

Appendix 1 - C

TITLE INSURANCE TERMS & CONDITIONS

Stewart Title Guaranty Company

"GOLD" COMPREHENSIVE PROTECTION LOAN POLICY ONE-TO-SIX FAMILY RESIDENCES

ISSUED BY
STEWART TITLE GUARANTY COMPANY

LENDER'S COVERAGE STATEMENT

SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, STEWART TITLE GUARANTY COMPANY, a Texas corporation, licensed to carry on business in Canada, herein called the Company, insures, as of Date of Policy shown in Schedule A (or, to the extent expressly stated below, after Date of Policy) against loss or damage, not exceeding one hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A, sustained or incurred by the Insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the Title;
3. Unmarketability of the Title;
4. Lack of a right of pedestrian and vehicular access to and from the Land;
5. The invalidity or unenforceability of the Insured Mortgage upon the Title;
6. The priority of any lien or encumbrance over the Insured Mortgage;
7. Lack of priority of the Insured Mortgage as to each and every advance of proceeds of the indebtedness secured by the Insured Mortgage, which at Date of Policy the Insured has made or is obligated to make, over any statutory lien for services, labour or material arising from an improvement or work related to the Land, whether or not:
 - (a) The statutory lien or liens arise prior to or after Date of Policy; or
 - (b) The improvement or work is contracted for or commenced prior to or after Date of Policy;
8. Any assessments for street improvements under construction or completed at Date of Policy which now have gained or hereafter may gain priority over the Insured Mortgage;
9. The invalidity or unenforceability of any assignment of the Insured Mortgage, provided the assignment is shown in Schedule A, or the failure of the assignment shown in Schedule A to vest title to the Insured Mortgage in the named Insured assignee free and clear of all liens;
10. The invalidity or unenforceability of the Insured Mortgage upon the Title based upon a violation of the usury laws of the jurisdiction where the Land is located;
11. The failure of Land to have the municipal address shown in Schedule A;
12. The failure of the Land to contain a single family residential structure or a condominium, with the municipal address shown in schedule A;
13. (a) Any outstanding work orders against the Land; or (b) the failure of the Land to comply with the applicable zoning by-laws; or (c) the failure of the Land to be zoned to permit a single family residential structure or, if stated in Schedule A, a condominium;
14. The failure of the Land to be a lawfully created parcel according to provincial statutes governing subdivision of land and local zoning by-laws adopted pursuant thereto;
15. Failure of the existing residential structure, any portion thereof, or a modification thereto or replacement thereof constructed after Date of Policy, to have been constructed with a valid building permit from the appropriate local government issuing office, provided a building permit would have been required by such office or agency at time of construction, modification or replacement of the structure;
16. Any violation, variation, or adverse circumstance affecting the Land that would have been disclosed by an accurate survey, including but not limited to any encroachment of existing improvements located on the Land onto adjoining land and any encroachment onto the Land of existing improvements located on adjoining land;
17. The inability to use the existing single family residential structure or condominium or any portion thereof, or any replacement thereof constructed after Date of Policy for residential purposes because that use violates a restriction referred to in paragraph 7 of the Exclusions from Coverage;
18. Encroachment onto the Land of an improvement constructed after Date of Policy by someone other than the then owner of the estate or interest referred to in Schedule A;
19. Any existing improvements, or those constructed after Date of Policy, encroaching upon any easement or right of way referred to in paragraph 7 of the Exclusions from Coverage and the use of that easement or right of way for the purpose granted or reserved interfering with or damaging the improvements, including lawns, shrubbery and trees;

