEWAL

- a. If we elect not to renew this policy, we will mail or deliver to the first Named Insured shown in the Declarations written notice of nonrenewal at least 45 days prior to the:

(1) Expiration of the policy if this policy has been written for one year or less; or

(2) Anniversary date of the policy if this policy has been written for more than one year or for an indefinite term.

b. We need not mail or deliver the notice of nonrenewal if you have:

(1) Insured property covered under this policy, under any other insurance policy;

(2) Accepted replacement coverage; or

(3) Requested or agreed to nonrenewal of this policy.

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

2. The written notice of cancellation or nonrenewal will:

a. Be mailed or delivered to the first Named Insured and any designated mortgagee or loss payee at their addresses shown in the policy, or if not indicated in the policy, at their last known addresses; and

b. State the reason or reasons for cancellation or nonrenewal.

QUICK REFERENCE

CONTRACTORS' BUSINESS OWNERS POLICY

	Beginning On Page
Declarations	
Section I - Property Coverage	
A. Coverage	1
B. Exclusions	8
C. Limits of Insurance	11
D. Deductibles	11
E. Property Loss Conditions	11
F. Property General Conditions	14
G. Optional Coverages	16
H. Property Definitions	22
Section II - Business Owners Liability Coverage	
A. Coverage	23
B. Exclusions	24
C. Who Is An Insured	29
D. Liability and Medical Expenses Limits of Insurance	30
E. Liability and Medical Expenses General Conditions	31
F. Liability and Medical Expenses Definitions	32
Section III - Business Owners Common Policy Conditions	
A. Cancellation	36
B. Changes	37
C. Concealment, Misrepresentation or Fraud	37
D. Examination of Your Books and Records	37
E. Inspection and Surveys	37
F. Insurance Under Two or More Coverages	37
G. Liberalization	38
H. Other Insurance	38
I. Premiums	38
J. Transfer of Rights of Recovery Against Others to Us	38
K. Transfer of Your Rights and Duties Under This Policy	39

IMPORTANT: This Quick Reference is **not** part of the Policy and does **not** provide coverage. Refer to the Policy itself for the actual contractual provisions.

READ YOUR POLICY CAREFULLY

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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.

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 replacement, 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.

F. 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): $\$250,000 \times 80\% = \$200,000$ (the minimum amount of insurance to meet your Coinsurance Requirements)

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

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

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

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

Step (3): $\$40,000 \times 1.00 = \$40,000$

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

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

5. Combined Business Income - Extra Expense

The most we will pay for loss in any one occurrence 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, re-conditioned 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."

- (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 of 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, geo-physical 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.

This endorsement modifies insurance provided by the following:

**BUSINESS OWNERS POLICY
CONTRACTORS' BUSINESS OWNERS POLICY**

**BO-7124
(Ed. 12-88)**

COMPUPAK ENDORSEMENT

Information required to complete this schedule, if not shown on this endorsement, will be shown in the Declarations. Insurance is provided only for those coverages for which a Limit of Insurance is shown in the schedule or in the Declarations.

Loc. No.	Bldg. No.	Property Covered	Limits of Insurance
		Hardware	\$
		"Data" and "Media"	\$

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 in this endorsement, means:

- a. Hardware consisting of computers, terminals, printers, teleprinters, readers, electronic cash registers and related equipment usual to electronic data processing.
- b. "Data" and "Media"

Covered Property as defined above includes similar property of others for the account of the owner while the property is in your care, custody and control.

All while located in the building described in the Declarations or in the open (or in a vehicle) within 100 feet of the described premises.

2. Property not covered

Under Hardware Coverage, Covered Property does not include:

- a. Contraband, or property in the course of illegal transportation or trade.
- b. Property sold by you after delivery to your customers.
- c. Property while waterborne.

Under "Data" and "Media," Covered Property does not include:

- a. Accounts, bills, currency, deeds, securities, evidences of debt, valuable papers, records or other documents unless they are converted to data form.

- b. Property not specifically declared and described in the Declarations if such property cannot be replaced with other property of like kind and quality;

- c. Property held as samples or for delivery after sale;

- d. 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.

4. Additional coverages

a. Debris Removal

We will pay your expense to remove debris of Covered Property caused by or resulting from a Covered Cause of Loss.

b. Preservation of Property

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

- (1) While it is being moved or while temporarily stored at another location; and
- (2) Only if the "loss" occurs within 10 days after the property is first moved.

These Additional Coverages do not increase the Limits of Insurance provided in this Coverage Endorsement.

5. Coverage Extensions

In addition to the Limits of Insurance, you may extend the insurance provided by this Coverage Endorsement to the following:

a. Newly Acquired Hardware

- (1) You may extend the insurance that applies to Covered Property to apply to that property at any premises you acquire.
- (2) Insurance under this Extension for each newly acquired premises will end when any of the following first occurs:
 - (a) This policy expires;
 - (b) 30 days expire after you acquire it; or
 - (c) You report values to us.

We will charge you additional premium for values reported from the date you acquire the premises.

- (3) The most we will pay for loss or damage under this extension is 10% of the Limit of Insurance for Hardware Covered Property shown in the Declarations, but not more than \$10,000 at each location.

b. Property in Transit. This Extension applies only to your Hardware personal property.

- (1) You may extend the insurance provided by this Coverage Endorsement to apply to your personal property (other than property in the care, custody or control of your salespersons) in transit more than 100 feet from the described premises. Property must be in or on a motor vehicle you own, lease or operate while between points in the coverage territory.

- (2) "Loss" must be caused by or result from one of the following causes of loss:

- (a) Fire, lightning, explosion, smoke, wind-storm or hail, riot or civil commotion, or vandalism.

- (b) Vehicle collision, upset or overturn. Collision means accidental contact of your vehicle with another vehicle or object. It does not mean your vehicle's contact with the road bed.

- (c) Theft of an entire bale, case or package by forced entry into a securely locked body or compartment of the vehicle. There must be visible marks of the forced entry.

- (3) The most we will pay for "loss" under this Extension is \$5,000.

c. "Data" and "Media".

(1) Your Covered Property off premises.

You may extend the insurance that applies to your covered property to apply off premises.

The most we will pay for "loss" under this extension is 10% of the Limit of Insurance for that class of property.

(2) Covered Property of Others

You may extend the insurance that applies to covered property of others to apply while in transit between your premises and the premises of the owner or such other premises as the owner may direct including while in temporary storage not exceeding 30 days.

The total amount payable under the extensions of coverage in this form and any other form made a part of this policy are not cumulative and the most we will pay is the largest amount recoverable under any single form made a part of this policy.

B. EXCLUSIONS

1. We will not pay for "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 Part.

b. Nuclear Hazard

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

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

c. 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 and 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.

d. Building Ordinance

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.

e. Earth Movement

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

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

Volcanic action means direct "loss" 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 72-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" to the described property.

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

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) Mudslide 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" by fire, explosion or sprinkler leakage results, we will pay for that resulting loss or damage.

Exclusions B. 1. d., e., f., and g. do not apply to coverage under A. 1. b. "Data" and "Media."

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

- a. Delay, loss of use, loss of market or any other consequential loss.

- b. (1) Wear and tear;

- (2) Rust, corrosion, mold or fungus, wet or dry rot, decay;

- (3) Deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself;

- (4) Release, discharge or dispersal of contaminants or pollutants;

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

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

- (7) Dampness or dryness of atmosphere;

- (8) Changes in or extremes of temperature.

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

- c. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you, or operated under your control. But if "loss" by fire or combustion explosion results, we will pay for that resulting loss or damage. We will also pay for "loss" 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.

- d. Continuous or repeated seepage or leakage of water or steam that occurs over a period of 14 days or more.
- e. 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.
- f. 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.

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

- g. Any financial loss resulting from computer fraud committed by any person.
- h. 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. Rain, snow, ice or sleet to personal property in the open.
- j. Unauthorized instructions to transfer property to any person or to any place.
- k. Errors or omissions in processing, programming, copying, or incorrectly instructing the machine.

But we will pay for direct "loss" caused by resulting fire or explosion if these causes of "loss" would be covered by this Coverage Endorsement.

Exclusions B.2.b-(2), b-(6), b-(7), b-(8), c, d, and e do not apply to coverage under A.1.b "Data" and "Media."

- 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."
 - a. 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."

- b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body.
 - c. 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

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 Property Loss Conditions and the Property General Conditions of the Business Owners Coverage Form.

1. Valuation

a. Hardware

The value of property will be the least of the following amounts:

- (1) Replacement Cost (without deduction for depreciation);
- (2) The Limit of Insurance applicable to the lost or damaged property;
- (3) 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
- (4) The amount you actually spend that is necessary to repair or replace the lost or damaged property.

b. **"Data" and "Media"**

The value of each item of property that is specifically declared and described in the Declarations is the applicable Limit of Insurance shown in the Declarations for that item.

The value of all other covered property will be the cost to repair, restore or reconstruct the damaged or destroyed property from similar records or source documents.

2. Protection of Records

Whenever you are not open for business, and except while you are actually using the property, you must keep all "Data" and "Media" in receptacles that are described in the Declarations.

F. DEFINITIONS

1. **"Loss"** means accidental loss or damage.

2. a. **"Data"** means information, facts or instructions which has been converted to a form usable in your data processing operations.

b. **"Media"** means tapes, drums, discs, or other electronic or magnetic recording or storage materials on which "data" are recorded.

Data and media must be necessary and directly associated with your electronic data; processing operations and shall not include valuable papers, records and media used for other purposes.

3. **"Premises"** means that interior portion of the building at the address shown in the Declarations that you occupy for your business.

4. **"Money"** means:

a. Currency, coins and bank notes whether or not in current use; and

b. Travelers checks, register checks and money orders held for sale to the public.

5. **"Securities"** means negotiable and nonnegotiable instruments or contracts representing either "money" or other property and includes:

a. Tokens, tickets, revenue and other stamps whether or not in current use; and

b. Evidences of debt issued in connection with credit or charge cards, which cards are not of your own issue;

but does not include "money."

6. **"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.

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.

HV 58

This endorsement modifies insurance as is afforded by the provisions of the policy relating to the following:

CONTRACTORS' BUSINESS OWNERS POLICY

BO-7193
(Ed. 1-90)

DEDUCTIBLE LIABILITY INSURANCE
Property Damage

1. Our obligation under the Property Damage Liability Coverage to pay damages on your behalf applies only to the amount of damages in excess of any deductible amounts stated in the schedule below as applicable to such coverage, and the limit of insurance applicable to "each occurrence" for such coverage will be reduced by the amount of such deductible. Aggregate limits for such coverage shall not be reduced by the application of such deductible amount.
2. The deductible amount stated in the schedule applies on a "per claim" basis; the deductible amount applies under Property Damage Liability Coverage to all damages because of **property damage** sustained by one person or organization as the result of any one **occurrence**.
3. The terms of this insurance, including those with respect to our right and duty to defend any "suits" and your duties in the event of an "occurrence" claim or suit apply irrespective of the application of the deductible amount.
4. We may pay any part or all of the deductible amount to effect settlement of any claim or suit and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as has been paid by us.

SCHEDULE

Coverage	Amount and Basis of Deductible	
Property Damage Liability	\$	per claim
(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)		

HV 59

This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY

**BO-7208
(Ed. 4-90)**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NORTH CAROLINA CHANGES

- A. The LEGAL ACTION AGAINST US General Condition is replaced by the following:**

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

1. There has been full compliance with all of the terms of this insurance; and
2. The action is brought within 3 years after the date on which the direct physical loss or damage occurred.

- B. The VOLCANIC ACTION Covered Cause of Loss does not apply.**

- C. The EARTH MOVEMENT Exclusion in the Business-owners Property Coverage Form is replaced by the following:**

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.

- D. If loss or damage to Covered Property in the Beach Territory is caused by or results from Windstorm or Hail, the following additional exclusion applies to the Business Owners Property Coverage Form:**

Windstorm or Hail Exterior Paint and Waterproofing Exclusion

We will not pay for loss or damage to:

1. Paint; or
2. Waterproofing material; applied to the exterior of Buildings.

We will not include the value of paint or waterproofing material to determine the value of Covered Property.

The Beach Territory consists of localities south and east of the Inland Waterway:

1. From the South Carolina line to Fort Macon (Beaufort Inlet),
2. From there south and east of Core, Pamlico, Roanoke and Currituck Sounds to the Virginia line, generally known as the Outer Banks.

- E. Subparagraph d. (1)(b) of the Section E.6. LOSS PAYMENT Property Loss Condition is replaced by the following:**

- (b) We will not pay on a replacement cost basis for any loss or damage:**

- (i) Until the lost or damaged property is actually repaired or replaced:**

- i. On the described premises; or
- ii. At some other location in the State of North Carolina; and

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

- F. Paragraph 1 of Section III, H. Other Insurance is replaced by the following:**

1. You may have other insurance covering the same Property Coverage loss or damage. If you do, we will pay our share of the covered loss or damage. Our share is the proportion that the applicable Limit of Insurance under this Coverage Part bears to the Limits of Insurance of all insurance covering the loss or damage.

- G. Representations - Wherever stated in this policy the word "warranty(ies)" is replaced by "representation(s)."**

- H. The following is added to Section III, B. Changes.**

Knowledge by an agent of the Company of any fact which breaches a condition of the policy shall be knowledge of the Company if such fact is known to the agent at the time the policy is issued or an application made or thereafter becomes known to the agent in the course of his dealings as an agent with the named insured. Any fact which breaches a condition of the policy and is known to the agent prior to loss shall not void the policy or defeat a recovery thereon in the event of loss.

- I. Subparagraphs f. and g. of Section F.3 Mortgage Holders Property General Condition are replaced by the following:**

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

- (1) 15 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 45 days before the expiration date of this policy.**

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 leadwhether 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.

HV 61

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	Vacation Pay
Commissions	Sick Pay
Bonuses	Payment for Piece Work
Overtime Pay	Other \$ Substitutes
Holiday Pay	

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-GL) 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 coverages equal to yours and limits of liability which are (1) the same as or greater than your limits or (2) \$500,000 CSL (\$500,000 BI/\$250,000 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.

*** L06 ***

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	93298002K07
ENDORSEMENT		AGENCY BILL		
RISK NEW 07/29/93	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	GREENSBORO BRANCH		
	PINEHURST BUILDERS INC PINEHURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577		
	07/29/93 TO 07/29/94	10/18/93	39-0270	
	***** COINSURANCE CONTRACT *****			
	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 LOSS			
	PAYEE: SOUTHERN NATIONAL BANK, PO BOX 38, LITTLE RIVER, SC 29566.			
	ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,627.00			
	PREMIUM FOR THIS ENDORSEMENT: \$0.00			
	TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$0.00			
	**** SCHEDULE OF FORMS AND ENDORSEMENTS ****			
PJ0001E	0991 POLICY JACKET	LOC/ STATE BLDG		
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
IL0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT			
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT			
IL0269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
PR0617	0190 POLICY QUICK REFERENCE			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07208	0490 NORTH CAROLINA CHANGES			
CG7149	1092 LEAD LIABILITY EXCLUSION			
GEN ENDRO1	GENERAL ENDORSEMENT 01			
	** IMPORTANT INFORMATION **			
	THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY. PLEASE READ CAREFULLY.			
S77115	0887 PREMIUM AUDIT NOTICE			
	* INDICATES A NEW OR REPLACEMENT FORM.			
CB 9A 58 01 END 01 01 02	PAGE 1 CONTINUED	11/17/93		

	COUNTERSIGNED BY:	AUTHORIZED REPRESENTATIVE		
CONTINUE NEXT FRAME				
*** L06 ***				

*** END OF DECLARATIONS ***

CB 9A 58 01 END 01 01 02 PAGE 2

11/17/93

HV 64

ROA 1137

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

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

- (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.

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS POLICY
DECLARATIONS
AMENDED
RISK NEW 07/29/93 HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438

CB 9A 58 01
AGENCY BILL

PREV FICHE ID 93321002M06
PRIOR TERM ID

PINEMURST BUILDERS INC
PINEMURST PROPERTIES
10239 BEACH DR, SW
CALABASH NC 28467
07/29/93 TO 07/29/94
10/18/93 39-0270
GREENSBORO BRANCH
ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577

* COINSURANCE CONTRACT *

MESSAGE: IT IS UNDERSTOOD AND AGREED THAT THE COMPUKAK HARDWARE IS
INCREASED TO \$23,685 AND THE SOFTWARE IS INCREASED TO
\$14,000

THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY.
PLEASE READ IT CAREFULLY.

LEGAL STATUS: CORPORATION

BUSINESS: BUILDING CONTRACTOR

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,595.00

RETURN PREMIUM FOR THIS AMENDMENT: \$25.00

TOTAL RETURN DUE FOR THIS AMENDMENT: \$25.00

THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON
THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE.
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	HWY 179 CALABASH NC 28459

CB 9A 58 01 END 02 01 03 PAGE 1 CONTINUED P 12/09/93

**** SCHEDULE OF COVERAGES ****

SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: \$500

LOC 01 BLDG 01

LIMIT OF INSURANCE

CONSTRUCTION: FRAME
TERR: 003 PROTECTION: 07

COINSURANCE: 80X

CONTINUE NEXT FRAME

*** 007 ***

* BILLING METHOD *AGENCY BILLED*
* ISSUE DATE 12/09/93
* TRANS EFFECTIVE DATE 10/18/93
* 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 400,000
* FILING INDICATOR
* INSPECTION INDICATOR 3
* CREDIT RATING P
* AUDIT ACTIVITY
* PRIOR POLICY

MANUAL PROCESSING TERM 01

HV 67

OCCUPANCY: OFFICE

BUILDING		\$200,000
BUSINESS PERSONAL PROPERTY		\$125,000
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 BUILDING AND BUSINESS PERSONAL
PROPERTY
COMPUTER ENDORSEMENT
HARDWARE
DATA AND MEDIA

\$23,685
\$14,000

SECTION I: OPTIONAL COVERAGES

COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01 . . . \$50,000

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE	\$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/	STATE-		CLASS
BLDG	TERR	DESCRIPTION	CODE
01/01	32-003	PLUMBING - INCLUDING UNDERGROUND	17111
		PAYROLL PREMIUM BASIS	\$27,986

CB 9A 58 01 END 02 01 03	PAGE 2 CONTINUED	12/09/93
01/01 32-003	PAINTING, DECORATING OR PAPERHANGING	17211
	PAYROLL PREMIUM BASIS	\$22,000
01/01 32-003	MASONRY	17411
	PAYROLL PREMIUM BASIS	\$1
01/01 32-003	CEILING OR WALL INSTALLATION - NOT PLASTERING	17421
	PAYROLL PREMIUM BASIS	\$30,047
01/01 32-003	CARPENTRY - NEW CONSTRUCTION	17511
	PAYROLL PREMIUM BASIS	\$230,000
01/01 32-003	DRIVEWAY, PARKING AREA OR SIDEWALK PAVING OR RE-PAVING	17714
	PAYROLL PREMIUM BASIS	\$3,341

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

MORTGAGE HOLDER
PREM BLDG
NO. NO.

01 01 MORTGAGE HOLDER

CONTINUE NEXT FRAME

*** MOD ***

HV 68

CONTINUE NEXT FRAME
*** 007 ***

UNITED CAROLINA BANK
PO BOX 308
SHALLOTTE NC 28459

LOSS PAYABLE PROVISIONS
PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

GENERAL ENDORSEMENT 01

ADDITIONAL LIABILITY COVERAGE:
47050- REAL ESTATE AGENTS- INCLUDING PRODUCTS
AND/OR COMPLETED OPERATIONS

COMPUPAK ENDORSEMENT

LOC NO BLDG NO
01 01
01 01

PROPERTY COVERED
"DATA" AND "MEDIA"
HARDWARE

LIMIT OF INSURANCE
\$14,000
\$23,685

CB 9A 58 01 END 02 01 03

PAGE 3 CONTINUED

12/09/93

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

LOC/
STATE BLDG

PJ0001E 0991 POLICY JACKET
B07186 0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
ILO022 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT
ILO162 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT
ILO269 0892 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL
PR0617 0190 POLICY QUICK REFERENCE
P10617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112 1288 LOSS PAYABLE PROVISIONS
B07124 1288 COMPUPAK ENDORSEMENT
B07253 0293 PERSONAL PROPERTY OFF PREMISES
B07193 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07208 0490 NORTH CAROLINA CHANGES
C67149 1092 LEAD LIABILITY EXCLUSION
GEN ENDRO1 GENERAL ENDORSEMENT 01

** IMPORTANT INFORMATION **

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

ST7115 0887 PREMIUM AUDIT NOTICE

ADVISORY NOTICE:
DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.
PLEASE READ THIS ENDORSEMENT CAREFULLY.

CONTINUE NEXT FRAME
*** 007 ***

HV 69

* INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 58 01 END 02 01 03

PAGE 4

12/09/93

CB 9A 58 01

CONTRACTORS' BUSINESS OWNERS
PREMIUM INFORMATION SHEET

CB 9A 58 01

AGENCY USE

HV 70

111-005-111

CB 9A 58 01		CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS		CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	93343002M07
AMENDED		HARLEYSVILLE MUTUAL INSURANCE COMPANY		AGENCY BILL		
RISK NEW 07/29/93		HARLEYSVILLE PA 19438		GREENSBORO BRANCH		
PINEHURST BUILDERS INC		ASSOCIATED INSURORS INC				
PINEHURST PROPERTIES		PO DRAWER 2116 48 AVE N				
10239 BEACH DR, SW		MYRTLE BEACH SC				
CALABASH NC 28467		29577				
07/29/93 TO 07/29/94		11/16/93		39-0270		
*****		*****				
COINSURANCE CONTRACT						
*****		*****				
MESSAGE: IT IS UNDERSTOOD AND AGREED THAT THE LOCATION 1, BUILDING 1, BUILDING COVERAGE IS INCREASED TO \$350,000 FROM \$200,000. THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY. LEGAL STATUS: CORPORATION BUSINESS: BUILDING CONTRACTOR ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$8,202.00 PREMIUM FOR THIS AMENDMENT: \$425.00 TOTAL AMOUNT DUE FOR THIS AMENDMENT: \$425.00 THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE. 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	HWY 179 CALABASH NC 28459					
CB 9A 58 01 END 03 01 04		PAGE 1 CONTINUED		P	12/13/93	
***** SCHEDULE OF COVERAGES *****						
SECTION 1: PROPERTY COVERAGES		SECTION I DEDUCTIBLE: \$500		LIMIT OF INSURANCE		
LOC 01 BLDG 01		COINSURANCE: 80%				
CONSTRUCTION: FRAME						
TERR: 003 PROTECTION: 07						
OCCUPANCY: OFFICE						
CONTINUE NEXT FRAME						
-H05-						

BILLING METHOD	*AGENCY BILLED*
ISSUE DATE	12/13/93
TRANS EFFECTIVE DATE	11/16/93
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	400,000
FILING INDICATOR	
INSPECTION INDICATOR	3
CREDIT RATING	
AUDIT ACTIVITY	
PRIOR POLICY	
MANUAL PROCESSING	TERM 01

BUILDING	\$350,000
BUSINESS PERSONAL PROPERTY	\$125,000
ACCOUNTS RECEIVABLE	\$10,000
MONEY AND SECURITIES	\$10,000
INSIDE THE PREMISES	\$10,000
OUTSIDE THE PREMISES	\$10,000

OTHER COVERAGES AND ENDORSEMENTS -

REPLACEMENT COST
 APPLIES TO BUILDING AND BUSINESS PERSONAL
 PROPERTY
 COMPUPAK ENDORSEMENT
 HARDWARE \$23,685
 DATA AND MEDIA \$14,000

SECTION I: OPTIONAL COVERAGES
 COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01 . . . \$50,000

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE	\$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ STATE- BLDG TERM	DESCRIPTION	CLASS CODE
01/01 32-003	PLUMBING - INCLUDING UNDERGROUND PAYROLL PREMIUM BASIS	17111 \$27,986

CB 9A 58 01 END 03 01 04 PAGE 2 CONTINUED 12/13/93
 01/01 32-003 PAINTING, DECORATING OR PAPERHANGING 17211

01/01 32-003	MASONRY	PAYROLL PREMIUM BASIS	\$22,000 17411
01/01 32-003	CEILING OR WALL INSTALLATION - NOT PLASTERING	PAYROLL PREMIUM BASIS	\$1 17421
01/01 32-003	CARPENTRY - NEW CONSTRUCTION	PAYROLL PREMIUM BASIS	\$30,047 17511
01/01 32-003	DRIVEWAY, PARKING AREA OR SIDEWALK PAVING OR RE-PAVING	PAYROLL PREMIUM BASIS	\$230,000 17714
		PAYROLL PREMIUM BASIS	\$3,341

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

MORTGAGE HOLDER
 PREM BLDG
 NO. NO.

