

obtain, maintain and pay the premiums, as a Common Expense, upon a blanket fidelity bond for all officers, directors, trustees and employees of the Association and all other persons handling or responsible for funds belonging to or administered by the Association; provided, however, that the professional management company assisting with the administration of the Regime shall be responsible to provide its own blanket fidelity bond which meets the requirements of this Section 5.3. The total amount of the fidelity bond coverage required shall be based upon the best business judgment of the Board of Directors and shall not be less than the estimated maximum funds, including reserve funds, in the custody of the Association or the professional management company, as the case may be, at any given time during the term of each bond; provided, however, that in no event shall the aggregate amount of such bonds be less than the sum equal to 3/12ths of the Annual Assessment plus reserve funds. Fidelity bonds shall meet the following requirement: the Association shall be named as an obligee; the bonds shall contain waivers of all defense based upon the exclusion of persons serving without compensation from the definition of "employees" or similar terms or expression; and the bond shall provide that it may not be cancelled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days prior written notice to the Association and all mortgagees or their servicers who have requested notice of any cancellation or substantial modification of the bond.

Section 5.4. Authority to Adjust Loss. The exclusive authority to negotiate, settle and otherwise deal in all respects with insurers and adjust all losses under policies provided for herein shall be vested in the Board of Directors or its duly authorized agent for the benefit of all Owners and mortgagees; provided, however, that all Owners and mortgagees having an interest in such loss shall be advised in advance of

E
R
S

1328 (W-2)