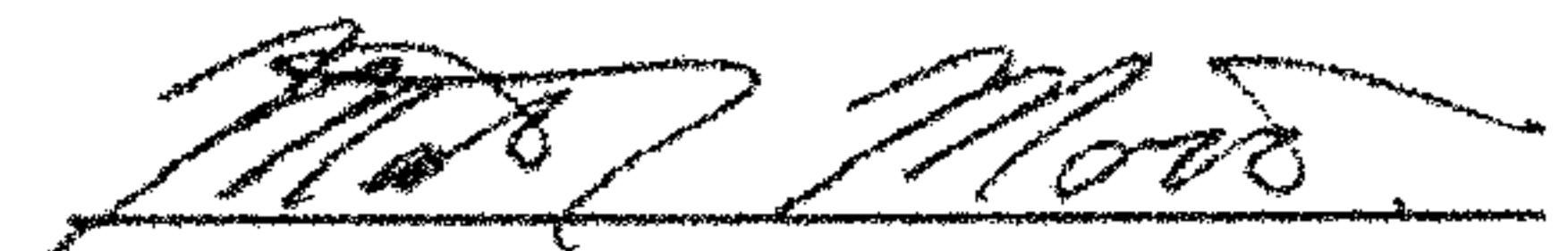
Signed under seal for the Company, but this policy is only valid when it bears an authorized countersignature.

Countersigned by:



Authorized Countersignature

Stewart Title Guaranty Company
Toronto, Ontario, Canada



Matt Morris
President and CEO



Denise Carraux
Secretary

Part 1 of
Guarantee
Serial No.

M-7764 4520880

20. Any use of the Land for single family residential purposes being affected or impaired by reason of any lease, grant, exception or reservation of minerals or mineral rights referred to in paragraph 7 of the Exclusions from Coverage and damage to existing and future improvements, including lawns, shrubbery and trees resulting from the future exercise of any right to use the surface of the Land for the extraction or development of the minerals or mineral rights referred to in paragraph 7 of the Exclusions from Coverage;
21. The invalidity, unenforceability or lack of priority of the Insured Mortgage resulting from any provisions therein which provide for (i) interest on interest; (ii) changes in the rate of interest; or (iii) the addition of unpaid interest to the principal balance of the loan;
22. Forgery after Date of Policy of any assignment, release, discharge (partial or full), postponement or modification of the Insured Mortgage; or in the event the Insured has acquired the estate or interest in the manner described in Section 2(a) of the Conditions and Stipulations and has not conveyed the Title, forgery of any instrument by which another claims the Title has been conveyed after Date of Policy;
23. The invalidity, unenforceability or lack of priority of the Insured Mortgage as to:
 - (a) Advances made after Date of Policy pursuant to the terms of the Insured Mortgage existing at Date of Policy; and
 - (b) Advances made and/or changes in the rate of interest charged subsequent to any modification to the terms of the Insured Mortgage made after Date of Policy which are by the terms of the Insured Mortgage, as modified, secured thereby;
24. Any covenants, conditions or restrictions, appearing in the Public Records, under which the Insured Mortgage can be divested, subordinated or extinguished, or its validity, priority or enforceability impaired;
25. Any violations on the Land of any enforceable covenants, conditions or restrictions appearing in the Public Records;
26. Any future violations on the Land of any existing covenants, conditions or restrictions appearing in the Public Records, occurring prior to the acquisition of title to the estate or interest in the Land by the Insured, provided the violations result in:
 - (a) invalidity, loss of priority, or unenforceability of the Insured Mortgage; or
 - (b) loss of title to the estate or interest in the Land if the Insured acquires Title in satisfaction of the indebtedness secured by the Insured Mortgage;
27. Any covenants, conditions or restrictions, appearing in the Public Records, providing for:
 - (a) A lien for liquidated damages;
 - (b) A private charge or assessment; or
 - (c) An option to purchase, a right of first refusal or the prior approval of a future purchaser or occupant.
28. Any adverse circumstance affecting the Land which would have been disclosed by a Local Authority Search of the Land at Date of Policy.

The Company will also pay the costs, legal fees and expenses incurred in the defense of the Title or the charge against the Title contained in the Insured Mortgage, as insured, but only to the extent provided in the Conditions and Stipulations.