01 01 MORTGAGE HOLDER
 UNITED CAROLINA BANK
 PO BOX 208

CONTINUE NEXT FRAME
 *** 105 ***

SHALLOTTE NC 28459

LOSS PAYABLE PROVISIONS
PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

GENERAL ENDORSEMENT 01

ADDITIONAL LIABILITY COVERAGE:
47050- REAL ESTATE AGENTS- INCLUDING PRODUCTS
AND/OR COMPLETED OPERATIONS

COMPUPAK ENDORSEMENT
LOC NO BLDG NO
01 01

PROPERTY COVERED
"DATA" AND "MEDIA"
HARDWARE

LIMIT OF INSURANCE
\$14,000
\$23,685

CB 9A 58 01 END 03 01 04

PAGE 3 CONTINUED

P

12/13/93

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

LOC/
STATE BLDG

PJ0001E 0991 POLICY JACKET
B07186 0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
IL0022 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
IL0162 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
IL0269 0892 NORTH CAROLINA CHANGES - CANCELLATION AND
PRO617 0190 POLICY QUICK REFERENCE
PT0617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B0712 1288 LOSS PAYABLE PROVISIONS
B07124 1288 COMPUPAK ENDORSEMENT
B07253 0293 PERSONAL PROPERTY OFF PREMISES
B07193 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07208 0490 NORTH CAROLINA CHANGES
CS7149 1092 LEAD LIABILITY EXCLUSION
GEN END01 GENERAL ENDORSEMENT 01

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

ST7115 0887 PREMIUM AUDIT NOTICE

ADVISORY NOTICE:
DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.
PLEASE READ THIS ENDORSEMENT CAREFULLY.

* INDICATES A NEW OR REPLACEMENT FORM.

CONTINUE NEXT FRAME
---J05.222---

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 58 01 END 03 01 04

PAGE 4

P

12/13/93

CB 9A 58 01

CONTRACTORS' BUSINESS OWNERS

CB 9A 58 01

HV 73

ROA 1146

888-618-888

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	94049002E02
AMENDED		AGENCY BILL		
RISK NEW 07/29/93	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577		
	PINEHURST BUILDERS INC PINEHURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467	10/18/93 39-0270		
	07/29/93 TO 07/29/94			
	***** COINSURANCE CONTRACT *****			
MESSAGE: IT IS UNDERSTOOD AND AGREED THAT THE COMPUK HARDWARE IS INCREASED TO \$14,885 AND THE SOFTWARE IS INCREASED TO \$28,700.				
THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.				
LEGAL STATUS: CORPORATION				
BUSINESS: BUILDING CONTRACTOR				
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,565.00				
RETURN PREMIUM FOR THIS AMENDMENT: \$24.00				
TOTAL RETURN DUE FOR THIS AMENDMENT: \$24.00				
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE. 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	HWY 179 CALABASH NC 28459			
CB 9A 58 01 END 04 01 04 PAGE 1 CONTINUED P DMC 02/24/94				
**** SCHEDULE OF COVERAGES ****				
SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: \$500				
LOC 01 BLDG 01 LIMIT OF INSURANCE				
CONSTRUCTION: FRAME COINSURANCE: 80X				
TERR: 003 PROTECTION: 07				
CONTINUE NEXT FRAME				
888-618-888				

OCCUPANCY: OFFICE

\$200,000

HV 74

ROA 1147

CONTINUE NEXT FRAME

.G18.

OCCUPANCY: OFFICE

BUILDING	\$200,000
BUSINESS PERSONAL PROPERTY	\$125,000
ACCOUNTS RECEIVABLE	\$10,000
MONEY AND SECURITIES	\$10,000
INSIDE THE PREMISES	\$10,000
OUTSIDE THE PREMISES	\$10,000

OTHER COVERAGES AND ENDORSEMENTS -

REPLACEMENT COST	
APPLIES TO BUILDING AND BUSINESS PERSONAL	
PROPERTY	
COMPUPAK ENDORSEMENT	
HARDWARE	\$14,885
DATA AND MEDIA	\$28,700

SECTION 1: OPTIONAL COVERAGES

COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01	\$50,000

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE	\$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/	STATE-		CLASS
BLDG	TERR	DESCRIPTION	CODE
01/01	32-003	PLUMBING - INCLUDING UNDERGROUND	17111
		PAYROLL PREMIUM BASIS	\$27,986

CB	9A	58	01	END	04	01	04	PAGE 2 CONTINUED	P	DNC	02/24/96
01/01	32-003	PAINTING, DECORATING OR PAPERHANGING						17211			
								PAYROLL PREMIUM BASIS	\$22,000		
01/01	32-003	MASONRY						17411			
								PAYROLL PREMIUM BASIS	\$1		
01/01	32-003	CEILING OR WALL INSTALLATION - NOT PLASTERING						17421			
								PAYROLL PREMIUM BASIS	\$30,047		
01/01	32-003	CARPENTRY - NEW CONSTRUCTION						17511			
								PAYROLL PREMIUM BASIS	\$230,000		
01/01	32-003	DRIVEWAY, PARKING AREA OR SIDEWALK PAVING OR RE-						17714			
								PAYROLL PREMIUM BASIS	\$3,341		

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

MORTGAGE HOLDER

PREM BLDG
NO. NO.

01 01 MORTGAGE HOLDER

CONTINUE NEXT FRAME

.H18.

HV 75

CONTINUE NEXT FRAME
118

UNITED CAROLINA BANK
PO BOX 308
SHALLOTTE NC 28459

LOSS PAYABLE PROVISIONS
PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

GENERAL ENDORSEMENT 01

ADDITIONAL LIABILITY COVERAGE:
47050- REAL ESTATE AGENTS- INCLUDING PRODUCTS
AND/OR COMPLETED OPERATIONS

COMPUPAK ENDORSEMENT

LOC NO	BLDG NO	PROPERTY COVERED	LIMIT OF INSURANCE
01	01	"DATA" AND "MEDIA"	\$28,700
01	01	HARDWARE	\$14,885

CB 9A 58 01 END 04 01 04 PAGE 3 CONTINUED
DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE

P DMC

02/24/94

SCHEDULE
COVERAGE PROPERTY DAMAGE LIABILITY
AMOUNT AND BASIS OF DEDUCTIBLE
\$250 PER CLAIM

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

LOC/
STATE BLDG

PJ0001E	0991	POLICY JACKET
B07186	0190	DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
1L0022	0587	EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
		ENDORSEMENT
1L0162	0490	NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
		ENDORSEMENT
1L0269	0892	NORTH CAROLINA CHANGES - CANCELLATION AND
		NONRENEWAL
PD0617	0190	POLICY QUICK REFERENCE
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY
B07112	1288	LOSS PAYABLE PROVISIONS
B07124	1288	COMPUPAK ENDORSEMENT
B07253	0293	PERSONAL PROPERTY OFF PREMISES
B07193	0190	DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07208	0490	NORTH CAROLINA CHANGES
C67149	1092	LEAD LIABILITY EXCLUSION
GEN ENDRO1		GENERAL ENDORSEMENT 01

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

ST7115 0887 PREMIUM AUDIT NOTICE

CONTINUE NEXT FRAME
118

ADVISORY NOTICE:
DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.
PLEASE READ THIS ENDORSEMENT CAREFULLY.

* INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

P DMC

02/24/94

HV 76

ROA 1149

.A03.

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	94055002618
ENDORSEMENT		AGENCY BILL		
RISK NEW 07/29/93	MARLEYSVILLE MUTUAL INSURANCE COMPANY MARLEYSVILLE PA 19438			
	PINEHURST BUILDERS INC PINEHURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467	GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577		
	07/29/93 TO 07/29/94	11/16/93	39-0270	
	***** COINSURANCE CONTRACT *****			
	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 THE LOCATION 1, BUILDING 1, BUILDING COVERAGE IS INCREASED TO \$350,000 FROM \$200,000. ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$8,172.00 PREMIUM FOR THIS ENDORSEMENT: \$425.00 TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$425.00 **** SCHEDULE OF FORMS AND ENDORSEMENTS ****			
PJ0001E	0991 POLICY JACKET	LOC/ STATE BLDG		
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
IL0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT			
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT			
IL0269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
PRO617	0190 POLICY QUICK REFERENCE			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07208	0490 NORTH CAROLINA CHANGES			
C67149	1092 LEAD LIABILITY EXCLUSION			
GEN ENDRO1	GENERAL ENDORSEMENT 01			
	** IMPORTANT INFORMATION ** THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY. PLEASE READ CAREFULLY.			
ST7115	0887 PREMIUM AUDIT NOTICE			
	* INDICATES A NEW OR REPLACEMENT FORM.			
CB 9A 58 01 END 05 01 05	PAGE 1 CONTINUED	P DMC	02/24/94	

	COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE			
** END OF DECLARATIONS **				
CONTINUE NEXT FRAME				
.B03.				

HV 77

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	94105002K06
ENDORSEMENT	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	AGENCY BILL		
RISK NEW 07/29/93				
PINEMURST BUILDERS INC PINEMURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577	GREENSBORO BRANCH		
07/29/93 TO 07/29/94	07/29/93	39-0270		
***** COINSURANCE CONTRACT *****				
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 THE FOLLOWING LOSS PAYEE IS ADDED: COASTAL LEASING CO, PO BOX 1826, GREENVILLE, SC, 29835.				
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,627.00 PREMIUM FOR THIS ENDORSEMENT: \$0.00 TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$0.00 ***** SCHEDULE OF FORMS AND ENDORSEMENTS *****				
PJ0001E BO7186 ILO022 ILO162 ILO269 PRO617 PT0617 BO7112 BO7124 BO7253 BO7193 BO7208 CG7149 GEN ENDRO1	0991 POLICY JACKET 0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 MOON ENDORSEMENT 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT 0892 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL 0190 POLICY QUICK REFERENCE 0190 CONTRACTORS' BUSINESS OWNERS POLICY 1288 LOSS PAYABLE PROVISIONS 1288 COMPUPAK ENDORSEMENT 0293 PERSONAL PROPERTY OFF PREMISES 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE 0490 NORTH CAROLINA CHANGES 1092 LEAD LIABILITY EXCLUSION GENERAL ENDORSEMENT 01	LOC/ STATE BLDG		
** IMPORTANT INFORMATION ** THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY. PLEASE READ CAREFULLY.				
ST7115	0887 PREMIUM AUDIT NOTICE			
* INDICATES A NEW OR REPLACEMENT FORM.				
CB 9A 58 01 END 06 01 02	PAGE 1 CONTINUED	P DMC	04/19/94	

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE				
CONTINUE NEXT FRAME 888-115-888				

** END OF DECLARATIONS **				
CB 9A 58 01 END 06 01 02	PAGE 2	P DMC	04/19/94	
CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS PREMIUM INFORMATION SHEET	CB 9A 58 01		
ENDORSEMENT		AGENCY BILL		

HV 78

*** B16 ***

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	94109002115
ENDORSEMENT	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	AGENCY BILL		
RISK NEW 07/29/93	PINEMURST BUILDERS INC PINEMURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467	GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577		
	07/29/93 TO 07/29/94	10/18/93	39-0270	

* COINSURANCE CONTRACT *				

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 THE FOLLOWING IS ADDED AS				
LOSS PAYEE: SOUTHERN NATIONAL BANK, PO BOX 38, LITTLE RIVER,				
SC, 29566. THE COMPUPAK HARDWARE IS DECREASED TO \$14,885 AND				
THE SOFTWARE IS INCREASED TO \$28,700.				
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,565.00				
RETURN PREMIUM FOR THIS ENDORSEMENT: \$49.00				
TOTAL RETURN DUE FOR THIS ENDORSEMENT: \$49.00				
***** SCHEDULE OF FORMS AND ENDORSEMENTS *****				
PJ0001E	0991 POLICY JACKET	LOC/		
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING	STATE BLDG		
IL0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON			
	ENDORSEMENT			
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS			
	ENDORSEMENT			
IL0269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND			
	NONRENEWAL			
PR0617	0190 POLICY QUICK REFERENCE			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07208	0490 NORTH CAROLINA CHANGES			
CG7149	1092 LEAD LIABILITY EXCLUSION			
GEN ENDR01	GENERAL ENDORSEMENT 01			

** IMPORTANT INFORMATION **				
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.				
PLEASE READ CAREFULLY.				
ST7115	0887 PREMIUM AUDIT NOTICE			

CB 9A 58 01	END 07 01 03	PAGE 1 CONTINUED	P DMC	04/19/94
* INDICATES A NEW OR REPLACEMENT FORM.				

COUNTERSIGNED BY:				

CONTINUE NEXT FRAME				
*** B16 ***				

AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

P DMC

HV 79

ROA 1152

222 116 222

CB 9A 58 01		CONTRACTORS' BUSINESS OWNERS POLICY		CB 9A 58 01		PREV FICHE ID		94109002B16	
ENDORSEMENT		DECLARATIONS		AGENCY BILL		PRIOR TERM ID			
RISK NEW 07/29/93		HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438		GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577					
PINEHURST BUILDERS INC PINEHURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467		07/29/93 TO 07/29/94		11/16/93		39-0270			
		***** COINSURANCE CONTRACT *****							
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 THE LOCATION 1, BUILDING 1, BUILDING COVERAGE IS INCREASED TO \$350,000 FROM \$200,000. ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$8,172.00 PREMIUM FOR THIS ENDORSEMENT: \$425.00 TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$425.00 **** SCHEDULE OF FORMS AND ENDORSEMENTS ****									
PJ0001E	0991	POLICY JACKET			LOC/				
B07186	0190	DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			STATE BLDG				
IL0022	0587	EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON							
		ENDORSEMENT							
IL0162	0490	NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS							
		ENDORSEMENT							
IL0269	0892	NORTH CAROLINA CHANGES - CANCELLATION AND							
		NONRENEWAL							
PR0617	0190	POLICY QUICK REFERENCE							
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY							
B07112	1288	LOSS PAYABLE PROVISIONS							
B07124	1288	COMPUPAK ENDORSEMENT							
B07253	0293	PERSONAL PROPERTY OFF PREMISES							
B07193	0190	DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE							
B07208	0490	NORTH CAROLINA CHANGES							
CG7149	1092	LEAD LIABILITY EXCLUSION							
GEN ENDRO1		GENERAL ENDORSEMENT 01							
** IMPORTANT INFORMATION ** THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY. PLEASE READ CAREFULLY.									
517115	0887	PREMIUM AUDIT NOTICE							
* INDICATES A NEW OR REPLACEMENT FORM.									
CB 9A 58 01 END 08 01 04 PAGE 1 CONTINUED P DMC 04/19/94									

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE									
** END OF DECLARATIONS **									

CONTINUE NEXT FRAME
222 116 222

HV 80

.D01.

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	94109002J16
ENDORSEMENT		AGENCY BILL		
RISK NEW 07/29/93	MARLEYSVILLE MUTUAL INSURANCE COMPANY MARLEYSVILLE PA 19438			
	PINEMURST BUILDERS INC PINEMURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467	GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577		
	07/29/93 TO 07/29/94	05/11/94	39-0270	
***** COINSURANCE CONTRACT *****				
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 COMP DATA IS AMENDED TO \$29,200. AND COMP HDWR IS AMENDED TO \$23,828.80. LOSS PAYEE IS ADDED: GENERAL ELECTRIC CAPITAL CORPORATION INSURANCE DEPT, P.O. BOX 3083 CEDAR RAPIDS, IA 52406-3083 FOR THE COPIER AND FAX MACHINES. ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$18,186.00 PREMIUM FOR THIS ENDORSEMENT: \$2,163.00 TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$2,163.00 **** SCHEDULE OF FORMS AND ENDORSEMENTS ****				
PJ0001E	0991 POLICY JACKET	LOC/ STATE BLDG		
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
1L0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT			
1L0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT			
1L0269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
PRO617	0190 POLICY QUICK REFERENCE			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07208	0490 NORTH CAROLINA CHANGES			
CG7149	1092 LEAD LIABILITY EXCLUSION			
GEN ENDRO1	GENERAL ENDORSEMENT 01			

** IMPORTANT INFORMATION ** THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY. PLEASE READ CAREFULLY.				
ST7115	0887 PREMIUM AUDIT NOTICE			

CB 9A 58 01 END 09 01 05 PAGE 1 CONTINUED P 06/14/94

* INDICATES A NEW OR REPLACEMENT FORM.

CONTINUE NEXT FRAME
.E01.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 58 01 END 09 01 05 PAGE 2 P 06/14/94

HV 81

*** 118 ***

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY	CB 9A 58 01	PREV FICHE ID	94182001618
ENDORSEMENT	DECLARATIONS	AGENCY BILL	PRIOR TERM ID	
RISK NEW 07/29/93	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	GREENSBORO BRANCH		
	PINEHURST BUILDERS INC PINEHURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577		
	07/29/93 TO 07/29/94	05/11/94	39-0270	
	***** COINSURANCE CONTRACT *****			
	THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY. THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE: COMPUPAK (HARDWARE) IS AMENDED TO \$23,829. ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$8,232.00 RETURN PREMIUM FOR THIS ENDORSEMENT: \$2,150.00 TOTAL RETURN DUE FOR THIS ENDORSEMENT: \$2,150.00 **** SCHEDULE OF FORMS AND ENDORSEMENTS ****			
		LOC/ STATE BLDG		
PJ0001E	0991 POLICY JACKET			
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
IL0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT			
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT			
IL0269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
PRO617	0190 POLICY QUIK REFERENCE			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07208	0490 NORTH CAROLINA CHANGES			
C67149	1092 LEAD LIABILITY EXCLUSION			
GEN ENDR01	GENERAL ENDORSEMENT 01			
	** IMPORTANT INFORMATION ** THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY. PLEASE READ CAREFULLY.			
ST7115	0887 PREMIUM AUDIT NOTICE			
	* INDICATES A NEW OR REPLACEMENT FORM. * * * * *			
CB 9A 58 01 END 10 01 06	PAGE 1 CONTINUED	P	10/05/94	
	COUNTERSIGNED BY:	AUTHORIZED REPRESENTATIVE		
** END OF DECLARATIONS **				
		P		
	CONTINUE NEXT FRAME *** K18 ***			

CB 9A 58 01 END 10 01 06 PAGE 2

10/05/94

HV 82

ROA 1155

222-016-222

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	94182001G18
RENEWAL CERTIFICATE	MARLEYSVILLE MUTUAL INSURANCE COMPANY MARLEYSVILLE PA 19438	AGENCY BILL		
RISK NEW 07/29/93	PINEMURST BUILDERS INC PINEMURST PROPERTIES 10239 BEACH DR, SW CALABASH NC 28467	GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577		
	07/29/94 TO 07/29/95	39-0270		
	***** COINSURANCE CONTRACT *****			
LEGAL STATUS: CORPORATION				
BUSINESS: BUILDING CONTRACTOR				
	ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$17,539.00			
	ESTIMATED TOTAL POLICY PREMIUM: \$17,539.00			
	TOTAL AMOUNT DUE: \$17,539.00			
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE. 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 DECLARATION.				
**** SCHEDULE OF LOCATIONS ****				
LOC NO	LOCATION DESCRIPTION			
01	Hwy 179 CALABASH NC 28459			
**** SCHEDULE OF COVERAGES ****				

SECTION 1: PROPERTY COVERAGES SECTION 1 DEDUCTIBLE: \$500

CB 9A 58 01 END 00 02 01	PAGE 1 CONTINUED	07/06/94
LOC 01 BLDG 01		LIMIT OF INSURANCE
CONSTRUCTION: FRAME	COINSURANCE: 80X	
TERR: 003 PROTECTION: 07		
OCCUPANCY: OFFICE		
BUILDING		\$350,000
BUSINESS PERSONAL PROPERTY		\$125,000
ACCOUNTS RECEIVABLE		\$10,000
MONEY AND SECURITIES		\$10,000
	INSIDE THE PREMISES	\$10,000
	OUTSIDE THE PREMISES	\$10,000

CONTINUE NEXT FRAME

222-016-222

OTHER COVERAGES AND ENDORSEMENTS -
REPLACEMENT COST
APPLIES TO BUILDING AND BUSINESS PERSONAL
PROPERTY
FIRE INSURANCE

HV 83

ROA 1156

CONTINUE NEXT FRAME
 ---D16.D16---

OTHER COVERAGES AND ENDORSEMENTS -

REPLACEMENT COST
 APPLIES TO BUILDING AND BUSINESS PERSONAL
 PROPERTY

COMPLUPAK ENDORSEMENT
 HARDWARE \$2,382,880
 DATA AND MEDIA \$29,200

SECTION 1: OPTIONAL COVERAGES
 COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01 \$50,000

SECTION 11: 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
 DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE \$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/	STATE-		CLASS
BLDG	TERR	DESCRIPTION	CODE
01/01	32-003	PLUMBING - INCLUDING UNDERGROUND	17111
		PAYROLL PREMIUM BASIS	\$27,986
01/01	32-003	PAINTING, DECORATING OR PAPERHANGING	17211
		PAYROLL PREMIUM BASIS	\$22,000
01/01	32-003	MASONRY	17411
		PAYROLL PREMIUM BASIS	\$7
01/01	32-003	CEILING OR WALL INSTALLATION - NOT PLASTERING	17421
		PAYROLL PREMIUM BASIS	\$30,047

CB 9A 58 01 END 00 02 01 PAGE 2 CONTINUED 07/06/94
 01/01 32-003 CARPENTRY - NEW CONSTRUCTION 17511
 PAYROLL PREMIUM BASIS \$230,000
 01/01 32-003 DRIVEWAY, PARKING AREA OR SIDEWALK PAVING OR RE- 17714
 PAVING
 PAYROLL PREMIUM BASIS \$3,341

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

MORTGAGE HOLDER
 PREM BLDG
 NO. NO.

01 01 MORTGAGE HOLDER
 UNITED CAROLINA BANK
 PO BOX 308
 SMALLLOTTE NC 28459

LOSS PAYABLE PROVISIONS
 PREM BLDG
 NO. NO.

01 01 LOSS PAYEE

CONTINUE NEXT FRAME
 ---E10.E10---

HV 84

CONTINUE NEXT FRAME
---E16.---

LOSS PAYABLE PROVISION APPLICABLE

COASTAL LEASING CO
PO BOX 1826
GREENVILLE SC 29835

DESCRIPTION OF PROPERTY:
COMPLUPAK COVERAGE

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE)
PO BOX 3080
CEDAR RAPIDS IA 52404

CB 9A 58 01 END 00 02 01 PAGE 3 CONTINUED

07/06/94

GENERAL ENDORSEMENT 01

ADDITIONAL LIABILITY COVERAGE:
47050- REAL ESTATE AGENTS- INCLUDING PRODUCTS
AND/OR COMPLETED OPERATIONS

COMPLUPAK ENDORSEMENT	LOC NO	BLOC NO	PROPERTY COVERED	LIMIT OF INSURANCE
	01	01	"DATA" AND "MEDIA"	\$29,200
	01	01	HARDWARE	\$2,382,880

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE	SCHEDULE	AMOUNT AND BASIS OF DEDUCTIBLE
COVERAGE		\$250 PER CLAIM
PROPERTY DAMAGE LIABILITY		

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

LOC/
STATE BLOC

*PJ0001E	0194 POLICY JACKET
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
IL0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
	ENDORSEMENT
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
	ENDORSEMENT
IL0269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND
	NONRENEWAL
PRO617	0190 POLICY QUICK REFERENCE
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112	1288 LOSS PAYABLE PROVISIONS
B07124	1288 COMPLUPAK ENDORSEMENT
B07253	0293 PERSONAL PROPERTY OFF PREMISES
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07208	0490 NORTH CAROLINA CHANGES

CONTINUE NEXT FRAME
---E16.---

107169 1002 LEAD LIABILITY EXCLUSION

HV 85

(CONTINUE NEXT FRAME)
---F16---

CG7149 1092 LEAD LIABILITY EXCLUSION
GEN ENDOR01 GENERAL ENDORSEMENT 01

.. 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
S17115 0887 PREMIUM AUDIT NOTICE

CB 9A 58 01 END 00 02 01 PAGE 4 CONTINUED

07/06/94

ADVISORY NOTICE:
DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.
PLEASE READ THIS ENDORSEMENT CAREFULLY.

