

SUPPLEMENTAL CLAIMS APPLICATION

When any one of the Claims Question is answered "YES", please complete this form each claim.

Name of Insured: Palisair Homeowners Association

1. Name of Claimant: Joel Baumblatt and Donna Reese
2. When did claim occur? August 2007
3. Details and background of Claim. Claimants sued for declaratory and injunctive relief based on Palisair Homeowners Association's (PHOA) decision to reject a proposal to build an addition to plaintiffs' residence, which proposal was in violation of the height limit and other architectural restrictions in the CC&Rs. The PHOA prevailed in that action following a five day bench trial. The PHOA was awarded its costs and expert fees.

4. Has the EEOC or State Human Rights Agency ruled on this case? Yes No

If yes, was ruling Probable Cause No Probable Cause

(Please attach a copy of the Ruling)

5. What is the status of the Claim? Appeal is pending.
6. Amount of Defense Costs Paid? Approximately \$250,000, including experts.
7. Settlement Amount? Claimants were not seeking a monetary settlement.
8. Was the claim filed with Insurer? Yes No
- If yes, was the Claim covered by insurance? Yes No
9. If claim is still open, what amount of reserve has been set up by insurer? _____
Unknown

10. What remedial Measures have been taken to prevent a recurrence of a similar claim?

Prior to this claim, the PHOA was approving/rejecting proposed construction via a Plans Chairman and President. Since then, a larger board has been elected to address proposed construction, and the law firm Gordon & Rees LLP has been retained to consult to assist the PHOA board in preventing future litigation.

Signature: _____
(By President or Chairman of Board of Insured)

Date: _____

The information on this Supplemental Application is material to the Company underwriting this risk and shall be deemed attached as part of this Policy as if physically attached hereto.