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, legal fees or expenses which arise by reason of:

1. (a) Any law, by-law, ordinance, code or governmental regulation (including but not limited to building and zoning by-laws) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or area of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, by-laws, ordinances, codes or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under insuring provision 13, 14, 15, 16 or 17 of this policy.
- (b) Any governmental power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been registered in the Public Records at Date of Policy. This exclusion does not limit the coverage under insuring provision 13, 14, 15, 16 or 17 of this policy.
2. Rights of expropriation unless notice of the exercise thereof has been registered in the Public Records at Date of Policy, but not excluding from coverage any expropriation for which notice has been given prior to Date of Policy which would be binding on the rights of a purchaser for value without Knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not registered in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy – this paragraph (d) does not limit the coverage provided under insuring provision 7, 8, 15, 17, 18, 19, 20, 22, 23 or 26; or
 - (e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the Insured Mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the jurisdiction in which the Land is situated.
5. Invalidity or unenforceability of the Insured Mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured Mortgage and is based upon any Consumer Protection Law. This exclusion does not limit the coverage provided under insuring provision 10 of this policy.
6. Taxes or assessments of any taxing or assessment authority which become a lien on the Land subsequent to Date of Policy.
7. Any covenants, conditions, restrictions, easements, rights of way, statutory building schemes, and regarding minerals and mineral rights, any lease, grant, exception or reservation, appearing in the Public Records. This exclusion does not limit the coverage provided under insuring provision 17, 19, 20, 24, 25, 26 or 27 of this policy.
8. The overvaluation of the Land as of the Date of Policy.
9. Environmental concerns or matters of any kind, including but not limited to, legislation with respect to environmental protection, legislation with respect to waste water management including sewage ejector systems, underground fuel storage tanks, underground oil wells, mold, asbestos, urea-formaldehyde, termites, infestations of any kind, water leakage, and water quality and quantity. This exclusion does not limit the coverage described in the Water Potability Endorsement, if applicable.
10. The failure of all or part of the improvement(s) located on the Land to have been constructed in accordance with applicable building codes and/or to comply with current building codes. This exclusion does not apply to violations of building codes if notice(s) of violation appear(s) in the Public Records at the Date of Policy or if the existence of the violation would have been disclosed by a Local Authority Search of the Land at the Date of Policy. This exclusion does not limit the coverage described in Items 13, 15 or 28 of the Covered Risks.
11. Physical/structural conditions and physical/structural defects including, but not limited to, those affecting the improvement(s) located on the Land and those that impact value or marketability. This exclusion does not limit the coverage described in Items 13, 15 or 28 of the Covered Risks.

CONDITIONS AND STIPULATIONS

1. DEFINITION OF TERMS

The following terms when used in this policy mean:

- (a) "Consumer Protection Law": any law designed or intended to give protection to a borrower in respect of the terms and conditions of the loan including without limitation, any laws requiring disclosure of interest rates, any laws specifying a maximum rate of interest and any laws relating to un-conscionability, misleading advertising or consumer protection.
- (b) "Insured": the Insured named in Schedule A. The term "Insured" also includes (i) the owner of the indebtedness secured by the Insured Mortgage and each successor in ownership of the indebtedness except a successor who is an obligor under the provisions of Section 12(c) of these Conditions and Stipulations (reserving, however, all rights and defenses as to any successor that the Company would have had against any predecessor Insured, unless the successor acquired the indebtedness as a purchaser for value without Knowledge of the asserted defect, lien, encumbrance, adverse claim or other matter insured against by this policy as affecting title to the estate or interest in the Land); (ii) any governmental agency or crown corporation or private corporation which is an insurer or guarantor under an insurance contract or guarantee insuring or guaranteeing the indebtedness secured by the Insured Mortgage, or any part thereof, whether named as an Insured herein or not; or (iii) the parties designated in Section 2(a) of these Conditions and Stipulations.
- (c) "Insured Claimant": an Insured claiming loss or damage.
- (d) "Knowledge" or "Known": actual knowledge, or notice, but not knowledge or notice which may be imputed to an Insured by reason of the Public Records as defined in this policy or any other records which impart actual notice of matters affecting the Land.
- (e) "Land": the land described or referred to in Schedule A, and improvements affixed thereto which by law constitute real property. The term "Land" does not include any property beyond the lines of the area described or referred to in Schedule A, nor any right, title, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall limit the extent to which a right of access to and from the Land is insured by this policy.
- (f) "Mortgage": mortgage, charge, trust deed, or other security instrument.
- (g) "Insured Mortgage": the Mortgage described in Schedule A.
- (h) "Public Records": records established and maintained by legislation of the province or territory in which the Land is situated for the registration and/or recording of interests in title.
- (i) "Unmarketability of the Title": an alleged or apparent matter affecting the Title to the Land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A or the Insured Mortgage to be released from the obligation to purchase by virtue of a contractual condition requiring the delivery of marketable title. "Unmarketability of the Title" is not created by matters relating only to physical/structural conditions and/or physical/structural defects of the Land, including the improvement(s) located thereon.
- (j) "Local Authority Search": any search of local government records pertaining to the Land which would customarily be required by a solicitor qualified to practice law within the jurisdiction, in the normal course of a real estate transaction.
- (k) "Title": the registered estate or interest in the land set out in paragraph 5 of Schedule A which is disclosed by the Public Records. "Title" is not affected by matters relating only to any improvement(s) on the Land, unless notice of those matters is registered in the Public Records as of Date of Policy.

2. CONTINUATION OF INSURANCE

- (a) After Acquisition of Title. The coverage of this policy shall continue in force as of Date of Policy in favour of (i) an Insured who acquires all or any part of the estate or interest in the Land by foreclosure, trustee's sale, conveyance in lieu of foreclosure, or other legal manner which discharges the Insured Mortgage; (ii) a transferee of the estate or interest so acquired from an Insured corporation, provided the transferee is the parent or wholly-owned subsidiary of the Insured corporation, and their corporate successors by operation of law and not by purchase, subject to any rights or defenses the Company may have against any predecessor Insureds; and (iii) any governmental agency or crown corporation or private corporation which acquires all or any part of the estate or interest pursuant to a contract of insurance or guarantee insuring or guaranteeing the indebtedness secured by the Insured Mortgage.
- (b) After Conveyance of Title. The coverage of this policy shall continue in force as of the Date of Policy in favour of an Insured only so long as the Insured retains an estate or interest in the Land, or holds an indebtedness secured by a purchase money Mortgage given by a purchaser to the Insured, or only so long as the Insured shall have liability by reason of covenants implied by any provincial statute governing the conveyance of real property, or covenants contained in the terms of the Insured Mortgage, made by the Insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favour of any purchaser from the Insured of either (i) an estate or interest in the Land, or (ii) an indebtedness secured by a purchase money Mortgage given to the Insured.
- (c) Amount of Insurance. The Amount of Insurance after the acquisition or after the conveyance shall in neither event exceed the least of:
 - (i) One hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A;
 - (ii) the amount of the principal of the indebtedness secured by the Insured Mortgage, at the time of acquisition of the estate or interest, interest thereon, expenses of foreclosure, amounts advanced pursuant to the Insured Mortgage to assure compliance with laws or to protect the Insured Mortgage prior to the time of acquisition of the estate or interest in the Land and secured thereby and reasonable amounts expended to prevent deterioration of improvements, but reduced by the amount of all payments made; or
 - (iii) the amount paid by a governmental agency or crown corporation or private corporation, if the agency or corporation is the Insured Claimant, in the acquisition of the estate or interest in satisfaction of its insurance contract or guarantee.

3. NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT

The Insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case Knowledge shall come to an Insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest of the Insured Mortgage, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest or the Insured Mortgage, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the Insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any Insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT

- (a) Upon written request by the Insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an Insured in litigation in which any third party asserts a claim adverse to the Title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the Insured to object

for reasonable cause) to represent the Insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the Insured in the defense of those causes of action which allege matters not insured against by this policy.