* 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.

.....

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

.. END OF DECLARATIONS ..

PA 10 01 000 000 000 000

PAGE

07/06/94

HV 86

ROA 1159

Harleysville Mutual Insurance Company

**355 Maple Avenue
Harleysville, Pennsylvania 19438**



HV 87

This policy jacket with the policy provisions, declarations or information page, and endorsements, if any, completes this policy.

We will provide the insurance described in this policy in return for the premium and compliance with all applicable policy provisions.

Mutual Conditions

This policy is non-assessable. Upon acceptance of this policy, the insured becomes a member of the Company but such membership shall terminate if and when the policy of insurance shall be terminated, without renewal, for any reason whatsoever. The insured shall participate in the distribution of dividends to the extent and upon the conditions fixed and determined by the Board of Directors in accordance with the provision of law.

Annual Meeting

As a member of the Company the insured is entitled to vote either in person or by proxy at any and all meetings of said Company. The Annual Meeting is held in the Company's home office, Harleysville, Pennsylvania on the fourth Wednesday of April in each year at 11:00 o'clock a.m. The inclusion of this notice in this policy shall constitute notice of the time and place of the Annual meeting.

In Witness Whereof, the Company has caused this policy to be executed and attested.



Walter R. Bateman
President



Lucinda J. Gannon
Secretary



Berkshire Mutual Insurance Company
Connecticut Union Insurance Company
Great Oaks Insurance Company
Harleysville - Atlantic Insurance Company
Harleysville - Garden State Insurance Company
Harleysville Insurance Company of New Jersey
Harleysville Mutual Insurance Company
Huron Insurance Company
Pernland Insurance Company
Worcester 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.)

888-113-898

CB 9A 5B 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 5B 01	PREV FICHE ID PRIOR TERM ID	94186002101 94182001618
AMENDED		AGENCY BILL		
RISK NEW 07/29/93	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	GREENSBORO BRANCH		
	PINEMURST BUILDERS INC & ERA CALLIHAM TEAL SKELLEY MC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577		
	07/29/94 TO 07/29/95	07/29/94	39-0270	
	***** COINSURANCE CONTRACT *****			
MESSAGE: NAMED INSURED IS AMENDED TO READ PINEMURST BUILDERS INC & ERA CALLIHAM TEAL & SKELLEY MC. THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY. LEGAL STATUS: CORPORATION BUSINESS: BUILDING CONTRACTOR ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$17,539.00 PREMIUM FOR THIS AMENDMENT: 30.00 TOTAL AMOUNT DUE FOR THIS AMENDMENT: 30.00 THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE. 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	HWT 179 CALABASH NC 28459			
CB 9A 5B 01	END 01 02 02	PAGE 1 CONTINUED	09/09/94	
***** SCHEDULE OF COVERAGES *****				
SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: \$500				
LOC 01 BLDG 01 LIMIT OF INSURANCE				
CONSTRUCTION: FRAME COINSURANCE: 80%				
TERM: 003 PROTECTION: 07				
OCCUPANCY: OFFICE				
CONTINUE NEXT FRAME				

BUILDING \$350,000
TOTAL \$350,000

HV 90

CONTINUE NEXT FRAME
 889.113.888

BUILDING	\$350,000
BUSINESS PERSONAL PROPERTY	\$125,000
ACCOUNTS RECEIVABLE	\$10,000
MONEY AND SECURITIES	\$10,000
INSIDE THE PREMISES	\$10,000
OUTSIDE THE PREMISES	\$10,000

OTHER COVERAGES AND ENDORSEMENTS -
 REPLACEMENT COST
 APPLIES TO BUILDING AND BUSINESS PERSONAL
 PROPERTY
 COMPUPAK ENDORSEMENT
 HARDWARE \$2,382,880
 DATA AND MEDIA \$29,200

SECTION I: OPTIONAL COVERAGES
 COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01 \$50,000

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE	\$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ STATE- BLDG TERM	DESCRIPTION	CLASS CODE
01/01 32-003	PLUMBING - INCLUDING UNDERGROUND PAYROLL PREMIUM BASIS	17111 \$27,986

CB 9A 58 01 END 01 02 02 PAGE 2 CONTINUED 09/09/94
 01/01 32-003 PAINTING, DECORATING, OR PAPERHANGING 17211

01/01 32-003	MASONRY	PAYROLL PREMIUM BASIS	\$22,000
			17611
01/01 32-003	CEILING OR WALL INSTALLATION - NOT PLASTERING	PAYROLL PREMIUM BASIS	\$1
			17621
01/01 32-003	CARPENTRY - NEW CONSTRUCTION	PAYROLL PREMIUM BASIS	\$30,047
			17511
01/01 32-003	DRIVEWAY, PARKING AREA OR SIDEWALK PAVING OR RE- PAVING	PAYROLL PREMIUM BASIS	\$230,000
			17714
		PAYROLL PREMIUM BASIS	\$3,341

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

MORTGAGE HOLDER
 PREM BLDG
 NO. NO.
 01 01 MORTGAGE HOLDER
 UNITED CAROLINA BANK
 PO BOX 308

CONTINUE NEXT FRAME
 889.113.888

CHARLOTTE NC 28459

HV 91

CONTINUE NEXT FRAME
...K13... ..

SHALLOTTE NC 28459

LOSS PAYABLE PROVISIONS

PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

COASTAL LEASING CO
PO BOX 1826
GREENVILLE SC 29835

DESCRIPTION OF PROPERTY:
COMPUPAK COVERAGE

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

CB 9A 58 01 END 01 02 02
01 01 LOSS PAYEE

PAGE 3 CONTINUED

09/09/94

LOSS PAYABLE PROVISION APPLICABLE
GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE)
PO BOX 3080
CEDAR RAPIDS IA 52406

GENERAL ENDORSEMENT 01

ADDITIONAL LIABILITY COVERAGE:
47050- REAL ESTATE AGENTS- INCLUDING PRODUCTS
AND/OR COMPLETED OPERATIONS

COMPUPAK ENDORSEMENT

LOC NO	BLDG NO	PROPERTY COVERED	LIMIT OF INSURANCE
01	01	"DATA" AND "MEDIA"	\$29,200
01	01	HARDWARE	\$2,382,880

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
SCHEDULE

COVERAGE	AMOUNT AND BASIS OF DEDUCTIBLE
PROPERTY DAMAGE LIABILITY	\$250 PER CLAIM

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

LOC/
STATE BLDG

PJ0009E	0194 POLICY JACKET
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
IL0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT
IL0269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND

CONTINUE NEXT FRAME
...L13... ..

HV 92

CONTINUE NEXT PAGE
PAGE L13.113

PRO617 0190 NONRENEWAL
PT0617 0190 POLICY QUICK REFERENCE
B07112 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07124 1288 LOSS PAYABLE PROVISIONS
B07253 1288 COMPUPAK ENDORSEMENT
B07193 0293 PERSONAL PROPERTY OFF PREMISES
B07208 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
C67149 0490 NORTH CAROLINA CHANGES
GEN-ENDOR1 1092 LEAD LIABILITY EXCLUSION
GENERAL ENDORSEMENT 01

CB 9A 5B 01 END 01 02 02 PAGE 4 CONTINUED

09/09/94

== 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 0887 PREMIUM AUDIT NOTICE

ADVISORY NOTICE:
DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.
PLEASE READ THIS ENDORSEMENT CAREFULLY.

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * *

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

== END OF DECLARATIONS ==

PAGE 4

HV 93

.D01.

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	94252001J13 94278002K18
ENDORSEMENT	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	AGENCY BILL		
RISK NEW 07/29/93		GREENSBORO BRANCH		
PINEMURST BUILDERS INC & ERA CALLINAN TEAL SKELLEY NC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577			
07/29/94 TO 07/29/95	07/29/94	39-0270		
***** * COINSURANCE CONTRACT * *****				
THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY. THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE: (COMPUPAK (HARDWARE) IS AMENDED TO \$23,829. ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,944.00 RETURN PREMIUM FOR THIS ENDORSEMENT: \$9,595.00 TOTAL RETURN DUE FOR THIS ENDORSEMENT: \$9,595.00 **** SCHEDULE OF FORMS AND ENDORSEMENTS ****				
PJ0001E	0194 POLICY JACKET	LOC/ STATE BLDG		
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
1L0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT			
1L0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT			
1L0269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
PR0617	0190 POLICY QUICK REFERENCE			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07208	0490 NORTH CAROLINA CHANGES			
C67149	1092 LEAD LIABILITY EXCLUSION			
GEN ENDR01	GENERAL ENDORSEMENT 01			
** IMPORTANT INFORMATION ** THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY. PLEASE READ CAREFULLY.				
G01145	0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED			
S77115	0887 PREMIUM AUDIT NOTICE			
* INDICATES A NEW OR REPLACEMENT FORM.				
CB 9A 58 01	END 02 02 03	PAGE 1 CONTINUED	10/05/94	

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE				
** END OF DECLARATIONS **				
CONTINUE NEXT FRAME ***.D01.***				

HV 94

ROA 1167


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CB 9A 58 01      CONTRACTORS' BUSINESS OWNERS POLICY      CB 9A 58 01
                   DECLARATIONS
AMENDED
MARLEYSVILLE MUTUAL INSURANCE COMPANY      AGENCY BILL
RISK NEW 07/29/93      MARLEYSVILLE PA 19438
                                GREENSBORO BRANCH
PINEHURST BUILDERS INC &      ASSOCIATED INSURORS INC
ERA CALLIHAN TEAL SKELLEY MC      PO DRAWER 2116 48 AVE N
10239 BEACH DR 15W      MYRTLE BEACH SC
CALABASH NC 28467      29577
07/29/94 to 07/29/95      07/29/94      39-0270
*****
* COINSURANCE CONTRACT *
*****

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MESSAGE: POLICY IS AMENDED TO CHANGE PAYROLLS.
THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY.
PLEASE READ IT CAREFULLY.
LEGAL STATUS: CORPORATION

PLEASE READ IT CAREFULLY.
LEGAL STATUS: CORPORATION

BUSINESS: BUILDING CONTRACTOR

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,140.00

ESTIMATED TOTAL ANNUAL POLICY PREMIUM:	\$7,140.00
RETURN PREMIUM FOR THIS AMENDMENT:	\$804.00

RETURN PREMIUM FOR THIS AMENDMENT:	\$004.00
TOTAL RETURN DUE FOR THIS AMENDMENT:	\$804.00

TOTAL RETURN DUE FOR THIS APPENDMENT: \$604.00
 NONE ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM

THE AMOUNT SHOWN ABOVE IS THE INCEPTION DATE OF THE FAILURE TO REMIT WHEN DUE YOU REQUEST CANCELLATION, 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.

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
DECLARATION.

*** SCHEDULE OF LOCATIONS ***

LOC NO	LOCATION DESCRIPTION
01 HWY 179	CALABASH NC 28459

CB 9A 58 01 END 03 02 04 PAGE 1 CONTINUED 01/10/95

*** SCHEDULE OF COVERAGES ***

SECTION 1: PROPERTY COVERAGES SECTION 1 DEDUCTIBLE: 3500

♦♦LOC 01 BLDG 01♦♦

LIMIT OF INSURANCE

CONSTRUCTION: FRAME
TERR: 003 PROTECTION: 07
OCCUPANCY: OFFICE

COINSURANCE: 80%

BUILDING	\$350,000

CONTINUE NEXT FRAME

PREV FICHE ID 94278003L01
PRIOR TERM ID 95006002N09

BILLING METHOD	*AGENCY BILLED*
ISSUE DATE	01/10/95
TRANS EFFECTIVE DATE	07/29/94
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	03
TERM/ACTIVITY	02/04
STATUS	ACTIVE-RENEWAL
SUPL STATUS	
PREV STATUS	
PREV SUPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	400,000
FILING INDICATOR	
INSPECTION INDICATOR	3
CREDIT RATING	
AUDIT ACTIVITY	P
PRIOR POLICY	

==MANUAL PROCESSING== TEAM 02
==MANUAL PROCESSING== TEAM 02

CONTINUE NEXT FRAME
 222.D1B.222

BUSINESS PERSONAL PROPERTY \$125,000
 ACCOUNTS RECEIVABLE \$10,000
 MONEY AND SECURITIES \$10,000
 INSIDE THE PREMISES \$10,000
 OUTSIDE THE PREMISES \$10,000

OTHER COVERAGES AND ENDORSEMENTS -
 REPLACEMENT COST
 APPLIES TO BUILDING AND BUSINESS PERSONAL
 PROPERTY
 COMPUTAK ENDORSEMENT
 HARDWARE \$23,829
 DATA AND MEDIA \$29,200

SECTION 11: OPTIONAL COVERAGES
 COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC D1 \$50,000

SECTION 11: 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
 DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE . . \$250

== SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS ==

LOC/ STATE- BLDG TERR	DESCRIPTION	CLASS CODE
01/01 32-003	LANDSCAPE GARDENING - INCLUDING EXPLOSION, COLLAPSE AND UNDERGROUND PAYROLL PREMIUM BASIS	07821 \$7,800

CB	9A	58	01	END	03	02	04	PAGE 2 CONTINUED	01/10/95
01/01	32-003							PLUMBING - INCLUDING UNDERGROUND	17111
								PAYROLL PREMIUM BASIS	\$9,000
01/01	32-003							PAINTING, DECORATING OR PAPERHANGING	17211
								PAYROLL PREMIUM BASIS	\$42,000
01/01	32-003							MASONRY	17411
								PAYROLL PREMIUM BASIS	\$12,000
01/01	32-003							CEILING OR WALL INSTALLATION - NOT PLASTERING	17421
								PAYROLL PREMIUM BASIS	\$30,047
01/01	32-003							CARPENTRY - NEW CONSTRUCTION	17511
								PAYROLL PREMIUM BASIS	\$155,000
01/01	32-003							DRIVEWAY, PARKING AREA OR SIDEWALK PAVING OR RE- PAVING	17714
								PAYROLL PREMIUM BASIS	\$7,800

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

MORTGAGE HOLDER
 PREM BLDG
 NO. NO.
 01 01 MORTGAGE HOLDER

CONTINUE NEXT FRAME
 222.E1B.222

HV 96

CONTINUE NEXT FRAME
###E38.###

UNITED CAROLINA BANK
PO BOX 308
SMALLOTTE NC 28459

LOSS PAYABLE PROVISIONS
PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

COASTAL LEASING CO
PO BOX 1826
GREENVILLE SC 29835

DESCRIPTION OF PROPERTY:
COMPUKAK COVERAGE

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

CB 9A 58 01 END 03 02 04

PAGE 3 CONTINUED

01/10/95

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE)
PO BOX 3080
CEDAR RAPIDS IA 52406

GENERAL ENDORSEMENT 01

ADDITIONAL LIABILITY COVERAGE:
47050- REAL ESTATE AGENTS- INCLUDING PRODUCTS
AND/OR COMPLETED OPERATIONS

COMPUKAK ENDORSEMENT

LOC NO	BLDG NO	PROPERTY COVERED	LIMIT OF INSURANCE
01	01	"DATA" AND "MEDIA"	\$29,100
01	01	HARDWARE	\$23,829

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE

COVERAGE	SCHEDULE	AMOUNT AND BASIS OF DEDUCTIBLE
PROPERTY DAMAGE LIABILITY		\$250 PER CLAIM

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

LOC/
STATE BLDG

PJ0001E
007186
1LD022

0194 POLICY JACKET
0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT

CONTINUE NEXT FRAME
###E38.###

HV 97

CONFIDENTIAL
SEE 118.222

1L0162 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT
1L0269 0892 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL
PRO617 0190 POLICY QUICK REFERENCE
PT0617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112 1288 LOSS PAYABLE PROVISIONS
B07124 1288 COMPUPAK ENDORSEMENT
B07253 0293 PERSONAL PROPERTY OFF PREMISES
B07193 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07208 0490 NORTH CAROLINA CHANGES
C67149 1092 LEAD LIABILITY EXCLUSION
GEN ENDROT GENERAL ENDORSEMENT 01

CB 9A 58 01 END 03 02 04 PAGE 4 CONTINUED

01/10/95

** 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 0867 PREMIUM AUDIT NOTICE

ADVISORY NOTICE:
DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.
PLEASE READ THIS ENDORSEMENT CAREFULLY.

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * *

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 58 01 END 03 02 04 PAGE 5

01/10/95

HV 98

ROA 1171

888-N16-888

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	95010003D18 95006002MD9
ENDORSEMENT	HARLEYSVILLE MUTUAL INSURANCE COMPANY	AGENCY BILL		
RISK NEW 07/29/93	HARLEYSVILLE PA 19438	GREENSBORO BRANCH		
PINEMURST BUILDERS INC & ERA CALLINAM TEAL SKELLEY NC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2118 48 AVE N MYRTLE BEACH SC 29577			
07/29/94 TO 07/29/95	03/17/95	39-0270		
* COINSURANCE CONTRACT *				
THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY. THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE: IT IS AGREED TO ADD LOCATION 02: LOT 1, OAKMONT RIVER OAKS, MYRTLE BEACH SC 29577. OFFICE CONTENTS- \$20,000. REPLACEMENT COST AND \$500. DEDUCTIBLE APPLIES. ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,344.00 PREMIUM FOR THIS ENDORSEMENT: \$75.00 TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$75.00 **** SCHEDULE OF FORMS AND ENDORSEMENTS ****				
PJ0001E	0194 POLICY JACKET	LOC/ STATE BLDG		
B07132	0191 SOUTH CAROLINA CHANGES			
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
ILD022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT			
ILD162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT			
ILD269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
PRO617	0190 POLICY QUICK REFERENCE			
P10617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUKAK ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07208	0490 NORTH CAROLINA CHANGES			
C67149	1092 LEAD LIABILITY EXCLUSION			
GEN ENDR01	GENERAL ENDORSEMENT 01			
** 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			
577115	0887 PREMIUM AUDIT NOTICE			
CB 9A 58 01 END 04 02 05	PAGE 1 CONTINUED	05/11/95		
* INDICATES A NEW OR REPLACEMENT FORM.				

COUNTERSIGNED BY:				
CONTINUE NEXT FRAME				
888-016-888				

HV 99

AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 58 01 END 04 02 05

PAGE 2

P

05/11/95

CB 9A 58 01

CONTRACTORS' BUSINESS OWNERS
PREMIUM INFORMATION SHEET

CB 9A 58 01

ENDORSEMENT

HANOVER MUTUAL INSURANCE COMPANY

AGENCY BILL

HV 100

This endorsement modifies insurance provided by the following:

BUSINESS OWNERS POLICY

**BO-7132
(Ed. 1-91)**

SOUTH CAROLINA CHANGES

SCHEDULE*

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

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:

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

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:

- Nonpayment of premium;
- Material misrepresentation of fact which, if known to us, would have caused us not to issue the policy;
- 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;
- 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:

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

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.

222.G01.222

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	95131002014 95006002M09
ENDORSEMENT	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	AGENCY BILL		
RISK NEW 07/29/93		GREENSBORO BRANCH		
	PINEHURST BUILDERS INC & ERA CALLIHAN TEAL SKELLEY NC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2716 48 AVE N MYRTLE BEACH SC 29577		
	07/29/94 TO 07/29/95	03/27/95	39-0270	
	***** COINSURANCE CONTRACT *****			
	THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY. THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE: IT IS AGREED TO ADD THE FOLLOWING ADDITIONAL INSURED: DR DAVID CROLAND, PO BOX 20, LONGS SC 29568. ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$7,352.00 PREMIUM FOR THIS ENDORSEMENT: SUBJECT TO AUDIT TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$0.00 **** SCHEDULE OF FORMS AND ENDORSEMENTS ****			
PJ0001E	0194 POLICY JACKET	LOC/ STATE BLDG		
B07132	0191 SOUTH CAROLINA CHANGES			
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
1L0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT			
1L0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT			
1L0269	0892 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
PR0617	0190 POLICY QUICK REFERENCE			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07200	0190 ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS			
B07208	0490 NORTH CAROLINA CHANGES			
C67149	1092 LEAD LIABILITY EXCLUSION			
GEN ENDR01	GENERAL ENDORSEMENT 01			
	** 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	0887 PREMIUM AUDIT NOTICE			
CB 9A 58 01 END 05	02 06	PAGE 1 CONTINUED	05/16/95	
	* INDICATES A NEW OR REPLACEMENT FORM.			

	COUNTERSIGNED BY:			
	CONTINUE NEXT FRAME 222.G01.222			

AUTHORIZED REPRESENTATIVE

-- END OF DECLARATIONS --

CB 9A 58 01 END 05 02 06 PAGE 2

05/16/95

HV 103

ROA 1176

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.

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS POLICY
DECLARATIONS CB 9A 58 01
NEWAL CERTIFICATE MARLEYSVILLE MUTUAL INSURANCE COMPANY
SK NEW 07/29/93 MARLEYSVILLE PA 19438 AGENCY BILL
GREENSBORO BRANCH

PINEHURST BUILDERS INC &
ERA CALLIMAN TEAL SKELLE MC
10239 BEACH DR, SW
CALABASH NC 28467
07/29/95 TO 07/29/96
39-0270

COINSURANCE CONTRACT

LEGAL STATUS: CORPORATION
BUSINESS: BUILDING CONTRACTOR
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$6,907.00
ESTIMATED TOTAL POLICY PREMIUM: \$6,907.00
ESTIMATED TOTAL AMOUNT DUE: \$6,907.00

THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON
THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE. IF
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. THE LIMIT OF
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	LOCATION DESCRIPTION
NO	CALABASH NC 28459
01	HWY 179 MYRTLE BEACH SC 29577
02	LOT 1 OAKMONT RIVER OAKS

**** SCHEDULE OF COVERAGES ****

SECTION 1: PROPERTY COVERAGES SECTION 1 DEDUCTIBLE: \$500

CB 9A 58 01 END 00 03 02

PAGE 1 CONTINUED

08/01/95

--LOC J1 BLDG 01--

LIMIT OF INSURANCE

CONSTRUCTION: FRAME
TERM: 003 PROTECTION: 07
OCCUPANCY: OFFICE

COINSURANCE: 80%

BUILDING	\$350,000
BUSINESS PERSONAL PROPERTY	\$125,000

CONTINUE NEXT FRAME

*** ADJ ***

PREV FICHE ID 95199003813
PRIOR TERM ID

BILLING METHOD AGENCY BILLED
ISSUE DATE 08/01/95
TRANS EFFECTIVE DATE 07/29/95
LAST TRANSACTION RENEWAL
ENDORSEMENT NUM 00
TERM/ACTIVITY 03/02
STATUS ACTIVE-RENEWAL
SUPPL STATUS
PREV STATUS
PREV SUPPL STATUS
COMMISSION RATE
REINSURANCE
GROSS SALES 400,000
FILING INDICATOR 3
INSPECTION INDICATOR P
CREDIT RATING
AUDIT ACTIVITY
PRIOR POLICY

MANUAL PROCESSING

TERM 03

HV 105

ROA 1178

ACCOUNTS RECEIVABLE	INSIDE THE PREMISES	\$10,000
MONEY AND SECURITIES	OUTSIDE THE PREMISES	\$10,000
		\$10,000

OTHER COVERAGES AND ENDORSEMENTS -
 REPLACEMENT COST
 APPLIES TO BUILDING AND BUSINESS PERSONAL
 PROPERTY
 COMPUPAK ENDORSEMENT
 HARDWARE \$23,829
 DATA AND MEDIA \$29,200

LOC 02 BLDG 01

LIMIT OF INSURANCE

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

BUSINESS PERSONAL PROPERTY	\$20,000
ACCOUNTS RECEIVABLE	\$10,000
MONEY AND SECURITIES	\$10,000
	INSIDE THE PREMISES
	OUTSIDE THE PREMISES
	\$10,000

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

SECTION 1: OPTIONAL COVERAGES
 COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01 . . . \$50,000

SECTION 11: 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

CB 9A 58 01 END 00 03 02 PAGE 2 CONTINUED 08/01/95
 MEDICAL EXPENSES \$5,000

FIRE LEGAL LIABILITY \$100,000
 DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE \$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/	STATE-	DESCRIPTION	CLASS
BLDG	TERR		CODE
01/01	32-003	LANDSCAPE GARDENING - INCLUDING EXPLOSION, COLLAPSE AND UNDERGROUND	07821
		PAYROLL PREMIUM BASIS	\$7,800
01/01	32-003	PLUMBING - INCLUDING UNDERGROUND	17111
		PAYROLL PREMIUM BASIS	\$9,000
01/01	32-003	PAINTING, DECORATING OR PAPERHANGING	17211
		PAYROLL PREMIUM BASIS	\$42,000
01/01	32-003	MASONRY	17411
		PAYROLL PREMIUM BASIS	\$12,000
01/01	32-003	CEILING OR WALL INSTALLATION - NOT PLASTERING	17421
		PAYROLL PREMIUM BASIS	\$30,047

CONTINUE NEXT FRAME
 *** 605 ***

01/01 32-003 CARPENTRY - NEW CONSTRUCTION

17511

HV 106

CONTINUE NEXT FRAME

*** B05 ***

01/01 32-003 CARPENTRY - NEW CONSTRUCTION 17511
PAYROLL PREMIUM BASIS \$155,000
01/01 32-003 DRIVEWAY, PARKING AREA OR SIDEWALK PAVING OR RE- 17714
PAVING
PAYROLL PREMIUM BASIS \$7,800

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

MORTGAGE HOLDER
PREM BLDG
NO. NO.

