

provide a proper allowance for any increased cost of repair, reconstruction or replacement by reason of any ordinance or law regulating construction or repair. Such insurance shall also provide that in the event that any structure covered is damaged so extensively that an entirely new building must be erected in its place, the cost of constructing such new building including necessary demolition and clearing of the site, shall fix the amount of loss recoverable under the policy. Such insurance shall be carried with responsible insurance companies duly authorized to do business in a majority of the States and shall name as Insureds the party maintaining such insurance. In addition, any party's mortgagee may be named as an additional insured on that party's policies provided that prior to any such naming, such party's mortgagee has entered into a written agreement with THE PARTIES, in which it is agreed that any insurance monies collected shall be used to repair, reconstruct or replace the damaged property. Said policies of insurance shall provide that any notice of material change or cancellation shall be given 10 days in advance thereof to THE PARTIES.

9.2 PAYMENT OF INSURANCE PROCEEDS. Any loss covered by the insurance required under 9.1 shall be adjusted by the party suffering such loss, and in any event if the loss is in excess of 2.5% of the original hard construction costs of the improvements on said party's tract, the insurance proceeds shall be deposited in a bank or trust company reasonably satisfactory to THE PARTIES, subject to the rights of such party's mortgagee as herein provided. If the loss on a party's tract does not exceed such percentage, the proceeds may be paid directly to that party to be used in restoration as provided in ARTICLE VIII. The policies of insurance required under 9.1 may provide that the proceeds thereof be payable to the holder of any first mortgage on the tract insured under a standard mortgagee clause, provided such mortgagee agrees to hold the proceeds as trust funds and agrees that it will, in the event of damage or destruction, apply the proceeds in accordance with this AGREEMENT.

9.3 DEVELOPER'S INDEMNITY. DEVELOPER, covenants and agrees to defend, indemnify and save MERCANTILE harmless against any and all

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