- (b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest or the lien of the Insured Mortgage, as insured, or to prevent or reduce loss or damage to the Insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.
- (c) Whenever the Company shall have brought an action or filed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.
- (d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the Insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the Insured for this purpose. Whenever requested by the Company, the Insured at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest or the Insured Mortgage, as insured. If the Company is prejudiced by the failure of the Insured to furnish the required cooperation, the Company's obligations to the Insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided by the Company, a proof of loss or damage signed and sworn to by the Insured Claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the Title, or other matter insured against by this policy which constitutes the basis of loss or damage and shall state, to the extent possible the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the Insured Claimant to provide the required proof of loss or damage, the Company's obligations to the Insured under the policy shall terminate, including any ability or obligation to defend, prosecute or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the Insured Claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, cheques, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the Insured Claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, cheques, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the Insured Claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the Insured Claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph, unless prohibited by law or governmental regulation, shall terminate any liability of the Company under this policy as to that claim.

6. OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY

In case of a claim under this policy, the Company shall have the following options:

- (a) To Pay or Tender Payment of One Hundred Twenty-Five Percent (125%) of the Amount of Insurance or to Purchase the Indebtedness.
 - (i) To pay or tender payment of one hundred twenty-five percent (125%) of the Amount of Insurance under this policy together with any costs, legal fees and expenses incurred by the Insured Claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the company is obligated to pay; or
 - (ii) To purchase the indebtedness secured by the Insured Mortgage for the amount owing thereon together with any costs, legal fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of purchase and which the Company is obligated to pay.

If the Company offers to purchase the indebtedness as herein provided, the owner of the indebtedness shall transfer, assign and convey the indebtedness and the Insured Mortgage, together with any collateral security, to the Company upon payment therefor.

Upon the exercise by the Company of either of the options provided for in paragraph (a) (i) or (ii), all liability and obligations to the Insured under this policy, other than to make the payment required in those paragraphs, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

- (b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.
 - (i) To pay or otherwise settle with other parties for or in the name of an Insured Claimant any claim insured against under this policy, together with any costs, legal fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay; or
 - (ii) To pay or otherwise settle with the Insured Claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the Insured Claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraph (b) (i) or (ii), the Company's obligations to the Insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

7. DETERMINATION AND EXTENT OF LIABILITY

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the Insured Claimant, who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

- (a) The liability of the Company under this policy shall not exceed the least of:
 - (i) One hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A, or, if applicable, the Amount of Insurance as defined in Section 2(c) of these Conditions and Stipulations;
 - (ii) The amount of the unpaid principal indebtedness as defined in 2(c)(ii) secured by the Insured Mortgage as limited or provided under Section 8 of these Conditions and Stipulations or as reduced under Section 9 of these Conditions and Stipulations, at the time the loss