01 01 MORTGAGE HOLDER
UNITED CAROLINA BANK
PO BOX 308
SHALLOTTE NC 28459

ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS
PREM BLDG
NO. NO.

01 01 NAME OF PERSON OR ORGANIZATION:
DR DAVID CROLAND
PO BOX 20
LONGS SC 29568
BLDG OWNER

CB 9A 58 01 END 00 03 02

PAGE 3 CONTINUED

08/01/95

LOSS PAYABLE PROVISIONS
PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

COASTAL LEASING CO
PO BOX 1826
GREENVILLE SC 29635

DESCRIPTION OF PROPERTY:
COMPUKAK COVERAGE

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE)
PO BOX 3080
CEDAR RAPIDS IA 52406

GENERAL ENDORSEMENT 01

CONTINUE NEXT FRAME

*** C05 ***

HV 107

ADDITIONAL LIABILITY COVERAGE:
47050- REAL ESTATE AGENTS- INCLUDING PRODUCTS
AND/OR COMPLETED OPERATIONS

COMPUPAK ENDORSEMENT		PROPERTY COVERED	LIMIT OF INSURANCE
LOC NO	BLDG NO	"DATA" AND "MEDIA"	
01	01	HARDWARE	\$29,200
01	01		\$23,829

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
SCHEDULE
COVERAGE AMOUNT AND BASIS OF DEDUCTIBLE
PROPERTY DAMAGE LIABILITY \$250 PER CLAIM

CB 9A 58 01 END 00 03 02

PAGE 4 CONTINUED

P

08/01/95

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

LOC/
STATE BLDG

PJ0001E	0194 POLICY JACKET
B07132	0191 SOUTH CAROLINA CHANGES
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
1L0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT
1L0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT
*1L0269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL
PR0617	0190 POLICY QUICK REFERENCE
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112	1288 LOSS PAYABLE PROVISIONS
B07124	1288 COMPUPAK ENDORSEMENT
B07253	0293 PERSONAL PROPERTY OFF PREMISES
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07200	0190 ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS
B07208	0490 NORTH CAROLINA CHANGES
*B07302	0195 AMENDMENT - LEASED WORKERS
C67149	1092 LEAD LIABILITY EXCLUSION
*C67167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS
GEN ENDRO1	GENERAL ENDORSEMENT 01
*S77168	0195 IMPORTANT NOTICE TO POLICYHOLDERS BROADENING OF COVERAGE - LEASED WORKERS

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

6U1145	0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
S77115	0887 PREMIUM AUDIT NOTICE

ADVISORY NOTICE:
DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.
PLEASE READ THIS ENDORSEMENT CAREFULLY.

* INDICATES A NEW OR REPLACEMENT FORM. RETAIN LISTED FORMS NOT REPLACED.

CONTINUE NEXT FRAME

222-805-222

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

CB 9A 58 01 END 00 03 02

PAGE 5 CONTINUED

P

08/01/95

ATTACHED TO THE POLICY OR TO THIS RENEWAL DECLARATIONS.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

HV 108

ROA 1181

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL

This endorsement modifies insurance provided under the following:

BOILER AND MACHINERY COVERAGE PART
BUSINESSOWNERS POLICY
COMMERCIAL CRIME COVERAGE PART*
COMMERCIAL GENERAL LIABILITY COVERAGE PART
COMMERCIAL INLAND MARINE COVERAGE PART
COMMERCIAL PROPERTY COVERAGE PART
FARM COVERAGE PART
LIQUOR LIABILITY COVERAGE PART
POLLUTION LIABILITY COVERAGE PART
PRODUCTS/COMPLETED OPERATIONS LIABILITY COVERAGE PART

* This endorsement does not apply to coverage provided for employee dishonesty (Coverage Form A), forgery or alteration (Coverage Form B), or public employee dishonesty (Coverage Forms O and P).

A. Paragraph 2. of the CANCELLATION Common Policy Condition is replaced by the following:

2.a. CANCELLATION OF POLICIES IN EFFECT LESS THAN 60 DAYS

If this policy has been in effect for less than 60 days, we may cancel this policy by mailing or delivering to the first Named Insured written notice of cancellation at least:

- (1) 15 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.

b. CANCELLATION OF POLICIES IN EFFECT FOR 60 DAYS OR MORE

If this policy has been in effect for 60 days or more, or is a renewal of a policy we issued, we may cancel this policy prior to the:

- (1) Expiration of the policy term; or
 - (2) Anniversary date,
- stated in the policy only for one or more of the following reasons:
- (a) Nonpayment of premium;
 - (b) An act or omission by the insured or his or her representative that constitutes material misrepresentation or nondisclosure of a material fact in obtaining this policy, continuing this policy or presenting a claim under this policy;

(c) Increased hazard or material change in the risk assumed that could not have been reasonably contemplated by the parties at the time of assumption of the risk;

(d) Substantial breach of contractual duties, conditions or warranties that materially affects the insurability of the risk;

(e) A fraudulent act against us by the insured or his or her representative that materially affects the insurability of the risk;

(f) Willful failure by the insured or his or her representative to institute reasonable loss control measures that materially affect the insurability of the risk after written notice by us;

(g) Loss of facultative reinsurance, or loss of or substantial changes in applicable reinsurance as provided in G.S. 58-41-30;

(h) Conviction of the insured of a crime arising out of acts that materially affect the insurability of the risk;

(i) A determination by the Commissioner of Insurance that the continuation of the policy would place us in violation of the laws of North Carolina; or

- (j) You fail to meet the requirements contained in our corporate charter, articles of incorporation or by-laws when we are a company organized for the sole purpose of providing members of an organization with insurance coverage in North Carolina.

We will mail or deliver written notice of cancellation to the first Named Insured at least:

- (i) 15 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - (ii) 30 days before the effective date of cancellation if we cancel for any other reason.
- c. Cancellation for nonpayment of premium will not become effective if you pay the premium amount due before the effective date of cancellation.
- d. We may also cancel this policy for any reason not stated above provided we obtain your prior written consent.
- B. The following provisions are added and supersede any other provisions to the contrary:

1. NONRENEWAL

- a. If we elect not to renew this policy, we will mail or deliver to the first Named Insured shown in the Declarations written notice of nonrenewal at least 45 days prior to the:

- (1) Expiration of the policy if this policy has been written for one year or less; or

- (2) Anniversary date of the policy if this policy has been written for more than one year or for an indefinite term.

- b. We need not mail or deliver the notice of nonrenewal if you have:

- (1) Insured property covered under this policy, under any other insurance policy;

- (2) Accepted replacement coverage; or

- (3) Requested or agreed to nonrenewal of this policy.

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

2. The written notice of cancellation or nonrenewal will:

- a. Be mailed or delivered to the first Named Insured and any designated mortgagee or loss payee at their addresses shown in the policy, or if not indicated in the policy, at their last known addresses; and

- b. State the reason or reasons for cancellation or nonrenewal.

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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HV 111

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.

HV 112

IMPORTANT NOTICE TO POLICYHOLDERS BROADENING OF COVERAGE - LEASED WORKERS

This notice has been prepared to describe a change made to your policy.

Please read your policy and the endorsements attached to your policy carefully to determine rights, duties and what is and is not covered. Only the provisions of your policy determine the scope of your insurance protection.

BROADENING OF COVERAGE

BO-7302 - Amendment - Leased Workers

This new endorsement has been added to broaden coverage with respect to liability of leased workers. Two new definitions ("employee" and "leased worker") have been added to give leased workers the same status (both coverage and exclusions) as the traditional employee. A leased worker is defined as "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' is also newly defined.

The payroll used to calculate the premium for your policy will include the payroll of leased workers, if any. Classifications and rates applicable to leased workers will be those which would have applied if the leased workers had been the direct employee of the named insured.

122 J12 222

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	95214003C08 95199003813
ENDORSEMENT		AGENCY BILL		
RISK NEW 07/29/93	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438			
	PINEHURST BUILDERS INC & ERA CALLIHAN TEAL SKELLEY NC 10239 BEACH DR, SW CALABASH NC 28467	GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 4B AVE N MYRTLE BEACH SC 29577		
	07/29/95 TO 07/29/96	08/24/95	39-0270	
	* COINSURANCE CONTRACT *			
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 LOCATION #1 IS AMENDED TO READ 10239 BEACH DR, SW CALABASH, N.C. 28467				
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$6,907.00 PREMIUM FOR THIS ENDORSEMENT: \$0.00 TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$0.00 **** SCHEDULE OF FORMS AND ENDORSEMENTS ****				
PJ0001E	0194 POLICY JACKET	LOC/ STATE BLDG		
B07132	0191 SOUTH CAROLINA CHANGES			
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
IL0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT			
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT			
IL0269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
PRO617	0190 POLICY QUICK REFERENCE			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07233	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07200	0190 ADDITIONAL INSURED-OWNERS, LESSEES OR CONTRACTORS			
B07208	0490 NORTH CAROLINA CHANGES			
B07302	0195 AMENDMENT - LEASED WORKERS			
C67149	1092 LEAD LIABILITY EXCLUSION			
C67167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS			
GEN ENDR01	GENERAL ENDORSEMENT 01			
ST7168	0195 IMPORTANT NOTICE TO POLICYHOLDERS BROADENING OF COVERAGE - LEASED WORKERS			

CB 9A 58 01 END 01 03 03 PAGE 1 CONTINUED P 10/31/95

** 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
222 K12 222

ST7115 0887 PREMIUM AUDIT NOTICE

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * *

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 58 01 END 01 03 03 PAGE 2 P 10/31/95

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS CB 9A 58 01

HV 114

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY	CB 9A 58 01	PREV FICHE ID	95304002K12
AMENDED	DECLARATIONS	AGENCY BILL	PRIOR TERM ID	95310003009
RISK NEW 07/29/93	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	GREENSBORO BRANCH		
	PINEHURST BUILDERS INC & ERA CALLIHAN TEAL SKELLEY MC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYRTLE BEACH SC 29577		
	07/29/95 TO 07/29/96	08/24/95	39-0270	
***** COINSURANCE CONTRACT *****				
MESSAGE: IT IS UNDERSTOOD AND AGREED TO AMEND POLICY AS SHOWN BELOW.				
THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY.				
PLEASE READ IT CAREFULLY.				
LEGAL STATUS: CORPORATION				
BUSINESS: BUILDING CONTRACTOR				
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$4,784.00				
RETURN PREMIUM FOR THIS AMENDMENT: \$1,971.00				
TOTAL RETURN DUE FOR THIS AMENDMENT: \$1,971.00				
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON				
THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE.				
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	LOCATION DESCRIPTION			
NO				
01	10239 BEACH DR SW	CALABASH NC 28459		
02	LOT 1 OAKMONT RIVER OAKS	MYRTLE BEACH SC 29577		
CB 9A 58 01 END 02 03 04 PAGE 1 CONTINUED 01/10/96				
**** SCHEDULE OF COVERAGES ****				
SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: \$500				
LOC 01 BLDG 01 LIMIT OF INSURANCE				
CONSTRUCTION: FRAME COINSURANCE: 80%				
CONTINUE NEXT FRAME				
*** DD3 ***				

* BILLING METHOD *AGENCY BILLED*

* ISSUE DATE 01/10/96

* TRANS EFFECTIVE DATE 08/24/95

* LAST TRANSACTION ENDORSEMENT

* ENDORSEMENT NUM 02

* TERM/ACTIVITY 03/04

* STATUS ACTIVE-RENEWAL

* SUPPL STATUS

* PREV STATUS

* PREV SUPPL STATUS

* COMMISSION RATE

* REINSURANCE

* GROSS SALES 400,000

* FILING INDICATOR

* INSPECTION INDICATOR 3

* CREDIT RATING

* AUDIT ACTIVITY P

* PRIOR POLICY

* **MANUAL PROCESSING** TERM 03

* **MANUAL PROCESSING** TERM 03

1ERR: 003 PROTECTION: 07

HV 115

ROA 1188

CONTINUE NEXT FRAME

REF. 001. 222

TERM: 003 PROTECTION: 07
OCCUPANCY: OFFICE

BUILDING		\$355,000
BUSINESS PERSONAL PROPERTY		\$125,000
ACCOUNTS RECEIVABLE		\$10,000
MONEY AND SECURITIES		\$10,000
	INSIDE THE PREMISES	\$10,000
	OUTSIDE THE PREMISES	\$10,000

OTHER COVERAGES AND ENDORSEMENTS -

REPLACEMENT COST
APPLIES TO BUILDING AND BUSINESS PERSONAL
PROPERTY
COMPUPAK ENDORSEMENT
HARDWARE
DATA AND MEDIA

\$23,829
\$29,200

LOC 02 BLDG 01

LIMIT OF INSURANCE

CONSTRUCTION: FRAME
TERM: 003 PROTECTION: 03
OCCUPANCY: OFFICE

COINSURANCE: 80%

BUSINESS PERSONAL PROPERTY		\$20,000
ACCOUNTS RECEIVABLE		\$10,000
MONEY AND SECURITIES		\$10,000
	INSIDE THE PREMISES	\$10,000
	OUTSIDE THE PREMISES	\$10,000

OTHER COVERAGES AND ENDORSEMENTS -

REPLACEMENT COST
APPLIES TO BUSINESS PERSONAL PROPERTY ONLY

SECTION I: OPTIONAL COVERAGES

COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01 . . . \$50,000

CB 9A 58 01 END 02 03 04

PAGE 2 CONTINUED

01/10/96

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE	\$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/	STATE-		CLASS
BLDG	TERM	DESCRIPTION	CODE
01/01	32-003	CARPENTRY - NEW CONSTRUCTION	17511
		PAYROLL PREMIUM BASIS	\$165,619

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

MORTGAGE HOLDER

CONTINUE NEXT FRAME

222. E01. 222

HV 116

ROA 1189

PREM BLDG
NO. NO.

01 01 MORTGAGE HOLDER
UNITED CAROLINA BANK
PO BOX 308
SHALLOTTE NC 28459

LOSS PAYABLE PROVISIONS

PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

COASTAL LEASING CO
PO BOX 1826
GREENVILLE SC 29835

DESCRIPTION OF PROPERTY:
COMPUPAK COVERAGE

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

CB 9A 58 01 END 02 03 04
SOUTHERN NATIONAL BANK

PAGE 3 CONTINUED

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01/10/96

PO BOX 38
LITTLE RIVER SC 29566

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE
PO BOX 3080
CEDAR RAPIDS IA 52406

COMPUPAK ENDORSEMENT

LOC NO	BLDG NO	PROPERTY COVERED	LIMIT OF INSURANCE
01	01	HARDWARE	\$23,829
01	01	"DATA" AND "MEDIA"	\$29,200

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
SCHEDULE

COVERAGE	AMOUNT AND BASIS OF DEDUCTIBLE
PROPERTY DAMAGE LIABILITY	\$250 PER CLAIM

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

LOC/
STATE BLDG

PJ0001E	0194 POLICY JACKET
B07132	0191 SOUTH CAROLINA CHANGES
1L0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT
1L0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT
1L0269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND

CONTINUE NEXT FRAME

EOI

	NONRENEWAL
PR0617	0190 POLICY QUICK REFERENCE
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112	1288 LOSS PAYABLE PROVISIONS
B07124	1288 COMPUPAK ENDORSEMENT
B07253	0293 PERSONAL PROPERTY OFF PREMISES
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07208	0490 NORTH CAROLINA CHANGES
B07302	0195 AMENDMENT - LEASED WORKERS
CG7149	1092 LEAD LIABILITY EXCLUSION
CG7167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS
ST7168	0195 IMPORTANT NOTICE TO POLICYHOLDERS BROADENING OF COVERAGE - LEASED WORKERS

CB 9A 58 01 END 02 03 04

PAGE 4 CONTINUED

P

01/10/96

** 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	0887 PREMIUM AUDIT NOTICE

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * *

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

HV 117

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS POLICY CB 9A 58 01
DECLARATIONS
ENDORSEMENT HARLEYSVILLE MUTUAL INSURANCE COMPANY AGENCY BILL
RISK NEW 07/29/93 HARLEYSVILLE PA 19438

PINEMURST BUILDERS INC &
ERA CALLIMAN TEAL SKELLEY MC
10239 BEACH DR, SW
CALABASH NC 28467

GREENSBORO BRANCH
ASSOCIATED INSURORS INC
PO DRAWER 2116 48 AVE N
MYRTLE BEACH SC
29577

07/29/95 TO 07/29/96

06/10/96

39-0270

* COINSURANCE CONTRACT *

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

IT IS AGREED THAT LOCATION 02 -LOT 1 OAKMONT RIVER OAKS
MYRTLE BEACH S C IS HEREBY DELETED.

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$4,593.00

RETURN PREMIUM FOR THIS ENDORSEMENT: \$26.00

TOTAL RETURN DUE FOR THIS ENDORSEMENT: \$26.00

*** SCHEDULE OF FORMS AND ENDORSEMENTS ***

PJ0001E 0194 POLICY JACKET
1L0022 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT
1L0162 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT
1L0269 1094 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL
PRO617 0190 POLICY QUICK REFERENCE
PT0617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112 1288 LOSS PAYABLE PROVISIONS
B07124 1288 COMPUPAK ENDORSEMENT
B07253 0293 PERSONAL PROPERTY OFF PREMISES
B07193 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07208 0490 NORTH CAROLINA CHANGES
B07302 0195 AMENDMENT - LEASED WORKERS
CG7149 1092 LEAD LIABILITY EXCLUSION
ST7168 0195 IMPORTANT NOTICE TO POLICYHOLDERS BROADENING OF
COVERAGE - LEASED WORKERS

** 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 0807 PREMIUM AUDIT NOTICE

PREV FICHE ID 96010004001
PRIOR TERM ID 95310003009

* BILLING METHOD *AGENCY BILLED*
* ISSUE DATE 08/08/96
* TRANS EFFECTIVE DATE 06/10/96
* LAST TRANSACTION ENDORSEMENT
* ENDORSEMENT NUM 03
* TERM/ACTIVITY 03/05
* STATUS RENEWED
* SUPPL STATUS
* PREV STATUS ACTIVE-RENEWAL
* PREV SUPPL STATUS
* COMMISSION RATE
* REINSURANCE
* GROSS SALES 400,000
* FILING INDICATOR
* INSPECTION INDICATOR 3
* CREDIT RATING P
* AUDIT ACTIVITY
* PRIOR POLICY

MANUAL PROCESSING TERM 03

CB 9A 58 01 END 03 03 05 PAGE 1 CONTINUED P 08/08/96

* INDICATES A NEW OR REPLACEMENT FORM.

CONTINUE NEXT FRAME
*** 010 ***

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 58 01 END 03 03 05 PAGE 2 P 08/08/96

HV 118

ROA 1191

*** 611 ***

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS POLICY
RENEWAL CERTIFICATE DECLARATIONS
RISK NEW 07/29/93 HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438

CB 9A 58 01
AGENCY BILL

PREV FICHE ID
PRIOR TERM ID 96221004010

PINEMURST BUILDERS INC B ASSOCIATED INSURORS INC
ERA CALLINAM TEAL SKELLEY NC PO DRAWER 2116 48 AVE M
10239 BEACH DR, SW MYRTLE BEACH SC
CALABASH NC 28467 29577

07/29/96 TO 07/29/97

39-0270

COINSURANCE CONTRACT *****

LEGAL STATUS: CORPORATION

BUSINESS: BUILDING CONTRACTOR

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$3,980.00
ESTIMATED TOTAL POLICY PREMIUM: \$3,980.00
TOTAL AMOUNT DUE: \$3,980.00

THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE. 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
01	10239 BEACH DR SW CALABASH NC 28459

**** SCHEDULE OF COVERAGES ****

SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: \$500

CB 9A 58 01 END 00 04 03 PAGE 1 CONTINUED 08/27/96

LOC 01 BLDG 01

LIMIT OF INSURANCE

CONSTRUCTION: FRAME
TERR: 003 PROTECTION: 07
OCCUPANCY: OFFICE

COINSURANCE: 80%

BUILDING	\$350,000
BUSINESS PERSONAL PROPERTY	\$125,000
ACCOUNTS RECEIVABLE	\$10,000
MONEY AND SECURITIES	\$10,000
INSIDE THE PREMISES	\$10,000
OUTSIDE THE PREMISES	\$10,000

CONTINUE NEXT FRAME
222 611 222

BILLING METHOD *AGENCY BILLED*
ISSUE DATE 08/27/96
TRANS EFFECTIVE DATE 07/29/96
LAST TRANSACTION RENEWAL
ENDORSEMENT NUM 00
TERM/ACTIVITY 04/03
STATUS ACTIVE-RENEWAL
SUPPL STATUS
PREV STATUS
PREV SUPPL STATUS
COMMISSION RATE
REINSURANCE
GROSS SALES 400,000
FILING INDICATOR
INSPECTION INDICATOR 3
CREDIT RATING
AUDIT ACTIVITY P
PRIOR POLICY

MANUAL PROCESSING TERM 04

***** COVERAGES AND ENDORSEMENTS *****

HV 119

CONTINUE NEXT FRAME
222.611.222

OTHER COVERAGES AND ENDORSEMENTS -

REPLACEMENT COST
APPLIES TO BUILDING AND BUSINESS PERSONAL
PROPERTY
COMPUKAK ENDORSEMENT
HARDWARE
DATA AND MEDIA

\$23,829
\$29,200

SECTION I: OPTIONAL COVERAGES

COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01 . . . \$50,000

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE \$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/	STATE-			CLASS
BLDG	TERM	DESCRIPTION		CODE
01/01	32-003	CARPENTRY - NEW CONSTRUCTION		17511
		PAYROLL PREMIUM BASIS		\$165,619

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

MORTGAGE HOLDER

CB 9A 58 01 END 00 04 03 PAGE 2 CONTINUED 08/27/96
PREM BLDG

NO. NO.

01 01 MORTGAGE HOLDER
UNITED CAROLINA BANK
PO BOX 300
SMALLOTTE NC 28459

LOSS PAYABLE PROVISIONS

PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

COASTAL LEASING CO
PO BOX 1026
GREENVILLE SC 29835

DESCRIPTION OF PROPERTY:
COMPUKAK COVERAGE

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

CONTINUE NEXT FRAME
222.611.222

SOUTHERN NATIONAL BANK
1000 1000 AM

HV 120

CONTINUE NEXT FRAME
--- 111 ---

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE
GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE
PO BOX 3080
CEDAR RAPIDS IA 52406

COMPUPAK ENDORSEMENT

LOC NO	BLDG NO	PROPERTY COVERED	LIMIT OF INSURANCE
01	01	HARDWARE	\$23,829
01	01	"DATA" AND "MEDIA"	\$29,200

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
SCHEDULE

COVERAGE	AMOUNT AND BASIS OF DEDUCTIBLE
PROPERTY DAMAGE LIABILITY	\$250 PER CLAIM

CB 9A 5B 01 END 00 04 03

PAGE 3 CONTINUED

P

08/27/96

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

LOC/
STATE BLDG

*PJ0001E 0895 POLICY JACKET
1L0022 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT
1LD162 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT
1L0269 1094 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL
PRO617 0190 POLICY QUICK REFERENCE
PT0617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112 1288 LOSS PAYABLE PROVISIONS
B07124 1288 COMPUPAK ENDORSEMENT
*B07253 0293 PERSONAL PROPERTY OFF PREMISES
*ST7181 0496 IF YOUR POLICY PROVIDES PROPERTY INSURANCE ON A
BUILDING, YOU SHOULD KNOW...
B07193 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07208 0490 NORTH CAROLINA CHANGES
B07302 0195 AMENDMENT - LEASED WORKERS
*B07314 0895 AMENDMENT SECTION II - WHO IS AN INSURED
C67149 1092 LEAD LIABILITY EXCLUSION
*C67167 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
*ST7174 0196 SUBCONTRACTORS - CERTIFICATES OF INSURANCE

* INDICATES A NEW OR REPLACEMENT FORM. RETAIN LISTED FORMS NOT REPLACED.

CONTINUE NEXT FRAME
--- 111 ---

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.

CB 9A 5B 01 END 00 04 03

PAGE 4 CONTINUED

P

08/27/96

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 5B 01 END 00 04 03

PAGE 5

P

08/27/96

HV 121

ROA 1194

Harleysville Mutual Insurance Company

**355 Maple Avenue
Harleysville, Pennsylvania 19438**



HV 122

ROA 1195

This policy jacket with the policy provisions, declarations or information page, and endorsements, if any, completes this policy.

We will provide the insurance described in this policy in return for the premium and compliance with all applicable policy provisions.

Mutual Conditions

This policy is non-assessable. Upon acceptance of this policy, the insured becomes a member of the Company but such membership shall terminate if and when the policy of insurance shall be terminated, without renewal, for any reason whatsoever. The insured shall participate in the distribution of dividends to the extent and upon the conditions fixed and determined by the Board of Directors in accordance with the provision of law.

Annual Meeting

As a member of the Company the insured is entitled to vote either in person or by proxy at any and all meetings of said Company. The Annual Meeting is held in the Company's home office, Harleysville, Pennsylvania on the fourth Wednesday of April in each year at 11:00 o'clock a.m. The inclusion of this notice in this policy shall constitute notice of the time and place of the Annual meeting.

In Witness Whereof, the Company has caused this policy to be executed and attested.



Walter R. Baleman
President



Roger A. Brown
Secretary

**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, COINSURANCE, TOTAL BUILDING REPLACEMENT COST PROTECTION COVERAGE OR YOUR BUILDING LIMITS OF INSURANCE.

This endorsement modifies insurance provided by the following:

**BUSINESS OWNERS POLICY
CONTRACTORS BUSINESS OWNERS POLICY**

**BO-7314
(Ed. 8-95)**

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.

(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.

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	Vacation Pay
Commissions	Sick Pay
Bonuses	Payment for Piece Work
Overtime Pay	Other \$ Substitutes
Holiday Pay	

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.

SUBCONTRACTORS - CERTIFICATES OF INSURANCE

IMPORTANT

You may be responsible for the legal liability of your subcontractors especially for those who are uninsured or have a minimal limit of insurance. To protect yourself, you should secure a **CERTIFICATE OF INSURANCE** from them which shows their limit to be no less than \$300,000. Higher limits are even more desirable.

When no evidence of insurance is available at the time of audit, the subcontractors' payroll is added to your premium base. Beginning on your next renewal, a subcontractors' payroll will also be added to your premium base if their limit of general liability insurance is less than \$300,000.

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS POLICY CB 9A 58 01
 AMENDED DECLARATIONS AGENCY BILL
 RISK NEW 07/29/93 HARLEYSVILLE MUTUAL INSURANCE COMPANY
 HARLEYSVILLE PA 19438 GREENSBORO BRANCH
 PINEHURST BUILDERS INC & ASSOCIATED INSURORS INC
 ERA CALLIHAN TEAL SKELLEY NC PO DRAWER 2116 48 AVE N
 10239 BEACH DR SW MYRTLE BEACH SC
 CALABASH NC 28467 29577
 07/29/96 TO 07/29/97 11/19/96 39-0270
 AGENT'S PHONE # 803-449-7405
 * COINSURANCE CONTRACT *
 MESSAGE: CONTRACTORS EQUIPMENT ADDED. LOSS PAYEES IN FAVOR OF
 TRACTOR COMPANY OF CONWAY INC AND AMERICAN EQUIPMENT
 ARE ADDED.
 THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY.
 PLEASE READ IT CAREFULLY.
 LEGAL STATUS: CORPORATION
 BUSINESS: BUILDING CONTRACTOR
 ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$6,001.00
 PREMIUM FOR THIS AMENDMENT: \$1,394.00
 TOTAL AMOUNT DUE FOR THIS AMENDMENT: \$1,394.00
 THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON
 THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE.
 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.

PREV FICHE ID 96240004611
 PRIOR TERM ID 96221004610
 * BILLING METHOD * AGENCY BILLED *
 * ISSUE DATE 12/09/96 *
 * TRANS EFFECTIVE DATE 11/19/96 *
 * LAST TRANSACTION ENDORSEMENT *
 * ENDORSEMENT NUM 01 *
 * TERM/ACTIVITY 04/04 *
 * STATUS ACTIVE-RENEWAL *
 * SUPPL STATUS *
 * PREV STATUS *
 * PREV SUPPL STATUS *
 * COMMISSION RATE *
 * REINSURANCE *
 * GROSS SALES 400,000 *
 * FILING INDICATOR *
 * INSPECTION INDICATOR 3 *
 * CREDIT RATING *
 * AUDIT ACTIVITY P *
 * PRIOR POLICY *
 * **MANUAL PROCESSING** TERM 04 *

CB 9A 58 01 END 01 04 04 PAGE 1 CONTINUED 12/09/96

**** SCHEDULE OF LOCATIONS ****
 LOC NO LOCATION DESCRIPTION
 01 10239 BEACH DR SW CALABASH NC 28459

**** SCHEDULE OF COVERAGES ****
 SECTION I: PROPERTY COVERAGES SECTION I DEDUCTIBLE: \$500

CONTINUE NEXT FRAME
 *** J03 ***

HV 129

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
TERR: 003 PROTECTION: 07
OCCUPANCY: OFFICE

COINSURANCE: 80%

BUILDING	:	:	:	:	:	:	:	:	\$350,000
BUSINESS PERSONAL PROPERTY	:	:	:	:	:	:	:	:	\$125,000
ACCOUNTS RECEIVABLE	:	:	:	:	:	:	:	:	\$10,000
MONEY AND SECURITIES	:	:	:	:	:	:	:	:	\$10,000
								INSIDE THE PREMISES	\$10,000
								OUTSIDE THE PREMISES	\$10,000

OTHER COVERAGES AND ENDORSEMENTS -

REPLACEMENT COST
APPLIES TO BUILDING AND BUSINESS PERSONAL
PROPERTY

COMPUKAK ENDORSEMENT

HARDWARE	:	:	:	:	:	:	:	:	\$23,829
DATA AND MEDIA	:	:	:	:	:	:	:	:	\$29,200

SECTION I: OPTIONAL COVERAGES
COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 01 . . . \$50,000

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE	\$250

CB 9A 58 01 END 01 04 04 PAGE 2 CONTINUED P 12/09/96

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/ STATE-				CLASS
BLDG TERR	DESCRIPTION			CODE
01/01 32-003	CARPENTRY - NEW CONSTRUCTION			17511
	PAYROLL PREMIUM BASIS			\$165,619

**** 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		763 LOADER	BOBCAT	512213897	\$19,200

CONTINUE NEXT FRAME

*** K03 ***

HV 130

2	FORKLIFT	LULL	JD2973N	\$45,000
3	FORKLIFT	LULL	J3U4N113157	\$45,000
4	FORKLIFT	LULL	JH043493	\$65,000
5	644	LULL	JAN95U13N114419	\$75,000
	YEAR BUILT 1995			
6	644 CLASSIC	LULL	NOV95U13N114419	\$75,000
	YEAR BUILT 1995			
7	644 B-37	LULL	APR96V13N17414	\$75,000
	YEAR BUILT 1995			
8	\$250 MISCELLANEOUS TOOLS AND EQUIPMENT OWNED BY AND USED IN THE BUSINESS OF THE NAME INSURED, SUBJECT TO A MAXIMUM LIMIT OF \$1000 FOR ANY ONE ITEM.	NOT STATED	NOT STATED	\$5,000

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN (\$404,200)
IN ANY ONE DISASTER, EITHER IN CASE OF PARTIAL OR TOTAL
LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES ON ALL COMBINED.

DEDUCTIBLE: \$1000

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.

MORTGAGE HOLDER
PREM BLDG
NO. NO.

01 01 MORTGAGE HOLDER
UNITED CAROLINA BANK
PO BOX 308
SHALLOTTE NC 28459

CB 9A 58 01 END 01 04 04
LOSS PAYABLE PROVISIONS

PAGE 3 CONTINUED

P

12/09/96

PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

COASTAL LEASING CO
PO BOX 1826
GREENVILLE SC 29835

DESCRIPTION OF PROPERTY:
COMPUK COVERAGE

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

CONTINUE NEXT FRAME
...LO3...

HV 131

ROA 1204

C1 01 LOSS PAYEE

GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE
PO BOX 3080
CEDAR RAPIDS IA 52406

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

TRACTOR CO OF CONWAY INC
P O BOX 2070
CONWAY SC 29526

DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS 1-4

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

AMERICAN EQUIPMENT
112 HWY 57 NORTH
LITTLE RIVER SC 29566

DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS 5-7

COMPUPAK ENDORSEMENT	LOC NO	BLDG NO	PROPERTY COVERED	LIMIT OF INSURANCE
	01	01	HARDWARE	\$23,829
	01	01	"DATA" AND "MEDIA"	\$29,200

DEDUCTIBLE LIABILITY INSURANCE	PROPERTY DAMAGE
COVERAGE	SCHEDULE
PROPERTY DAMAGE LIABILITY	AMOUNT AND BASIS OF DEDUCTIBLE
	\$250 PER CLAIM

CB 9A 58 01 END 01 04 04

PAGE 4 CONTINUED

P

12/09/96

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

LOC/
STATE BLDG

PJ0001E	0895 POLICY JACKET
IL0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
	ENDORSEMENT
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
	ENDORSEMENT
IL0269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND
	NONRENEWAL
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112	1288 LOSS PAYABLE PROVISIONS
B07124	1288 COMPUPAK ENDORSEMENT
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
B07253	0293 PERSONAL PROPERTY OFF PREMISES
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07208	0490 NORTH CAROLINA CHANGES
B07302	0195 AMENDMENT - LEASED WORKERS
B07314	0895 AMENDMENT SECTION II - WHO IS AN INSURED
CG7149	1092 LEAD LIABILITY EXCLUSION
CG7167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION

CONTINUE NEXT FRAME

MO3

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
ST7174	0196 SUBCONTRACTORS - CERTIFICATES OF INSURANCE

* INDICATES A NEW OR REPLACEMENT FORM.

* * * * *

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

HV 132

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.

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, 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.

- 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. Artificially 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 Conditions:

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.

*** EOS ***

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS	CB 9A 58 01	PREV FICHE ID	97027004F18
	RESULT OF AUDIT		PRIOR TERM ID	96351003M06
FINAL AUDIT	HARLEYSVILLE MUTUAL INSURANCE COMPANY	AGENCY BILL		
	HARLEYSVILLE PA 19438	GREENSBORO BRANCH		
PINEHURST BUILDERS INC		ASSOCIATED INSURORS INC		
10239 BEACH DR, SW		PO DRAWER 2116 48 AVE N		
CALABASH NC 28467		MYRTLE BEACH SC		
		29577		
07/29/96 TO 07/29/97		39-0270		
		AGENT'S PHONE # 803-649-7405		
LOC 00 BLDG 00 STATE 32 TERR 003				
SECTION 11: LIABILITY COVERAGE				
CLASS DESCRIPTION	RATE	EXPOSURE	PREMIUM	
17411 MASONRY	9.320	2,435	\$23.00	
AUDIT TERM: 07/29/96 - 07/29/97		PAYROLL		
LOC 01 BLDG 01 STATE 32 TERR 003				
SECTION 11: LIABILITY COVERAGE				
CLASS DESCRIPTION	RATE	EXPOSURE	PREMIUM	
07823 LANDSCAPE GA	17.170	26,168	\$449.00	
AUDIT TERM: 07/29/96 - 07/29/97		PAYROLL		
17211 PAINTING, DE	14.430	3,134	\$45.00	
AUDIT TERM: 07/29/96 - 07/29/97		PAYROLL		
17421 CEILING OR W	13.340	2,691	\$36.00	
AUDIT TERM: 07/29/96 - 07/29/97		PAYROLL		
17422 PLASTER OR S	8.300	5,217	\$43.00	
AUDIT TERM: 07/29/96 - 07/29/97		PAYROLL		
17511 CARPENTRY -	12.064	781,381	\$9,427.00	
AUDIT TERM: 07/29/96 - 07/29/97		PAYROLL		
17711 CONCRETE CON	16.280	715	\$12.00	
AUDIT TERM: 07/29/96 - 07/29/97		PAYROLL		
17962 HOUSEHOLD FU	12.130	1,901	\$23.00	
AUDIT TERM: 07/29/96 - 07/29/97		PAYROLL		
17993 SIDING INSTA	10.150	560	\$6.00	
AUDIT TERM: 07/29/96 - 07/29/97		PAYROLL		
CB 9A 58 01 END 03 04 06	PAGE 1 CONTINUED		11/03/97	
SECTION 1: PROPERTY COVERAGE				
	TOTAL POLICY EARNED PREMIUM	\$3,378.00		
	TOTAL PREVIOUSLY BILLED	\$5,374.00		
	ADDITIONAL PREMIUM	\$8,066.00		
AUDIT SOURCE: INFORMATION FROM AUDITOR				
CB 9A 58 01 END 03 04 06	PAGE 2		11/03/97	
CONTROL MASTER EXTRACT				

HV 136

--- MOL ---

CB 9A 58 01 RENEWAL CERTIFICATE RISK NEW 07/29/93	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	CB 9A 58 01 AGENCY BILL	PREV FICHE ID PRIOR TERM ID 97027004F18
PINEHURST BUILDERS INC 10239 BEACH DR SW CALABASH NC 28467		GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 48 RVE N MYRTLE BEACH SC 29577	
07/29/97 TO 07/29/98		39-0270 AGENT'S PHONE # 803-449-7405	
***** COINSURANCE CONTRACT *****			
LEGAL STATUS: CORPORATION BUSINESS: BUILDING CONTRACTOR			
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$6,291.00 ESTIMATED TOTAL POLICY PREMIUM: \$6,291.00 TOTAL AMOUNT DUE: \$6,291.00			
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE. 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.			
1. 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 DECLARATION.			
**** SCHEDULE OF LOCATIONS ****			
LOC NO 01	LOCATION DESCRIPTION 10239 BEACH DR SW CALABASH NC 28459		

BILLING METHOD	*AGENCY BILLED*
ISSUE DATE	07/01/97
TRANS EFFECTIVE DATE	07/29/97
LAST TRANSACTION	RENEWAL
ENDORSEMENT NUM	00
TERM/ACTIVITY	05/02
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	400,000
FILING INDICATOR	
INSPECTION INDICATOR	3
CREDIT RATING	
AUDIT ACTIVITY	P
PRIOR POLICY	

CB 9A 58 01 END 00 05 02 PAGE 1 CONTINUED 07/01/97

**** SCHEDULE OF COVERAGES ****

SECTION 1: PROPERTY COVERAGES SECTION 1 DEDUCTIBLE: \$500

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: BOX

CONTINUE NEXT FRAME
--- MOL ---

HV 137

CONTINUE NEXT FRAME
 104-221

TERR: 003 PROTECTION: 07
 OCCUPANCY: OFFICE

BUILDING	:	:	:	:	:	:	:	:	:	\$350,000
BUSINESS PERSONAL PROPERTY	:	:	:	:	:	:	:	:	:	\$125,000
ACCOUNTS RECEIVABLE	:	:	:	:	:	:	:	:	:	\$10,000
MONEY AND SECURITIES	:	:	:	:	:	:	:	:	:	\$10,000
									INSIDE THE PREMISES	\$10,000
									OUTSIDE THE PREMISES	\$10,000

OTHER COVERAGES AND ENDORSEMENTS -
 REPLACEMENT COST
 APPLIES TO BUILDING AND BUSINESS PERSONAL
 PROPERTY
 COMPUKAM ENDORSEMENT
 HARDWARE : : : : : \$23,829
 DATA AND MEDIA : : : : : \$29,200

SECTION I: OPTIONAL COVERAGES
 COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC OT . . . \$50,000

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE	\$250

-- SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS --

LOC/	STATE-				CLASS
BLDG	TERR	DESCRIPTION			CODE
01/01	32-003	CARPENTRY - NEW CONSTRUCTION			17511
		PATROLL PREMIUM BASIS			\$165,619

CB 9A 58 OT END 00 05 02 PAGE 2 CONTINUED 07/01/97

**** 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		763 LOADER	BOBCAT	S12213897	\$19,200
2		FORKLIFT	LULL	JD2973N	\$45,000
3		FORKLIFT	LULL	J304N113157	\$45,000
4		FORKLIFT	LULL	JMD43493	\$45,000
5		644	LULL	JAN95U13N114419	\$75,000
6		YEAR BUILT 1995			
		644 CLASSIC	LULL	NOV95U13N114419	\$75,000
		YEAR BUILT 1995			
7		644 B-37	LULL	APR96V13N17414	\$75,000
		YEAR BUILT 1995			

CONTINUE NEXT FRAME
 104-222

8 1250 MISCELLANEOUS TOOLS AND EQUIPMENT OWNED BY AND USED IN THE BUSINESS OF THE NAME INSURED, SUBJECT TO A MAXIMUM LIMIT OF \$1000 FOR ANY ONE ITEM. NOT STATED NOT STATED \$5,000

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN (\$404,2001 IN ANY ONE DISASTER, EITHER IN CASE OF PARTIAL OR TOTAL LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES OR ALL COMBINED.

DEDUCTIBLE: \$1000

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.

MORTGAGE HOLDER
PREM BLDG
NO. NO.

01 01 MORTGAGE HOLDER
UNITED CAROLINA BANK
PO BOX 308
SHALLOTTE NC 28459

LOSS PAYABLE PROVISIONS
PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

CB 9A 58 01 END 00 05 02
COASTAL LEASING CO

PAGE 3 CONTINUED

07/01/97

PO BOX 1826
GREENVILLE SC 29835

DESCRIPTION OF PROPERTY:
COMPUKAX COVERAGE

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE
GENERAL ELECTRIC CAPITAL COMP INS DEPT COPIER & FAX MACHINE
PO BOX 3080
CEDAR RAPIDS IA 52406

01 01 LOSS PAYEE

CONTINUE NEXT FRAME
---K06-822---

HV 139

ROA 1212

TRACTOR CO OF CONWAY INC
P O BOX 2070
CONWAY SC 29526

LOSS PAYABLE PROVISION APPLICABLE

DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS 1-4

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

AMERICAN EQUIPMENT
112 HWY 57 NORTH
LITTLE RIVER SC 29566

DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS 5-7

COMPUPAK ENDORSEMENT

LOC NO BLDG NO

01

01

PROPERTY COVERED
HARDWARE
DATA AND "MEDIA"

LIMIT OF INSURANCE

\$23,829

\$29,200

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
SCHEDULE

COVERAGE AMOUNT AND BASIS OF DEDUCTIBLE
PROPERTY DAMAGE LIABILITY \$250 PER CLAIM

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

PJ0001E

0895 POLICY JACKET

LOC/
STATE BLDG

*B07206

0290 EXCLUSION-ASBESTOS

CB 9A 5B 01 END 00 05 02

PAGE 4 CONTINUED

P

07/01/97

1L0022

0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT

1L0162

0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT

1L0269

1094 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL

PT0617

0190 CONTRACTORS' BUSINESS OWNERS POLICY

807112

1288 LOSS PAYABLE PROVISIONS

807124

1288 COMPUPAK ENDORSEMENT

807191

0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT

807253

0293 PERSONAL PROPERTY OFF PREMISES

807193

0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE

807208

0490 NORTH CAROLINA CHANGES

*807233

0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION

807302

0195 AMENDMENT - LEASED WORKERS

*807315

0896 AMENDMENT SECTION 11 - WHO IS AN INSURED

CG7149

1092 LEAD LIABILITY EXCLUSION

CG7167

0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION

*1L7115

0597 EXCLUSION-EXTERIOR INSULATION AND FINISH SYSTEMS

(EIFS)

** IMPORTANT INFORMATION **

CONTINUE NEXT FRAME

888-L04-888

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

GU7145

0394 HERE'S AN "800" NUMBER WE HOPE YOU WILL NEVER NEED

ST7115

0196 PREMIUM AUDIT NOTICE

*ST7200

1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE

*ST7206

1296 IMPORTANT NOTICE TO POLICYHOLDERS

*ST7213

EMPLOYMENT RELATED PRACTICES EXCLUSION

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 DECLARATION.

COUNTERSIGNED BY:

AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 5B 01 END (X) 05 02

PAGE 5

P

07/01/97

HV 140

ROA 1213

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

HV 141

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.

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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HV 143

ASBESTOS EXCLUSION DISCLOSURE NOTICE

This policy contains an exclusion for liability arising out of the "Asbestos Hazard." "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.

READ YOUR POLICY CAREFULLY to determine rights, duties and what is and is not covered.

**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.

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.

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.

HV 147

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS POLICY
DECLARATIONS
AMENDED
RISK NEW 07/29/93
PINEHURST BUILDERS INC
10239 BEACH DR SW
CALABASH NC 28467
07/29/97 TO 07/29/98
HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438
GREENSBORO BRANCH
ASSOCIATED INSURORS INC
PO DRAWER 2776 48 AVE N
MYRTLE BEACH SC
29577
07/29/97 39-0270
AGENT'S PHONE # 803-449-7405

COINSURANCE CONTRACT

MESSAGE: IT IS AGREED THAT POLICY IS AMENDED AS FOLLOWS:
ADDING NOTICE OF CANCELLATION. ADDING THE FOLLOWING ITEM
TO CONTRACTORS EQUIPMENT: 009) 97 GENL TELESCOPING BOOM
FORKLIFT MODEL 663, S#JN064726 - VALUE \$62,100. ADDING
SAFECO CREDIT O INC SAFECO PALZA BLDG A SEATTLE WA 98185
AS ADDITIONAL INSURED AND LOSS PAYEE. RATES & PREMIUMS ARE
AMENDED.

THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY.
PLEASE READ IT CAREFULLY.

LEGAL STATUS: CORPORATION

BUSINESS: BUILDING CONTRACTOR

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$5,622.00

RETURN PREMIUM FOR THIS AMENDMENT: \$669.00

TOTAL RETURN DUE FOR THIS AMENDMENT: \$669.00

THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON
THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE.
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.

CB 9A 58 01 END 01 05 03

PAGE 1 CONTINUED

08/06/97

**** SCHEDULE OF LOCATIONS ****

LOC NO - - - - - LOCATION DESCRIPTION - - - - -

CONTINUE NEXT FRAME
222 605 922

PREV FICHE ID 97182004104
PRIOR TERM ID 97027004116

BILLING METHOD *AGENCY BILLED*
ISSUE DATE 08/06/97
TRANS EFFECTIVE DATE 07/29/97
LAST TRANSACTION ENDORSEMENT 01
ENDORSEMENT NUM 05/03
TERM/ACTIVITY ACTIVE-RENEWAL
STATUS
SUPPL STATUS
PREV STATUS
PREV SUPPL STATUS
COMMISSION RATE
REINSURANCE
GROSS SALES 400,000
FILING INDICATOR
INSPECTION INDICATOR
CREDIT RATING
AUDIT ACTIVITY
PRIOR POLICY

01 10239 BEACH DR SW

CALABASH NC 28459

HV 148

ROA 1221

CONTINUE NEXT FRAME
*** EOS ***

SCHEDULE FOR CONTRACTORS' EQUIPMENT

ITEM NO	DED AMT	DESCRIPTION	MANUFACTURER	IDENTIFYING MARKS & NOS	AMOUNT OF INSURANCE
1		763 LOADER	BOBCAT	512213897	\$19,200
2		FORKLIFT	LULL	JD2973N	\$45,000
3		FORKLIFT	LULL	J3U4NT13157	\$45,000
4		FORKLIFT	LULL	JH043493	\$65,000
5		644	LULL	JAN95U13N114419	\$75,000
6		YEAR BUILT 1995			
6		644 CLASSIC	LULL	NOV95U13N114419	\$75,000
7		YEAR BUILT 1995			
7		644 B-37	LULL	APR96V13N17414	\$75,000
8	\$250	YEAR BUILT 1995			
8		MISCELLANEOUS TOOLS AND EQUIPMENT OWNED BY AND USED IN THE BUSINESS OF THE NAME INSURED, SUBJECT TO A MAXIMUM LIMIT OF \$1000 FOR ANY ONE ITEM.	NOT STATED	NOT STATED	\$5,000
9		TELESCOPING BOOM FORKLIFT GENL MODEL 663		SWJN066726	\$62,100
		YEAR BUILT 1997			

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN (\$466,300)
IN ANY ONE DISASTER EITHER IN CASE OF PARTIAL OR TOTAL
LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES OR ALL COMBINED.