- or damage insured against by this policy occurs, together with the interest thereon; or
- (iii) The difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, lien or encumbrance insured against by this policy; provided, however, that this Section 7(a)(iii) shall not apply when the defect, lien, encumbrance or other matter insured against by this policy results in a total failure of the Insured Mortgage to attach to the insured estate or interest.
- (b) In the event the Insured has acquired the estate or interest in the manner described in Section 2(a) of these Conditions and Stipulations or has conveyed the Title, then the liability of the Company shall continue as set forth in Section 7(a) of these Conditions and Stipulations.
- (c) The Company will pay only those costs, legal fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.
8. **LIMITATION OF LIABILITY**
- (a) If the Company establishes good and marketable title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the Land, or cures the claim of Unmarketability of Title, or otherwise establishes the Insured Mortgage, all as insured, in a reasonably diligent manner by any method, including litigation as the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.
- (b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction and disposition of all appeals therefrom, adverse to the Title or interest of the Insured or to the Insured Mortgage, as insured.
- (c) The Company shall not be liable for loss or damage to any Insured for liability voluntarily assumed by the Insured in settling any claim or suit without the prior written consent of the Company.
- (d) The Company shall not be liable for: (i) any indebtedness created subsequent to Date of Policy except for advances covered under insuring provision 23 and those made to protect the Insured Mortgage and secured thereby and reasonable amounts expended to prevent deterioration of improvements; or (ii) construction loan advances made subsequent to the Date of Policy, except for construction loan advances made subsequent to Date of Policy for the purpose of financing in whole or in part the construction of an improvement to the Land which at Date of Policy were secured by the Insured Mortgage and which the Insured was and continued to be obligated to advance at and after Date of Policy.
9. **REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY**
- (a) All payments under this policy, except payments made for costs, legal fees and expenses, shall reduce the Amount of Insurance accordingly. However, any payments made prior to the acquisition of title to the estate or interest as provided in Section 2(a) of these Conditions and Stipulations shall not reduce accordingly the Amount of Insurance afforded under this policy except to the extent that the payments reduce the amount of the indebtedness secured by the Insured Mortgage.
- (b) Payment in part by any person of the principal of the indebtedness, or any other obligation secured by the Insured Mortgage, or any voluntary partial satisfaction or release of the Insured Mortgage, to the extent of the payment, satisfaction or release, of the Insured Mortgage, to the extent of the payment, satisfaction or release, shall reduce the Amount of Insurance accordingly. The Amount of Insurance may thereafter be increased by accruing interest and advances made pursuant to the terms of the Insured Mortgage and secured thereby, with interest thereon, provided in no event shall the Amount of Insurance be greater than one hundred twenty-five percent (125%) of the Amount of Insurance stated in Schedule A.
- (c) Payment in full by any person or the voluntary satisfaction or release of the Insured Mortgage shall terminate all liability of the Company except as provided in Section 2(a) and Section 9(b) of these Conditions and Stipulations.
10. **LIABILITY NONCUMULATIVE**
- If the Insured acquires title to the estate or interest in satisfaction of the indebtedness secured by the Insured Mortgage, or any part thereof, it is expressly understood that the Amount of Insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a Mortgage to which exception is taken in Schedule B or to which the Insured has agreed, assumed, or taken subject, or which is hereafter executed by an Insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy.
11. **PAYMENT OF LOSS**
- (a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.
- (b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.
12. **SUBROGATION UPON PAYMENT OR SETTLEMENT**
- (a) **The Company's Right of Subrogation.** Whenever the Company shall be settled and paid a claim under this policy, all rights of subrogation shall vest in the Company unaffected by any act of the Insured Claimant. The Company shall be subrogated to and be entitled to all rights and remedies which the Insured Claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the Insured Claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The Insured Claimant shall permit the company to sue, compromise or settle in the name of the Insured Claimant and to use the name of the Insured Claimant in any transaction or litigation involving these rights or remedies. If a payment on account of a claim does not fully cover the loss of the Insured Claimant, the Company shall be subrogated to all rights and remedies of the Insured Claimant after the Insured Claimant shall have recovered its principal, interest, and costs of collection.
- (b) **The Insured's Rights and Limitations.** Notwithstanding the foregoing, the owner of the indebtedness secured by the Insured Mortgage, provided the priority of the Insured Mortgage or its enforceability is not affected, may release or substitute the personal liability of any debtor or guarantor, or extend or otherwise modify the terms of payment, or release a portion of the estate or interest from the Insured Mortgage, or release any collateral security for the indebtedness. When the permitted acts of the Insured Claimant occur and the Insured has Knowledge of any claim of title or interest adverse to the title to the estate or interest or the priority or enforceability of the lien of the Insured Mortgage, as insured, the Company shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the Insured Claimant of the Company's right of subrogation.
- (c) **The Company's Rights Against Non-Insured Obligors.** The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the Insured to indemnities, guarantees, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy. The Company's right of subrogation shall not be avoided by acquisition of the Insured Mortgage by an obligor (except an obligor described in Section 1(b) (ii) of