DEDUCTIBLE: \$1000

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.

MORTGAGE HOLDER
PREM BLDG
NO. NO.

01 01 MORTGAGE HOLDER

CB 9A 58 01 END 01 05 03 PAGE 3 CONTINUED

08/06/97

PO BOX 308
SHALLOTTE NC 28459

ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
PREM BLDG
NO. NO.

01 01 NAME OF PERSON OR ORGANIZATION:
SAFECO CREDIT CO INC
SAFECO PLAZA - BLDG A
SEATTLE WA 98185
APPLIES TO ITEM 9

LOSS PAYABLE PROVISIONS

CONTINUE NEXT FRAME
*** EOS ***

CONTINUE NEXT FRAME
*** DDS ***

PREM BLDG
NO. NO.

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

COASTAL LEASING CO
PO BOX 1826
GREENVILLE SC 29835

DESCRIPTION OF PROPERTY:
COMPUKAX COVERAGE

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE)
PO BOX 3080
CEDAR RAPIDS IA 52406

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

TRACTOR CO OF CONWAY INC
P O BOX 2070
CONWAY SC 29526

DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS 1-4

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

CB 9A 58 01 END 01 05 03
AMERICAN EQUIPMENT

PAGE 4 CONTINUED

P

08/06/97

112 HWY 57 NORTH
LITTLE RIVER SC 29566

DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS 5-7

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SAFECO CREDIT CO INC
SAFECO PLAZA - BLDG A
SEATTLE WA 98185

DESCRIPTION OF PROPERTY:
APPLIES TO ITEM 9

GENERAL ENDORSEMENT 01

NOTICE OF CANCELLATION

CONTINUE NEXT FRAME
*** DDS ***

HV 150

ROA 1223

SHOULD THE POLICY BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING COMPANY WILL ENDEAVOR TO MAIL THIRTY (30) DAYS WRITTEN NOTICE, EXCEPT FOR NONPAYMENT OF PREMIUM, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE COMPANY.

COMPUPAK ENDORSEMENT	LOC NO	BLDG NO	PROPERTY COVERED	LIMIT OF INSURANCE
	01	01	HARDWARE	\$23,829
	01	01	"DATA" AND "MEDIA"	\$29,200

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
 SCHEDULE
 COVERAGE AMOUNT AND BASIS OF DEDUCTIBLE
 PROPERTY DAMAGE LIABILITY \$250 PER CLAIM

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

LOC/
 STATE BLDG

PJ0001E	0895	POLICY JACKET
BO7206	0290	EXCLUSION-ASBESTOS
*GEN ENDR01		GENERAL ENDORSEMENT 01
IL0022	0587	EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
IL0162	0490	NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
IL0269	1094	NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL
PT0617	0190	CONTRACTORS' BUSINESS OWNERS POLICY
BO7112	1288	LOSS PAYABLE PROVISIONS
BO7124	1288	COMPUPAK ENDORSEMENT
BO7191	0190	CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
BO7253	0293	PERSONAL PROPERTY OFF PREMISES
BO7193	0190	DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE

CB 9A 58 01 END 01 05 03 PAGE 5 CONTINUED P 08/06/97

*BO7201	0190	ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
BO7208	0490	NORTH CAROLINA CHANGES
BO7233	0193	EMPLOYMENT - RELATED PRACTICES EXCLUSION
BO7302	0195	AMENDMENT - LEASED WORKERS
BO7314	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
ST7200	1096	ASBESTOS EXCLUSION DISCLOSURE NOTICE

CONTINUE NEXT FRAME
 P22 P05 P22

ST7206	1296	IMPORTANT NOTICE TO POLICYHOLDERS
ST7213	0597	IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 58 01 END 01 05 03 PAGE 6 P 08/06/97

9A 58 01 CONTRACTORS' BUSINESS OWNERS
 PREMIUM INFORMATION SHEET

CB 9A 58 01

HV 151

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.

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PAIOR TERM ID	97218003B05 97027004FT8
ENDORSEMENT	HARLETSVILLE MUTUAL INSURANCE COMPANY HARLETSVILLE PA 19438	AGENCY BILL		
RISK NEW 07/29/93	PINEHURST BUILDERS INC 10239 BEACH DR SW CALABASH NC 28467	GREENSBORO BRANCH ASSOCIATED INSURORS INC PO DRAWER 2116 48 AVE N MYATLE BEACH SC 29577		
	07/29/97 TO 07/29/98	07/29/97 39-0270 AGENT'S PHONE # 803-449-7405		
***** COINSURANCE CONTRACT *****				
THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY. THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:				
IT IS AGREED THAT THE FOLLOWING ADDITIONAL INSURED IS ADDED AS FOLLOWS: WILLIAMS SCOTSMAN, INC. ATTN: CONTRACTS DEPARTMENT, P O BOX 986, BALTIMORE, MD 21203. THIRTY (30) DAY CANCELLATION CLAUSE APPLIES.				

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$5,627.00 PREMIUM FOR THIS ENDORSEMENT: SUBJECT TO AUDIT TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$0.00 ***** SCHEDULE OF FORMS AND ENDORSEMENTS *****				
PJ0001E	0895 POLICY JACKET	LOC/ STATE BLDG		
B07206	0290 EXCLUSION-ASBESTOS			
GEN ENDRO1	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON			
1L0022	ENDORSEMENT			
1L0162	0490 NORTH CAROLINA - STANDARD FIVE POLICY PROVISIONS			
1L0269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT			
B07208	0490 NORTH CAROLINA CHANGES			
B07233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION			
B07302	0195 AMENDMENT - LEASED WORKERS			
B07314	0896 AMENDMENT SECTION II - WHO IS AN INSURED			
CB 9A 58 01 END 02 05 04	PAGE 1 CONTINUED	08/11/97		
C67149	1092 LEAD LIABILITY EXCLUSION			
C67167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS			
1L7115	0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS			
CONTINUE NEXT FRAME 888-608-888				

(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
ST7200	1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
ST7206	1296 IMPORTANT NOTICE TO POLICYHOLDERS
ST7213	0597 EMPLOYMENT RELATED PRACTICES EXCLUSION IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

• INDICATES A NEW OR REPLACEMENT FORM.

• • • • •

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

*** END OF DECLARATIONS ***

CB 9A 50 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 50 01	PREV FICHE ID PRIOR TERM ID	97223003H 97027004F1
ENDORSEMENT	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19430	AGENCY BILL		
RISK NEW 07/29/93	GREENSBORO BRANCH PINEHURST BUILDERS INC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2116 40 AVE N MYRTLE BEACH SC 29577		
	07/29/97 TO 07/29/98	07/29/97 39-0270 AGENT'S PHONE 8 803-449-7405		

* COINSURANCE CONTRACT *				

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.				
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:				

IT IS AGREED THAT RATES & PREMIUMS ARE AMENDED FOR				
CONTRACTORS EQUIPMENT COVERAGE.				

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: 85,067.00				
RETURN PREMIUM FOR THIS ENDORSEMENT: 8560.00				
TOTAL RETURN DUE FOR THIS ENDORSEMENT: 8560.00				
**** SCHEDULE OF FORMS AND ENDORSEMENTS ****				
		LOC/ STATE BLDG		
PJ0001E	0595 POLICY JACKET			
B07206	0290 EXCLUSION-ASBESTOS			
GEN ENDR01	0507 GENERAL ENDORSEMENT 01			
1L0022	0507 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON			
	ENDORSEMENT			
1L0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS			
	ENDORSEMENT			
1L0269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND			
	NONRENEWAL			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1200 LOSS PAYABLE PROVISIONS			
B07124	1200 COMPUPAK ENDORSEMENT			
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07199	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT			
B07200	0490 NORTH CAROLINA CHANGES			
B07233	0195 EMPLOYMENT - RELATED PRACTICES EXCLUSION			
B07302	0195 AMENDMENT - LEASED WORKERS			
B07314	0096 AMENDMENT SECTION 11 - WHO IS AN INSURED			
C07149	1092 LEAD LIABILITY EXCLUSION			
C07167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION			

BILLING METHOD *AGENCY BILLED*				
ISSUE DATE 09/09/97				
TRANS EFFECTIVE DATE 07/29/97				
LAST TRANSACTION ENDORSEMENT 03				
ENDORSEMENT NUM 05/05				
TERM/ACTIVITY ACTIVE-RENEWAL				
STATUS				
SUPPL STATUS				
PREV STATUS				
PREV SUPPL STATUS				
COMMISSION RATE				
REINSURANCE				
GROSS SALES 400,000				
FILING INDICATOR				
INSPECTION INDICATOR 3				
CREDIT RATING				
AUDIT ACTIVITY P				
PRIOR POLICY				

CB 9A 50 01 END 03 05 05 PAGE 1 CONTINUED 09/09/97

1L7115 0597 CONTRACTS
EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS
(EIFS)

.. IMPORTANT INFORMATION ..

CONTINUE NEXT FRAME
*** 002 ***

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

G01143 0594 HERE'S AN '000' NUMBER WE HOPE YOU WILL NEVER NEED
S77115 0190 PREMIUM AUDIT NOTICE
S77200 1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
S77206 1296 IMPORTANT NOTICE TO POLICYHOLDERS
S77213 0507 EMPLOYMENT RELATED PRACTICES EXCLUSION
IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

.. END OF DECLARATIONS ..

CB 9A 50 01 END 03 05 05 PAGE 2 09/09/97

HV 154

*** CDB ***

CB 9A 50 01 CONTRACTORS' BUSINESS OWNERS POLICY
DECLARATIONS
ENDORSEMENT
RISK NEW 07/29/97
HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19430
AGENCY BILL

PREV FICHE ID 97252004002
PRIOR TERM ID 97027904710

PINEHURST BUILDERS INC
10239 BEACH DR. SW
CALABASH NC 28407
07/29/97 TO 07/29/98
ASSOCIATED INSURORS INC
PO DRAWER 2110 40 AVE N
MYRTLE BEACH SC
29577
09/10/97 39-0270
AGENT'S PHONE 8 803-449-7405

COINSURANCE CONTRACT

THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:

IT IS AGREED THAT THE FOLLOWING ITEM IS ADDED TO CONTRACTORS
EQUIPMENT: ITEM 0103 1997 GENL TELESCOPING BOOM FORKLIFT
MODEL 0000, SN JWB04754 - VALUE 002,100. ADDITIONAL INSURED
0 LOSS PAYEE IS ADDED AS FOLLOWS: SAFECO CREDIT CO INC,
SAFECO PLAZA, 8100 A, SEATTLE, WA 98105. THIRTY (30) DAY
CANCELLATION CLAUSE APPLIES.

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: 05,500.00
PREMIUM FOR THIS ENDORSEMENT: 0212.00
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: 0212.00
**** SCHEDULE OF FORMS AND ENDORSEMENTS ****

LOC/
STATE BLDG

PJ00012 0095 POLICY JACKET
007200 0290 EXCLUSION-ASBESTOS
GEN ENDR 01 0290 GENERAL ENDORSEMENT 01
1L0022 0507 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT
1L0102 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT
1L0209 1094 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL
PT0017 0190 CONTRACTORS' BUSINESS OWNERS POLICY
007112 1200 LOSS PAYABLE PROVISIONS
007124 1200 COMPUPAL ENDORSEMENT
007191 0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
007258 0290 PERSONAL PROPERTY OFF PREMISES
007102 1200 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
007190 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
007201 0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
007200 0490 NORTH CAROLINA CHANGES

BILLING METHOD AGENCY BILLED
ISSUE DATE 09/17/97
TRANS EFFECTIVE DATE 09/10/97
LAST TRANSACTION ENDORSEMENT
ENDORSEMENT NUM 04
TERM/ACTIVITY 05/00
STATUS ACTIVE-RENEWAL
SUPPL STATUS
PREV STATUS
PREV SUPPL STATUS
COMMISSION DATE
REINSURANCE
GROSS SALES 400,000
FILING INDICATOR
INSPECTION INDICATOR 3
CREDIT RATING
AUDIT ACTIVITY P
PRIOR POLICY

CB 9A 50 01 END 04 05 00 PAGE 1 CONTINUED 09/17/97

007200 0190 EMPLOYMENT - RELATED PRACTICES EXCLUSION
007002 0190 AMENDMENT - LEASED WORKERS
007014 0090 AMENDMENT SECTION 11 - WHO IS AN INSURED
007149 1092 LEAD LIABILITY EXCLUSION

CONTINUE NEXT FRAME
*** CDB ***

007107 0190 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION
CONTRACTS
1L7115 0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS
(EIFS)

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

001145 0590 HERE'S AN '000' NUMBER WE HOPE YOU WILL NEVER NEED
077110 0190 PREMIUM AUDIT NOTICE
077200 1090 ASBESTOS EXCLUSION DISCLOSURE NOTICE
077200 1290 IMPORTANT NOTICE TO POLICYHOLDERS
077215 0597 EMPLOYMENT RELATED PRACTICES EXCLUSION
IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

== END OF DECLARATIONS ==

CB 9A 50 01 END 04 05 00 PAGE 2 09/17/97
CB 9A 50 01 CONTRACTORS' BUSINESS OWNERS
PREMIUM INFORMATION SHEET

HV 155

ROA 1228

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.

B. The following exclusions are added:

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.

*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.

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	97260004006 97307003F05
AMENDED	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	AGENCY BILL		
RISK NEW 07/29/93		GREENSBORO BRANCH		
PINEHURST BUILDERS INC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC PO DRAWER 2116 42 AVE N MYRTLE BEACH SC 29577	09/10/97 39-0270 AGENT'S PHONE * 803-449-7405		
07/29/97 TO 07/29/98				
***** COINSURANCE CONTRACT *****				
MESSAGE: CLASSIFICATIONS ADDED TO GENERAL LIABILITY AND PREM BASE AMENDED ON CLASS 17511.				
THE FOLLOWING AMENDED DECLARATIONS CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.				
LEGAL STATUS: CORPORATION				
BUSINESS: BUILDING CONTRACTOR				
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$11,815.00				
PREMIUM FOR THIS AMENDMENT: \$5,740.00				
TOTAL AMOUNT DUE FOR THIS AMENDMENT: \$5,740.00				
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE.				
FAILURE TO REMIT WHEN DUE CAN RESULT IN THE CANCELLATION OF YOUR POLICY. IF REQUEST CANCELLATION, THERE IS A MINIMUM PREMIUM RETENTION FOR THIS POLICY \$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.				
CB 9A 58 01 END 05 05 07	PAGE 1 CONTINUED		11/07/97	
**** SCHEDULE OF LOCATIONS ****				
LOC NO	LOCATION DESCRIPTION			
01	10239 BEACH DR SW CALABASH NC 28459			
**** SCHEDULE OF COVERAGES ****				
SECTION 1: PROPERTY COVERAGES SECTION 1 DEDUCTIBLE: \$500				
DEDUCTIBLE EXCEPTIONS:				
CONTINUE NEXT FRAME *** 104 ***				

BILLING METHOD	AGENCY BILLED
ISSUE DATE	11/07/97
TRANS EFFECTIVE DATE	09/10/97
LAST TRANSACTION	ENDORSEMENT
ENDORSEMENT NUM	05
TERM/ACTIVITY	05/07
STATUS	ACTIVE-RENEWAL
SUPPL STATUS	
PREV STATUS	
PREV SUPPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	400,000
FILING INDICATOR	
INSPECTION INDICATOR	3
CREDIT RATING	
AUDIT ACTIVITY	P
PRIOR POLICY	

01/01 32-003 SIOING INSTALLATION (INCLUDING GUTTER AND DOWN-
SPOUTS) PAYROLL PREMIUM BASIS \$1,901
17993
PAYROLL PREMIUM BASIS \$560

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

CONTRACTORS' EQUIPMENT ENDORSEMENT

SCHEDULE FOR CONTRACTORS' EQUIPMENT

ITEM NO	DEO AMT	DESCRIPTION	MANUFACTURER	IDENTIFYING MARKS & NOS	AMOUNT OF INSURANCE
1		763 LOADER	BOBCAT	512213897	\$19,200
2		FORKLIFT	LULL	J02973M	\$45,000
3		FORKLIFT	LULL	J3U4N113157	\$45,000
4		FORKLIFT	LULL	JM043493	\$65,000
5		644	LULL	JAN95U13N114419	\$75,000
6		YEAR BUILT 1995	LULL	NOU95U13N114419	\$75,000
7		644 CLASSIC	LULL	APR96U13N17414	\$75,000
8	\$250	YEAR BUILT 1995	LULL		\$5,000
		MISCELLANEOUS TOOLS AND EQUIPMENT OWNED BY AND USED IN THE BUSINESS OF THE NAME INSURED, SUBJECT TO A MAXIMUM LIMIT OF \$1000 FOR ANY ONE ITEM.	NOT STATED	NOT STATED	
9		TELESCOPING BOOM FORKLIFT GEHL MODEL 663		SHJN064726	\$62,100
10		YEAR BUILT 1997 TELESCOPING BOOM FORKLIFT GEHL MODEL #663		SHJN064754	\$62,100

CB 9A 58 01 END 05 05 07 PAGE 3 CONTINUED P 11/07/97

YEAR BUILT 1997

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN (\$528,400)
IN ANY ONE DISASTER, EITHER IN CASE OF PARTIAL OR TOTAL
LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES OR ALL COMBINED.

DEDUCTIBLE: \$1000

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.

MORTGAGE HOLDER
PREM BLDG
NO. NO.

01 01 MORTGAGE HOLDER
UNITED CAROLINA BANK

CONTINUE NEXT FRAME
*** X04 ***

PO BOX 308
SHALLOTTE NC 28459

ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
PREM BLDG
NO. NO.

01 01 NAME OF PERSON OR ORGANIZATION:
SAFECO CREDIT CO INC
SAFECO PLAZA - BLDG A
SEATTLE WA 98185
APPLIES TO ITEM 9

01 01 NAME OF PERSON OR ORGANIZATION:
WILLIAMS SCOTSMAN INC ATTN: CONTRACTS DEPT
P O BOX 986
BALTIMORE MD 21203
LESSOR

ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES

01 01 ADDITIONAL INSURED:
SAFECO CREDIT CO INC
SAFECO PLAZA, BLDG A
SEATTLE WA 98185
DESIGNATION OF PREMISES: (PART LEASED TO YOU):
LESSOR

CB 9A 58 01 END 05 05 07
LOSS PAYABLE PROVISIONS

PAGE 4 CONTINUED

P

11/07/97

PREM BLDG
NO. NO.

01 01 LOSS PAYEE
LOSS PAYABLE PROVISION APPLICABLE

COASTAL LEASING CO
PO BOX 1826
GREENVILLE SC 29835
DESCRIPTION OF PROPERTY:
COMPUKAX COVERAGE

01 01 LOSS PAYEE
LOSS PAYABLE PROVISION APPLICABLE
SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

01 01 LOSS PAYEE
LOSS PAYABLE PROVISION APPLICABLE
GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE)
PO BOX 3080
CEDAR RAPIDS IA 52406

01 01 LOSS PAYEE

CONTINUE NEXT FRAME
*** L04 ***

HV 159

ROA 1232

TRACTOR CO OF CONWAY INC
P O BOX 2070
CONWAY SC 29526

LOSS PAYABLE PROVISION APPLICABLE

DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS 1-4

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

AMERICAN EQUIPMENT
112 HWY 57 NORTH
LITTLE RIVER SC 29566

DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS 5-7

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SAFECO CREDIT CO INC
SAFECO PLAZA - BLDG A
SEATTLE WA 98185

DESCRIPTION OF PROPERTY:
APPLIES TO ITEM 9

CB 9A 58 01 END 05 05 07

PAGE 5 CONTINUED

P

11/07/97

01 01 LOSS PAYEE

LOSS PAYABLE PROVISION APPLICABLE

SAFECO CREDIT CO INC
SAFECO PLAZA, BLDG A
SEATTLE WA 98185

DESCRIPTION OF PROPERTY:
APPLIES TO ITEM #10 (EQUIP)

GENERAL ENDORSEMENT 01

****NOTICE OF CANCELLATION****
SHOULD THE POLICY BE CANCELLED BEFORE THE
EXPIRATION DATE THEREOF, THE ISSUING COMPANY
WILL ENDEAVOR TO MAIL THIRTY (30) DAYS WRITTEN
NOTICE, EXCEPT FOR NONPAYMENT OF PREMIUM, BUT
FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION
OR LIABILITY OF ANY KIND UPON THE COMPANY.

COMPUFAX ENDORSEMENT

LOC NO BLDG NO
01 01
01 01

PROPERTY COVERED
HARDWARE
"DATA" AND "MEDIA"

LIMIT OF INSURANCE
\$23,829
\$29,200

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
SCHEDULE

COVERAGE AMOUNT AND BASIS OF DEDUCTIBLE
PROPERTY DAMAGE LIABILITY \$250 PER CLAIM

EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND

CONTINUE NEXT FRAME
*** MO4 ***

HV 160

PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)

DESCRIPTION OF OPERATIONS
LANDSCAPE GARDENING

SCHEDULE

EXCLUDED HAZARD(S)
EXPLOSION AND COLLAPSE HAZARDS

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

LOC/
STATE BLDG

PJ0001E 0895 POLICY JACKET
 *B07186 0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
 B07206 0290 EXCLUSION-ASBESTOS
 GEN ENDR01 0190 GENERAL ENDORSEMENT 01
 1L0022 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 HOUR
 ENDORSEMENT
 1L0162 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
 ENDORSEMENT
 1L0269 1094 NORTH CAROLINA CHANGES - CANCELLATION AND
 NONRENEWAL
 PT0617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
 B07112 1288 LOSS PAYABLE PROVISIONS
 B07124 1288 COMPUPAK ENDORSEMENT
 B07191 0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT

CB 9A 5B 01 END 05 05 07 PAGE 6 CONTINUED

11/07/97

B07253 0293 PERSONAL PROPERTY OFF PREMISES
 B07102 1289 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
 B07193 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
 *B07195 0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND
 PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)
 B07201 0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
 B07208 0490 NORTH CAROLINA CHANGES
 B07233 0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION
 07302 0195 AMENDMENT - LEASED WORKERS
 07314 0896 AMENDMENT SECTION 11 - WHO IS AN INSURED
 C67149 1092 LEAD LIABILITY EXCLUSION
 C67167 0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION
 CONTRACTS
 1L7115 0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS
 (EIFS)

** IMPORTANT INFORMATION **

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

G01145 0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
 S71115 0196 PREMIUM AUDIT NOTICE
 S7200 1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
 S7206 1296 IMPORTANT NOTICE TO POLICYHOLDERS
 S7213 0597 EMPLOYMENT RELATED PRACTICES EXCLUSION
 IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
 INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

ADVISORY NOTICE:
 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.

CONTINUE NEXT FRAME
 *** NO4 ***

PLEASE READ THIS ENDORSEMENT CAREFULLY.

* INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 5B 01 END 05 05 07 PAGE 7

11/07/97

HV 161

ROA 1234

This endorsement modifies insurance provided by the following:

CONTRACTORS' BUSINESS OWNERS

BO-7186
(Ed. 1-90)

**DEDUCTIBLE LIABILITY INSURANCE
SPRAY PAINTING**

SCHEDULE

Coverage
Property Damage Liability

Amount and Basis of Deductible
\$ 250 per claim

APPLICATION OF ENDORSEMENT

THIS ENDORSEMENT APPLIES ONLY TO PROPERTY DAMAGE ARISING OUT OF SPRAY EMANATING FROM ANY SPRAY PAINTING APPARATUS AND OCCURRING DURING SPRAY PAINTING OPERATIONS BY THE INSURED.

1. Our obligation under Property Damage Liability Coverage to pay damages on your behalf applies only to the amount of damages in excess of the deductible amount stated in the Schedule above as applicable to such coverage and the limits of insurance applicable to "each occurrence" for such coverage will be reduced by the amount of the deductible. "Aggregate" limits for such coverages shall not be reduced by the application of the deductible amount.
2. The deductible amount stated in the Schedule applies on a PER CLAIM BASIS. The deductible amount applies under the Property Damage Liability Coverage to all damages because of "property damage" sustained by one person or organization as a result of any one "occurrence."
3. The terms of this insurance, including those with respect to:
 - a. Our right and duty to defend any "suits" seeking those damages; and
 - b. Your duties in the event of an "occurrence," claim, or suitapply irrespective of the application of the deductible amount.
4. We may pay any part or all of the deductible amount to effect settlement of any claim or suit and, upon notification of the action taken, you shall promptly reimburse us for such part of the deductible amount as has been paid by us.

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

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HV 162

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)

This endorsement modifies insurance provided under the following:

Description
of Operations

SCHEDULE

Excluded Hazard(s)

(If no entry appears above, information required to complete this endorsement will be shown in the Declarations as applicable to this endorsement.)

Section II

1. The following exclusion is added to Contractors Business Owners Liability Coverage.

This insurance does not apply to "property damage" included within the "explosion hazard," the "collapse hazard" or the "underground property damage hazard" if any of these hazards is entered as an excluded hazard on the Schedule.

This exclusion does not apply to:

- a. Operations performed for you by others; or
- b. "Property damage" included within the "products completed operations hazard."

2. The following additional definitions apply:

"Explosion hazard" includes property damage arising out of blasting or explosion. The "explosion hazard" does not include "property damage" arising out of the explosion of air or steam vessels, piping under pressure, prime movers, machinery or power transmitting equipment.

"Collapse hazard" includes "structural property

damage" and any resulting "property damage" to any other property at any time.

"Structural property damage" means the collapse of or structural injury to any building or structure due to:

- (1) Grading of land, excavating, borrowing, filling, back-filling, tunnelling, pile driving, cofferdam work or caisson work; or
- (2) Moving, shoring, underpinning, raising or demolition of any building or structure or removal or rebuilding of any structural support of that building or structure.

"Underground property damage hazard" includes "underground property damage" and any resulting "property damage" to any other property at any time.

"Underground property damage" means property damage to wires, conduits, pipes, mains, sewers, tanks, tunnels, any similar property, and any apparatus used with them beneath the surface of the ground or water, caused by and occurring during the use of mechanical equipment for the purpose of grading land, paving, excavating, drilling, borrowing, filling, back-filling or pile driving.

(U SA 58 01) CONTRACTORS' BUSINESS OWNERS POLICY		CB SA 58 01	PREV FICHE ID	97311003104
DECLARATIONS			PRIOR TERM ID	97307003F05
AGENCY BILL				

ENDORSEMENT	HARLEYSVILLE MUTUAL INSURANCE COMPANY	GREENSBORO BRANCH	BILLING METHOD	*AGENCY BILLED*
RISK NEW 07/29/93	HARLEYSVILLE PA 19438		ISSUE DATE	02/24/98
PINEHURST BUILDERS INC	ASSOCIATED INSURORS INC		TRANS EFFECTIVE DATE	12/10/97
10239 BEACH DR. SW	1303 AZALEA CT, STE. B		LAST TRANSACTION	ENDORSEMENT
CALABASH NC 28467	PO BOX 2116		ENDORSEMENT NUM	06
	MYRTLE BCH, SC 29578		TERM/ACTIVITY	05/08
07/29/97 TO 07/29/98	12/10/97	39-0270	STATUS	ACTIVE-RENEWAL
	AGENT'S PHONE = 803-669-7405		SUPPL STATUS	
***** COINSURANCE CONTRACT *****			PREV STATUS	
THIS ENDORSEMENT CHANGES YOUR POLICY. PLEASE READ IT CAREFULLY.			PREV SUPPL STATUS	
THIS ENDORSEMENT FORMS A PART OF THE POLICY. THE POLICY CHANGES ARE:			COMMISSION RATE	
*****			REINSURANCE	
IT IS AGREED THAT CONTRACTORS EQUIPMENT SCHEDULE, ITEM 006			GROSS SALES	400,000
SERIAL NUMBER IS AMENDED TO N0994J16T121161.			FILING INDICATOR	
*****			INSPECTION INDICATOR	3
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$11,815.00			CREDIT RATING	
PREMIUM FOR THIS ENDORSEMENT: \$0.00			AUDIT ACTIVITY	P
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$0.00			PRIOR POLICY	
**** SCHEDULE OF FORMS AND ENDORSEMENTS ****			*****	
		LOC/		
		STATE BLDG		
PJ0001E	0895 POLICY JACKET			
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
B07206	0290 EXCLUSION-ASBESTOS			
GEM ENDR01	GENERAL ENDORSEMENT 01			
110022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON			
	ENDORSEMENT			
110162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS			
	ENDORSEMENT			
110269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND			
	NONRENEWAL			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07195	0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND			
	PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)			
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT			
B07208	0490 NORTH CAROLINA CHANGES			
B07233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION			
CB SA 58 01 END 06 05 08		PAGE 1 CONTINUED	02/24/98	
B07302	0195 AMENDMENT - LEASED WORKERS			
B07314	0896 AMENDMENT SECTION 11 - WHO IS AN INSURED			
CG7149	1092 LEAD LIABILITY EXCLUSION			
CG7167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION			
CONTINUE NEXT FRAME				
*** J02 ***				

CONTRACTS	
1L7115	0597 EXCLUSION-EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)
** IMPORTANT INFORMATION **	
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY. PLEASE READ CAREFULLY.	
6U1145	0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
ST7115	0196 PREMIUM AUDIT NOTICE
ST7200	1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
ST7206	1296 IMPORTANT NOTICE TO POLICYHOLDERS
	EMPLOYMENT RELATED PRACTICES EXCLUSION
ST7213	0597 IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION
* INDICATES A NEW OR REPLACEMENT FORM.	

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE	
** END OF DECLARATIONS **	

HV 164

CB 9A 55 01

CONTRACTORS' BUSINESS OWNERS POLICY
DECLARATIONS

CB 9A 56 01

AGENCY BILL

PREV FICHE 10
PRIOR TERM 1098055005.002
97307003F05

EISEMENT

HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438

GREENSBORO BRANCH

RISK NEW 07/29/93

PINEHURST BUILDERS INC
10239 BEACH DR. SW
CALABASH NC 28467ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116

MYRTLE BCM, SC 29578

04/24/98

39-0270

AGENT'S PHONE # 843-449-7405

07/29/97 TO 07/29/98

COINSURANCE CONTRACT *****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 B B B T OF SC AS
LOSS PAYEE.ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$11,815.00
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
B07186 0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
B07206 0290 EXCLUSION-ASBESTOS
GEN ENDOR01 GENERAL ENDORSEMENT 01
1L0022 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT
1L0162 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT
1L0269 1094 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL
P10617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112 1288 LOSS PAYABLE PROVISIONS
B07124 1288 COMPUPAK ENDORSEMENT
B07191 0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
B07253 0293 PERSONAL PROPERTY OFF PREMISES
B07102 1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
B07193 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07195 0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND
PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)
B07201 0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
07208 0490 NORTH CAROLINA CHANGES
17233 0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION

BILLING METHOD *AGENCY BILLED*
ISSUE DATE 06/01/98
TRANS EFFECTIVE DATE 04/24/98
LAST TRANSACTION ENDORSEMENT
ENDORSEMENT NUM 07
TERM/ACTIVITY 05/09
STATUS ACTIVE-RENEWAL
SUPPL STATUS
PREV STATUS
PREV SUPPL STATUS
COMMISSION RATE
REINSURANCE
GROSS SALES 400,000
FILING INDICATOR
INSPECTION INDICATOR 3
CREDIT RATING
AUDIT ACTIVITY P
PRIOR POLICY

CB 9A 58 01 END 07 05 09

PAGE 1 CONTINUED

06/01/98

B07302 0195 AMENDMENT - LEASED WORKERS
B07314 0896 AMENDMENT SECTION 11 - WHO IS AN INSURED
C67149 1092 LEAD LIABILITY EXCLUSION
C67167 0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION

CONTINUE NEXT FRAME
*** L18 ***

1L7115

CONTRACTS
0597 EXCLUSION-EXTERIOR INSULATION AND FINISH SYSTEMS
(EIFS)** IMPORTANT INFORMATION **
THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY.
PLEASE READ CAREFULLY.

G01145 0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
ST7115 0196 PREMIUM AUDIT NOTICE
ST7200 1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
ST7206 1296 IMPORTANT NOTICE TO POLICYHOLDERS
ST7213 0597 EMPLOYMENT RELATED PRACTICES EXCLUSION
IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

* END OF DECLARATIONS **

CB 9A 58 01 END 07 05 09

PAGE 2

06/01/98

HV 165

ROA 1238

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS POLICY
DECLARATIONS
CB 9A 58 01 AGENCY BILL
ENDORSEMENT
RISK NEW 07/29/93 HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438 GREENSBORO BRANCH

PINEHURST BUILDERS INC
10239 BEACH DR, SW
CALABASH NC 28467

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578
12/10/97 39-0270
AGENT'S PHONE # 8434497405

07/29/97 TO 07/29/98

***** COINSURANCE CONTRACT *****

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 AMEND ITEM #6 SERIAL
NUMBER TO READ: NOV95U13H114837.

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$11,815.00
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
B07186 0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
B07206 0290 EXCLUSION-ASBESTOS
GEN ENDOR1 GENERAL ENDORSEMENT 01
!L0022 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT
IL0162 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT
IL0269 1094 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL
PT0617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112 1288 LOSS PAYABLE PROVISIONS
B07124 1288 COMPUPAK ENDORSEMENT
B07191 0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
B07253 0293 PERSONAL PROPERTY OFF PREMISES
B07102 1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
B07193 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07195 0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND
PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)
B07201 0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
B07208 0490 NORTH CAROLINA CHANGES
B07233 0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION

PREV FICHE ID 98162005GL
PRIOR TRM ID 97307003F05

BILLING METHOD *AGENCY BILLED*
ISSUE DATE 06/17/96
TRANS EFFECTIVE DATE 12/10/97
LAST TRANSACTION ENDORSEMENT 08
ENDORSEMENT NUM 05/09
TERM/ACTIVITY RENEWED
STATUS
SUPPL STATUS
PREV STATUS ACTIVE-RENEWAL
PREV SUPPL STATUS
COMMISSION RATE
REINSURANCE
GROSS SALES 400,000
FILING INDICATOR
INSPECTION INDICATOR 3
CREDIT RATING
AUDIT ACTIVITY P
PRIOR POLICY

CB 9A 58 01 END 08 05 09 PAGE 1 CONTINUED P 06/17/98

B07302 0195 AMENDMENT - LEASED WORKERS
B07314 0898 AMENDMENT SECTION 11 - WHO IS AN INSURED
C67149 1092 LEAD LIABILITY EXCLUSION
C67167 0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION

CONTINUE NEXT FRAME
... F18 ...

1L7115 CONTRACTS
0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS
(EIFS)

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

G01145 0300 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
ST7115 0196 PREMIUM AUDIT NOTICE
ST7200 1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
ST7206 1296 IMPORTANT NOTICE TO POLICYHOLDERS
ST7213 0597 EMPLOYMENT RELATED PRACTICES EXCLUSION
IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

** END OF DECLARATIONS **

CB 9A 5A 01 END 08 05 09 PAGE 2 P 06/17/98

HV 166

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY	CB 9A 58 01	PREV FICHE 10	98168003F16
ENDORSEMENT	DECLARATIONS	AGENCY BILL	PRIOR TERM 10	97307003F05
RISK NEW 07/29/93	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	GREENSBORO BRANCH		
PINEHURST BUILDERS INC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC 1303 AZALEA CT, STE. B PO BOX 2116 MYRTLE BCH, SC 29578 03/06/98 39-0270 AGENT'S PHONE # 843-6497405			
07/29/97 TO 07/29/98				
***** COINSURANCE CONTRACT *****				
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 AMEND CONTRACTORS EQUIPMENT PER NEW SCHEDULE, AMEND LOSS PAYEE'S AND ADDITIONAL INSUREDS PER NEW SCHEDULE.				

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$11,406.00				
RETURN PREMIUM FOR THIS ENDORSEMENT: \$162.00				
TOTAL RETURN DUE FOR THIS ENDORSEMENT: \$162.00				
**** SCHEDULE OF FORMS AND ENDORSEMENTS ****				
PJ0001E	0895 POLICY JACKET	LOC/ STATE BLDG		
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
B07206	0290 EXCLUSION-ASBESTOS			
GEN ENDR01	GENERAL ENDORSEMENT 01			
IL0022	0567 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 MOON ENDORSEMENT			
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT			
IL0269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL			
P10617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES			
307193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07195	0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)			
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT			
B07208	0490 NORTH CAROLINA CHANGES			
CB 9A 58 01 END 09 05 10 PAGE 1 CONTINUED P 06/19/98				
B07233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION			
B07302	0195 AMENDMENT - LEASED WORKERS			
B07314	0896 AMENDMENT SECTION 11 - WHO IS AN INSURED			
C67149	1092 LEAD LIABILITY EXCLUSION			
CONTINUE NEXT FRAME *** HIS ***				

C67167	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.	
G11145	0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
S17115	0196 PREMIUM AUDIT NOTICE
S17200	1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
S17206	1296 IMPORTANT NOTICE TO POLICYHOLDERS
S17213	0597 EMPLOYMENT RELATED PRACTICES EXCLUSION IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION
• INDICATES A NEW OR REPLACEMENT FORM.	

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE	
** END OF DECLARATIONS **	

HV 167

CB 9A 5B 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 5B 01	PREV FICHE 10 PRIOR TERM 10	98170003H15 97307003F05
ENDORSEMENT	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	AGENCY BILL		
RISK NEW 07/29/93	GREENSBORO BRANCH			
PINEHURST BUILDERS INC 10239 BEACH DR. SW CALABASH NC 28467	ASSOCIATED INSURORS INC 1303 AZALEA CT, STE. B PO BOX 2116 MYRTLE BCH, SC 29578 04/03/98 39-0270 AGENT'S PHONE # 8434697405			
07/29/97 TO 07/29/98				
***** COINSURANCE CONTRACT *****				
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 AMEND ITEM #2 TO READ: GENL TYPE D, MODEL 663, S#JMS94814, VALUED AT \$65,500.				
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$11,446.00 PREMIUM FOR THIS ENDORSEMENT: SUBJECT TO AUDIT TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$0.00 ***** SCHEDULE OF FORMS AND ENDORSEMENTS *****				
		LOC/ STATE BLOS		
PJ0001E 0895 POLICY JACKET	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING			
807186 0290 EXCLUSION-ASBESTOS	0290 GENERAL ENDORSEMENT 01			
807206 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS			
GEN ENDR01 1L0022	0190 NORTH CAROLINA CHANGES - CANCELLATION AND			
1L0162	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
1L0269	1288 LOSS PAYABLE PROVISIONS			
PT0617 0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT	1288 COMPUPAK ENDORSEMENT			
807112 0293 PERSONAL PROPERTY OFF PREMISES	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES			
807124 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE	0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND			
807191 0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND	0190 PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)			
807253 0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT	0490 NORTH CAROLINA CHANGES			
807102 0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION				
807193				
807195				
807201				
807208				
807233				
CB 9A 5B 01 END 10 05 11		PAGE 1 CONTINUED	06/22/98	
807302 0195 AMENDMENT - LEASED WORKERS	0895 AMENDMENT SECTION 11 - WHO IS AN INSURED			
807314 1092 LEAD LIABILITY EXCLUSION	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION			
667149				
667167				
CONTINUE NEXT FRAME ... HJ7 ...				

1L7115	CONTRACTS 0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)
** IMPORTANT INFORMATION ** THE FOLLOWING MATERIAL CONTAINS INFORMATION ABOUT YOUR POLICY. PLEASE READ CAREFULLY.	
G11145 0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED	0196 PREMIUM AUDIT NOTICE
ST7115 0196 ASBESTOS EXCLUSION DISCLOSURE NOTICE	1296 IMPORTANT NOTICE TO POLICYHOLDERS
ST7200 1296 EMPLOYMENT RELATED PRACTICES EXCLUSION	0597 IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
ST7213	INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION
• INDICATES A NEW OR REPLACEMENT FORM.	
• • • • •	
COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE	
** END OF DECLARATIONS **	
1A 9A 5B 01 END 10 05 11	PAGE 2
P	
06/22/98	

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY	CB 9A 58 01	PREV FICHE ID	98173004N17
ENDORSEMENT	DECLARATIONS	AGENCY BILL	PRIOR TERM ID	97307003F05
RISK NEW 07/29/93	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	GREENSBORO BRANCH		
PINEHURST BUILDERS INC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC 1303 AZALEA CT, STE. B PO BOX 2116 MYRTLE BCH, SC 29578 04/13/98 AGENT'S PHONE # 8434497405	39-0270		
07/29/97 TO 07/29/98				
***** COINSURANCE CONTRACT *****				
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 ITEM #51 1995 LUL				
HIGHLANDER, S#MAY95U13N114665, VALUE \$75,000.				

ESTIMATED TOTAL ANNUAL POLICY PREMIUM \$11,161.00				
RETURN PREMIUM FOR THIS ENDORSEMENT \$83.00				
TOTAL RETURN DUE FOR THIS ENDORSEMENT \$83.00				
***** SCHEDULE OF FORMS AND ENDORSEMENTS *****				
PJ0001E	0895 POLICY JACKET	LOC /		
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING	STATE BLDG		
B07206	0290 EXCLUSION-ASBESTOS			
GEN END01	GENERAL ENDORSEMENT 01			
IL0022	0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON			
	ENDORSEMENT			
IL0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS			
	ENDORSEMENT			
IL0269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND			
	NONRENEWAL			
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY			
B07112	1288 LOSS PAYABLE PROVISIONS			
B07124	1288 COMPUPAK ENDORSEMENT			
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT			
B07253	0293 PERSONAL PROPERTY OFF PREMISES			
B07102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES			
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE			
B07195	0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND			
	PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)			
B07201	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT			
B07208	0490 NORTH CAROLINA CHANGES			
B07233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION			

CB 9A 58 01 END 11 05 12	PAGE 1 CONTINUED		06/22/98	
B07302	0195 AMENDMENT - LEASED WORKERS			
B07314	0896 AMENDMENT SECTION 11 - WHO IS AN INSURED			
CG7149	1092 LEAD LIABILITY EXCLUSION			
CG7167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION			

CONTINUE NEXT FRAME
*** N18 ***

IL7115 0597 CONTRACTS
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
S17115 0198 PREMIUM AUDIT NOTICE
S17200 1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
S17206 1296 IMPORTANT NOTICE TO POLICYHOLDERS
S17213 0597 EMPLOYMENT RELATED PRACTICES EXCLUSION
IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

• INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

.. END OF DECLARATIONS ..

*** M01 ***

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	98173004N16 97307003F05
ENDORSEMENT	HARLEYSVILLE MUTUAL INSURANCE COMPANY HARLEYSVILLE PA 19438	AGENCY BILL		
RISK NEW 07/29/93	GREENSBORO BRANCH			
PITHEURST BUILDERS INC 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC 1303 AZALEA CT, STE. B PO BOX 2116 MYRTLE BGN, SC 29578 04/15/98 39-0270 AGENT'S PHONE # 8434497405			
07/29/97 TO 07/29/98				
***** COINSURANCE CONTRACT *****				
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 AMEND ITEM #4 TO READ: *****				
LULL, MODEL 644, SN97U13N21870, VALUE \$78,000.				
***** ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$11,172.00 *****				
PREMIUM FOR THIS ENDORSEMENT: SUBJECT TO AUDIT				
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: \$0.00				
***** SCHEDULE OF FORMS AND ENDORSEMENTS *****				
PJ0001E B07186 B07206 GEM ENDOR1 1L0022 1L0162 1L0269 PT0617 B07112 B07124 B07191 B07253 B07102 B07183 B07195 B07201 B07208 B07233	0895 POLICY JACKET 0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING 0290 EXCLUSION-ASBESTOS GENERAL ENDORSEMENT 01 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT 1094 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL 0190 CONTRACTORS' BUSINESS OWNERS POLICY 1268 LOSS PAYABLE PROVISIONS 1268 COMPUPAK ENDORSEMENT 0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT 0293 PERSONAL PROPERTY OFF PREMISES 1268 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE 0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS) 0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT 0490 NORTH CAROLINA CHANGES 0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION	LOC/ STATE BLDG		
CB 9A 58 01 END 12 05 13	PAGE 1 CONTINUED	P	06/22/98	
B07302 B07314 CG7149 CG7167	0195 AMENDMENT - LEASED WORKERS 0896 AMENDMENT SECTION 11 - WHO IS AN INSURED 1092 LEAD LIABILITY EXCLUSION 0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION			
CONTINUE NEXT FRAME *** 001 ***				

HV 170

167115

CONTRACTS

0597 EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS
(EIFS)

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

01145
S17115
S17200
S17206
S17213

0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
0196 PREMIUM AUDIT NOTICE
1096 ASBESTOS EXCLUSION DISCLOSURE NOTICE
1296 IMPORTANT NOTICE TO POLICYHOLDERS
EMPLOYMENT RELATED PRACTICES EXCLUSION
0597 IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
INSULATION AND FINISH SYSTEMS (EIFS) EXCLUSION

• INDICATES A NEW OR REPLACEMENT FORM.

.....

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

.. END OF DECLARATIONS ..

HV 171

CB 9A 58 01 CONTRACTORS' BUSINESS OWNERS POLICY
DECLARATIONS
AGENCY BILL

PREV FICHE ID 98173005001
PRIOR TERM ID 97307003F05

ENDORSEMENT

RISK NEW 07/29/93

HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438

GREENSBORO BRANCH

CROSSMAN COMMUNITIES OF NORTH
CAROLINA INC DBA
SEE SCHEDULE OF NAMED INSUREDS
10239 BEACH DR, SW
CALABASH NC 28467

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

07/29/97 TO 07/29/98

06/26/98 39-0270
AGENT'S PHONE # 8436697405

***** COINSURANCE CONTRACT *****

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 AMEND NAMED INSURED TO READ:
CROSSMAN COMMUNITIES OF NORTH CAROLINA, INC DBA PINEHURST
BUILDERS.

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$11,172.00
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
B07186 0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
B07206 0290 EXCLUSION-ASBESTOS
GEN ENDR01 GENERAL ENDORSEMENT 01
1L0022 0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
ENDORSEMENT
1L0162 0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
ENDORSEMENT
1L0289 1094 NORTH CAROLINA CHANGES - CANCELLATION AND
NONRENEWAL
P10617 0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112 1288 LOSS PAYABLE PROVISIONS
B07124 1288 COMPUPAK ENDORSEMENT
B07191 0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
B07253 0293 PERSONAL PROPERTY OFF PREMISES
B07102 1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
B07193 0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07195 0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND
PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)
B07201 0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
B07208 0490 NORTH CAROLINA CHANGES

CB 9A 58 01 END 13 05 14

PAGE 1 CONTINUED

07/08/98

B07233 0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION
B07302 0195 AMENDMENT - LEASED WORKERS
B07314 0895 AMENDMENT SECTION II - WHO IS AN INSURED

CONTINUE NEXT FRAME
*** F03 ***

BILLING METHOD *AGENCY BILLED*
ISSUE DATE 07/08/98
TRANS EFFECTIVE DATE 06/26/98
LAST TRANSACTION ENDORSEMENT
ENDORSEMENT NUM 13
TERM/ACTIVITY 05/14
STATUS RENEWED
SUPPL STATUS
PREV STATUS ACTIVE-RENEWAL
PREV SUPPL STATUS
COMMISSION RATE
REINSURANCE
GROSS SALES 400,000
FILING INDICATOR
INSPECTION INDICATOR 3
CREDIT RATING
AUDIT ACTIVITY P
PRIOR POLICY

C67149 1092 LEAD LIABILITY EXCLUSION
C67167 0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION
CONTRACTS
1L7115 0597 EXCLUSION-EXTERIOR INSULATION AND FINISH SYSTEMS
IEIFS1

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

G11145 0394 HERE'S AN '800' NUMBER WE HOPE YOU WILL NEVER NEED
S17115 0190 PREMIUM AUDIT NOTICE
S17200 1090 ASBESTOS EXCLUSION DISCLOSURE NOTICE
S17206 1290 IMPORTANT NOTICE TO POLICYHOLDERS
S17213 0597 EMPLOYMENT RELATED PRACTICES EXCLUSION
IMPORTANT NOTICE TO POLICYHOLDERS EXTERIOR
INSULATION AND FINISH SYSTEMS (IEIFS) EXCLUSION

* INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

***** END OF DECLARATIONS *****

CB 9A 58 01 END 13 05 14

PAGE 2

07/08/98

CB 9A 58 01

CONTRACTORS' BUSINESS OWNERS
PREMIUM INFORMATION SHEET

CB 9A 58 01

HV 172

ROA 1245

CB 9A 58 01

CONTRACTORS' BUSINESS OWNERS POLICY

DECLARATIONS

CB 9A 58 01

AGENCY BILL

PREV FICHE ID

96189005F03

PRIOR TERM ID

97307003F05

ENDORSEMENT

RISK NEW 07/29/93

HARLEYSVILLE MUTUAL INSURANCE COMPANY

HARLEYSVILLE PA 19438

CROSSMAN COMMUNITIES OF NORTH CAROLINA INC DBA

SEE SCHEDULE OF NAMED INSURED

10239 BEACH DR, SW

CALABASH NC 28467

07/29/97 TO 07/29/98

GREENSBORO BRANCH

ASSOCIATED INSURORS INC

1303 AZALEA CT, STE. B

PO BOX 2116

MYRTLE BCH, SC 29578

07/17/98

39-0270

AGENT'S PHONE # 8434497405

COINSURANCE CONTRACT

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 ITEM 3 LULL AND

ADD LULL MOL 644 VALUE \$84,000 AND LULL MOL 844 VALUE

\$80,000.

ESTIMATED TOTAL ANNUAL POLICY PREMIUM: \$11,434.00

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

B07186

0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING

B07206

0290 EXCLUSION-ASBESTOS

GEN ENDR01

GENERAL ENDORSEMENT 01

1L0022

0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON

1L0162

0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS

1L0269

1094 NORTH CAROLINA CHANGES - CANCELLATION AND

NONRENEWAL

P10617

0190 CONTRACTORS' BUSINESS OWNERS POLICY

B07112

1288 LOSS PAYABLE PROVISIONS

B07124

1208 COMPUPAK ENDORSEMENT

B07191

0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT

B07253

0293 PERSONAL PROPERTY OFF PREMISES

B07102

1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES

B07193

0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE

B07195

0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND

PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)

B07201

0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT

B07208

0490 NORTH CAROLINA CHANGES

CB 9A 58 01

END 14 05 15

PAGE 1 CONTINUED

07/29/98

B07233

0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION

B07302

0195 AMENDMENT - LEASED WORKERS

B07314

0896 AMENDMENT SECTION 11 - WHO IS AN INSURED

CONTINUE NEXT FRAME

*** B17 ***

BILLING METHOD

AGENCY BILLED

ISSUE DATE

07/29/98

TRANS EFFECTIVE DATE

07/17/98

LAST TRANSACTION

ENDORSEMENT

ENDORSEMENT NUM

14

TERM/ACTIVITY

05/15

STATUS

RENEWED

SUPL STATUS

ACTIVE-RENEWAL

PREV STATUS

PREV SUPL STATUS

COMMISSION RATE

REINSURANCE

GROSS SALES

400,000

FILING INDICATOR

INSPECTION INDICATOR

3

CREDIT RATING

AUDIT ACTIVITY

F

PRIOR POLICY

HV 173

ROA 1246

CB 9A 58 01

CB 9A 58 01
AGENCY BILL

PREV FICHE ID
PRIOR TERM ID

98278003F14
98210005B17

HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438

GREENSBORO BRANCH

CROSSMAN COMMUNITIES OF NORTH
CAROLINA INC DBA
10239 BEACH DR, SW
CALABASH NC 28467

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578
08/29/88 39-0270
AGENT'S PHONE # 843-449-7405

07/29/98 TO 07/29/99

CANCELLATION MEMORANDUM
THIS POLICY HAS BEEN CANCELLED PRO RATA
FOR THE FOLLOWING REASON:

INSURED'S REQUEST
THE ESTIMATED UNEARNED PREMIUM IS: \$10,505.00
ESTIMATED RETURN DUE FOR THIS CANCELLATION: \$10,505.00
MAY BE SUBJECT TO FURTHER ADJUSTMENT ON FINAL AUDIT

CB 9A 58 01 END 03 06 11

PAGE 1

10/08/98

.....
* BILLING METHOD * AGENCY BILLED *
* ISSUE DATE 10/08/98
* TRANS EFFECTIVE DATE 08/29/98
* LAST TRANSACTION 03
* ENDORSEMENT NUM 06/11
* TERM/ACTIVITY CANCELLED
* STATUS IR-SOLD INT
* SUPPL STATUS ACTIVE-RENEWAL
* PREV STATUS
* PREV SUPPL STATUS
* COMMISSION RATE
* REINSURANCE
* GROSS SALES 400,000
* FILING INDICATOR
* INSPECTION INDICATOR 3
* CREDIT RATING E
* AUDIT ACTIVITY
* PRIOR POLICY
.....

HV 174

CB 9A 58 01

CB 9A 58 01
AGENCY BILL

PREV FICHE ID
PRIOR TERM ID

98210005C18
98210005B17

HARLEYSVILLE MUTUAL INSURANCE COMPANY
HARLEYSVILLE PA 19438

GREENSBORO BRANCH

CROSSMAN COMMUNITIES OF NORTH
CAROLINA INC DBA
10239 BEACH DR, SW
CALABASH NC 28467

ASSOCIATED INSURORS INC
1303 AZALEA CT, STE. B
PO BOX 2116
MYRTLE BCH, SC 29578

07/29/98 TO 07/29/99

08/29/98

39-0270

AGENT'S PHONE # 843-449-7405

CANCELLATION MEMORANDUM
THIS POLICY HAS BEEN CANCELLED PRO RATA
FOR THE FOLLOWING REASON:
INSURED'S REQUEST

THE UNEARNED PREMIUM IS: SUBJECT TO AUDIT

3 9A 58 01 END 02 06.10

PAGE 1

10/05/98

BILLING METHOD *AGENCY BILLED*
ISSUE DATE 10/05/98
TRANS EFFECTIVE DATE 08/29/98
LAST TRANSACTION CANCELLATION
ENDORSEMENT NUM 02
TERM/ACTIVITY 06/10
STATUS CANCELLED STA
SUPPL STATUS 1R-SOLD INT
PREV STATUS ACTIVE-RENEWAL
PREV SUPPL STATUS
COMMISSION RATE
REINSURANCE
GROSS SALES 400,000
FILING INDICATOR
INSPECTION INDICATOR 3
CREDIT RATING
AUDIT ACTIVITY P
PRIOR POLICY

HV 175

ROA 1248

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CB 9A 58 01      CONTRACTORS' BUSINESS OWNERS POLICY      CB 9A 58 01      PREV FICHE ID      9A20100517
                                DECLARATIONS                                PRIOR TERM ID      96210005817
ENDORSEMENT                                AGENCY BILL
RISK NEW 07/29/93      HARLEYSVILLE MUTUAL INSURANCE COMPANY
                                HARLEYSVILLE PA 19438      GREENSBORO BRANCH
CROSSMAN COMMUNITIES OF NORTH      ASSOCIATED INSURORS INC
CAROLINA INC DBA      1303 AZALEA CT, STE. B
SEE SCHEDULE OF NAMED INSURED      PO BOX 2116
10235 BEACH DR, SW      MYRTLE BCH, SC 29578
CALABASH NC 28447
07/29/98 TO 07/29/99      07/29/98      39-0270
                                AGENT'S PHONE # 8434497405
*****
* COINSURANCE CONTRACT *
*****
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 ITEM 3 LULL AND
ADD LULL MDL 644 VALUE $84,000 AND LULL MDL 844 VALUE
$60,000.
*****
ESTIMATED TOTAL ANNUAL POLICY PREMIUM: $11,483.00
PREMIUM FOR THIS ENDORSEMENT: $262.00
TOTAL AMOUNT DUE FOR THIS ENDORSEMENT: $262.00
**** SCHEDULE OF FORMS AND ENDORSEMENTS ****
                                LOC/
                                STATE BLDG
PJ0001E      0895 POLICY JACKET
B07186      0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
B07206      0290 EXCLUSION-ASBESTOS
GEN ENDR01      0587 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON
IL0022      ENDORSEMENT
IL0162      0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS
IL0269      1094 NORTH CAROLINA CHANGES - CANCELLATION AND
                                NONRENEWAL
PT0617      0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112      1288 LOSS PAYABLE PROVISIONS
B07124      1288 COMPUPAK ENDORSEMENT
B07191      0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
B07253      0293 PERSONAL PROPERTY OFF PREMISES
B07102      1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
B07193      0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
B07195      0190 EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND
                                PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)
B07201      0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
B07206      9490 NORTH CAROLINA CHANGES
*****
CB 9A 58 01 END 01 06 09      PAGE 1 CONTINUED      07/29/98
B07233      0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION
B07302      0195 AMENDMENT - LEASED WORKERS
B07314      0896 AMENDMENT SECTION 11 - WHO IS AN INSURED
*****
CONTINUE NEXT FRAME
*** CIB ***

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(G7)49	1092	LEAD LIABILITY EXCLUSION
(G7)67	0195	ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS
IL7)15	0597	EXCLUSION--EXTERIOR INSULATION AND FINISH SYSTEMS (EIFS)

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

ST71:5 0196 PREMIUM AUDIT NOTICE
Z887 0198 DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!

• INDICATES A NEW OR REPLACEMENT FORM.

COUNTERSIGNED BY: . . . AUTHORIZED REPRESENTATIVE

•• END OF DECLARATION ••

CB 9A 58 01	CONTRACTORS' BUSINESS OWNERS POLICY DECLARATIONS	CB 9A 58 01	PREV FICHE ID PRIOR TERM ID	98189005F03
RENEWAL CERTIFICATE	HARLEYSVILLE MUTUAL INSURANCE COMPANY	AGENCY BILL		
RISK NEW 07/29/93	HARLEYSVILLE PA 19438	GREENSBORO BRANCH		
CROSSMAN COMMUNITIES OF NORTH CAROLINA INC DBA SEE SCHEDULE OF NAMED INSURED 10239 BEACH DR, SW CALABASH NC 28467	ASSOCIATED INSURORS INC 1303 AZALEA CT, STE. B PO BOX 2116 MYRTLE BCH, SC 29578	39-0270 AGENT'S PHONE # 8434497405		
07/29/98 TO 07/29/99				
***** COINSURANCE CONTRACT *****				
LEGAL STATUS: CORPORATION				
BUSINESS: BUILDING CONTRACTOR				
ESTIMATED TOTAL ANNUAL POLICY PREMIUM:	\$11,221.00			
ESTIMATED TOTAL POLICY PREMIUM:	\$11,221.00			
TOTAL AMOUNT DUE:	\$11,221.00			
THE AMOUNT SHOWN ABOVE IS THE TOTAL AMOUNT DUE. THIS PREMIUM IS PAYABLE ON THE INCEPTION DATE OF THE POLICY OR AS INDICATED IN THE BILLING SCHEDULE. 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	10239 BEACH DR SW CALABASH NC 28459			
CB 9A 58 01 END 00 06 08	PAGE 1 CONTINUED	P	07/20/98	
**** SCHEDULE OF COVERAGES ****				
SECTION 1: PROPERTY COVERAGES SECTION 1 DEDUCTIBLE: \$500				
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		
CONTINUE NEXT FRAME *** L17 ***				

BILLING METHOD	*AGENCY BILLED*
ISSUE DATE	07/20/98
TRANS EFFECTIVE DATE	07/29/98
LAST TRANSACTION	RENEWAL
ENDORSEMENT NUM	00
TERM/ACTIVITY	06/08
STATUS	ACTIVE-RENEWAL
SUPL STATUS	
PREV STATUS	
PREV SUPL STATUS	
COMMISSION RATE	
REINSURANCE	
GROSS SALES	400,000
FILING INDICATOR	
INSPECTION INDICATOR	3
CREDIT RATING	
AUDIT ACTIVITY	P
PRIOR POLICY	

HV 177

CONSTRUCTION: FRAME
TERR: 003 PROTECTION: 07
OCCUPANCY: OFFICE

COINSURANCE: 80%

BUILDING	\$368,000
BUSINESS PERSONAL PROPERTY	\$125,000
ACCOUNTS RECEIVABLE	\$10,000
MONEY AND SECURITIES	\$10,000
INSIDE THE PREMISES	\$10,000
OUTSIDE THE PREMISES	\$10,000

OTHER COVERAGES AND ENDORSEMENTS -

REPLACEMENT COST
APPLIES TO BUILDING AND BUSINESS PERSONAL
PROPERTY
COMPLPAK ENDORSEMENT
HARDWARE
DATA AND MEDIA

\$23,829
\$29,200

SECTION I: OPTIONAL COVERAGES

COMBINED BUSINESS INCOME - EXTRA EXPENSE - LOC 001 . . . \$50,000

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
DEDUCTIBLE LIABILITY INSURANCE - PROPERTY DAMAGE	\$250

** SCHEDULE FOR COMPREHENSIVE BUSINESS LIABILITY CLASSIFICATIONS **

LOC/	STATE-		CLASS
BLDG	TERR	DESCRIPTION	CODE
001/001	32-003	LANDSCAPE GARDENING - INCLUDING UNDERGROUND	07823XC
		PAYROLL PREMIUM BASIS	\$26,168
001/001	32-003	PAINTING, DECORATING OR PAPERHANGING	17211
		PAYROLL PREMIUM BASIS	\$3,134

CB 9A 58 01 END 00 06 08
001/001 32-003 MASONRY

PAGE 2 CONTINUED

07/20/98
17411

		PAYROLL PREMIUM BASIS	\$2,435
001/001	32-003	CEILING OR WALL INSTALLATION - NOT PLASTERING	17421
		PAYROLL PREMIUM BASIS	\$2,691
001/001	32-003	PLASTER OR STUCCO	17422
		PAYROLL PREMIUM BASIS	\$5,217
001/001	32-003	CARPENTRY - NEW CONSTRUCTION	17511
		PAYROLL PREMIUM BASIS	\$781,381
001/001	32-003	CONCRETE CONSTRUCTION INCLUDING FOUNDATIONS	17711
		PAYROLL PREMIUM BASIS	\$715
001/001	32-003	HOUSEHOLD FURNISHINGS INSTALLATION	17962
		PAYROLL PREMIUM BASIS	\$1,801
001/001	32-003	SIDING INSTALLATION (INCLUDING GUTTER AND DOWN- SPOUTS)	17993
		PAYROLL PREMIUM BASIS	\$560

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

CONTINUE NEXT FRAME
*** A17 ***

CONTRACTORS' EQUIPMENT ENDORSEMENT

HV 178

CONTRACTORS' EQUIPMENT ENDORSEMENT

SCHEDULE FOR CONTRACTORS' EQUIPMENT

ITEM NO	DED AMT	DESCRIPTION	MANUFACTURER	IDENTIFYING MARKS & NOS	AMOUNT OF INSURANCE
1		SMALL EQUIPMENT	NOT STATED	NOT STATED	\$5,000
2		TYPE D MODEL 663	GEHL	S#JN094614	\$65,500
3		HIGHLANDER	LULL	S#97213#21273	\$75,000
4		YEAR BUILT 1997	LULL	S#97013#21870	\$78,000
5		MODEL 664	GEHL	S#JN064726	\$62,100
6		TELESCOPING BOOM FORKLIFT	GEHL		
7		MODEL 663			
8	\$250	YEAR BUILT 1997			
9		TELESCOPING BOOM FORKLIFT	GEHL	S#JN084754	\$62,100
10		MODEL 663			
11		YEAR BUILT 1997			
12		DIE TRACTOR MODEL 135	MASSEY FERGUSON	NOT STATED	\$6,500
13					
14					
15					
16					
17					
18		18' DUAL WHEEL TRAILER	HUDSON	NOT STATED	\$5,000

THE COMPANY SHALL NOT BE LIABLE FOR MORE THAN (\$359,200)
IN ANY ONE DISASTER, EITHER IN CASE OF PARTIAL OR TOTAL
LOSS OR SALVAGE CHARGES OR ANY OTHER CHARGES OR ALL COMBINED.

DEDUCTIBLE: \$1000

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.

MORTGAGE HOLDER

CB SA 58 01 END 00 06 08

PAGE 3 CONTINUED

P

07/20/98

PREM BLDG
NO. NO.

001 001 MORTGAGE HOLDER
UNITED CAROLINA BANK
PO BOX 308
SHALLOTTE NC 28459

ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT

PREM BLDG
NO. NO.

001 001 NAME OF PERSON OR ORGANIZATION:
SAFECO CREDIT CO INC
SAFECO PLAZA - BLDG A
SEATTLE WA 98105
APPLIES TO ITEMS #6 & 7

CONTINUE NEXT FRAME
*** N17 ***

HV 179

ROA 1252

001 001 NAME OF PERSON OR ORGANIZATION:
WILLIAMS SCOTSMAN INC ATTN: CONTRACTS DEPT
P O BOX 986
BALTIMORE MD 21203
LESSOR

ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES

001 001 ADDITIONAL INSURED:
SAFECO CREDIT CO INC
SAFECO PLAZA, BLDG A
SEATTLE WA 98165
DESIGNATION OF PREMISES: (PART LEASED TO YOU):
LESSOR

LOSS PAYABLE PROVISIONS

PREM BLDG
NO. NO.

001 001 LOSS PAYEE LOSS PAYABLE PROVISION APPLICABLE
COASTAL LEASING CO
PO BOX 1626
GREENVILLE SC 29635
DESCRIPTION OF PROPERTY:
COMPUKAK COVERAGE

001 001 LOSS PAYEE LOSS PAYABLE PROVISION APPLICABLE
SOUTHERN NATIONAL BANK
PO BOX 38
LITTLE RIVER SC 29566

CB 9A 58.01 END 00 06 08 PAGE 4 CONTINUED P 07/20/98

001 001 LOSS PAYEE LOSS PAYABLE PROVISION APPLICABLE
GENERAL ELECTRIC CAPITAL CORP INS DEPT (COPIER & FAX MACHINE
PO BOX 3080
CEDAR RAPIDS IA 52406

001 001 LOSS PAYEE LOSS PAYABLE PROVISION APPLICABLE
TRACTOR CO OF CONWAY INC
P O BOX 2070
CONWAY SC 29526
DESCRIPTION OF PROPERTY:
APPLIES TO ITEM #2

001 001 LOSS PAYEE LOSS PAYABLE PROVISION APPLICABLE
AMERICAN EQUIPMENT

CONTINUE NEXT FRAME
*** 017 ***

112 HWY 57 NORTH
LITTLE RIVER SC 29566
DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS #3-5

001 001 LOSS PAYEE LOSS PAYABLE PROVISION APPLICABLE
SAFECO CREDIT CO INC
SAFECO PLAZA - BLDG A
SEATTLE WA 98185
DESCRIPTION OF PROPERTY:
APPLIES TO ITEMS #6 & 7

001 001 LOSS PAYEE LOSS PAYABLE PROVISION APPLICABLE
B B B T OF SC
PO BOX 25610-C
CHARLOTTE NC 28229

GENERAL ENDORSEMENT 01

****NOTICE OF CANCELLATION****
SHOULD THE POLICY BE CANCELLED BEFORE THE
EXPIRATION DATE THEREOF, THE ISSUING COMPANY
WILL ENDEAVOR TO MAIL THIRTY (30) DAYS WRITTEN
NOTICE, EXCEPT FOR NONPAYMENT OF PREMIUM, BUT
FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION
OR LIABILITY OF ANY KIND UPON THE COMPANY.

CB 9A 58 01 END 00 06 08 PAGE 5 CONTINUED P 07/20/98
COMPUKAK ENDORSEMENT

LOC NO	BLDG NO	PROPERTY COVERED	LIMIT OF INSURANCE
001	001	HARDWARE	\$23,823
001	001	"DATA" AND "MEDIA"	\$29,200

DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE
SCHEDULE

COVERAGE	AMOUNT AND BASIS OF DEDUCTIBLE
PROPERTY DAMAGE LIABILITY	\$250 PER CLAIM

EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND
PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)
SCHEDULE

DESCRIPTION OF OPERATIONS	EXCLUDED HAZARD(S)
LANDSCAPE GARDENING	EXPLOSION AND COLLAPSE HAZARDS

**** SCHEDULE OF NAMED INSURED ****

IT IS AGREED THAT THE INCLUSION OF ONE OR MORE NAMED INSURED SHALL NOT OPERATE
TO INCREASE THE LIMITS OF INSURANCE. IT IS FURTHER AGREED THAT ALL NAMED
INSURED ARE OWNED AND CONTROLLED BY THE SAME FINANCIAL INTEREST.

IT IS AGREED THAT THE NAME OF THE INSURED IS AS FOLLOWS:

CONTINUE NEXT FRAME
*** A18 ***

CROSSMAN COMMUNITIES OF NORTH
CAROLINA INC DBA
PINEHURST BUILDERS

CORPORATION

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

LOC/
STATE BLDG

PJ0001E	0895 POLICY JACKET
B07186	0190 DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING
B07206	0290 EXCLUSION-ASBESTOS
GEN ENDR01	GENERAL ENDORSEMENT 01
1L0022	0567 EFFECTIVE TIME CHANGE - REPLACEMENT OF 12 NOON ENDORSEMENT
1L0162	0490 NORTH CAROLINA - STANDARD FIRE POLICY PROVISIONS ENDORSEMENT
1L0269	1094 NORTH CAROLINA CHANGES - CANCELLATION AND NONRENEWAL
PT0617	0190 CONTRACTORS' BUSINESS OWNERS POLICY
B07112	1288 LOSS PAYABLE PROVISIONS
B07124	1288 COMPUPAK ENDORSEMENT
B07191	0190 CONTRACTORS EQUIPMENT COVERAGE ENDORSEMENT
B07253	0293 PERSONAL PROPERTY OFF PREMISES
B07102	1288 ADDITIONAL INSURED-MANAGERS OR LESSORS OF PREMISES
B07193	0190 DEDUCTIBLE LIABILITY INSURANCE PROPERTY DAMAGE EXCLUSION-EXPLOSION, COLLAPSE AND UNDERGROUND PROPERTY DAMAGE HAZARD (SPECIFIED OPERATIONS)
B07195	0190 ADDITIONAL INSURED-LESSOR OF LEASED EQUIPMENT
B07201	0190 NORTH CAROLINA CHANGES
B07208	0490 NORTH CAROLINA CHANGES

CB 9A 58 01 END 00 06 08

PAGE 6 CONTINUED

07/20/98

B07233	0193 EMPLOYMENT - RELATED PRACTICES EXCLUSION
B07302	0195 AMENDMENT - LEASED WORKERS
B07314	0896 AMENDMENT SECTION 11 - WHO IS AN INSURED
CG7149	1092 LEAD LIABILITY EXCLUSION
CG7167	0195 ADDITIONAL INSURED ENDORSEMENT CONSTRUCTION CONTRACTS
1L7115	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
*2887	0198 DIRECT CLAIMS REPORTING SAVES YOU TIME AND MONEY!

ADVISORY NOTICE:
DEDUCTIBLE LIABILITY INSURANCE SPRAY PAINTING MAY REDUCE YOUR COVERAGE.
PLEASE READ THIS ENDORSEMENT CAREFULLY.

• INDICATES A NEW OR REPLACEMENT FORM. RETAIN LISTED FORMS NOT REPLACED.

RENEWAL INSURING AGREEMENT: IN CONSIDERATION OF PAYMENT OF THE PREMIUM

CONTINUE NEXT FRAME
*** 818 ***

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.

COUNTERSIGNED BY: AUTHORIZED REPRESENTATIVE

*** END OF DECLARATIONS ***

CB 9A 58 01 END 00 06 08

PAGE 7

07/20/98

CONTRACTORS' BUSINESS OWNERS POLICY

CB 9A 58 01

HV 182

ROA 1255



**The Harleysville
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355 Maple Avenue
Harleysville, PA 19438
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Harleysville Life Insurance Company

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Minnesota Fire and Casualty Company
New York Casualty Insurance Company
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Worcester Insurance Company

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***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.

HV 183

- **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.)

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