



“Community Associations” D&O and Crime Liability Program

Evidence of Insurance & Purchasing Group Membership

PRODUCER: Swett & Crawford (Woodland Hills)
21650 Oxnard St. - Suite #1400
Woodland Hills, CA, 91367

NAMED INSURED:

Palisair Homeowners Association

16050 Anoka Drive
Pacific Palisades, CA, 90272

PROGRAM ADMINISTRATOR:

McGowan Program Administrators

(A Division of McGowan & Company, Inc.)

Old Forge Centre – 20595 Lorain Road
Fairview Park, OH 44126

Ph: (440) 333-6300 / F: (440) 333-3214

www.mcgowanins.com

ITEM 1. COVERAGE PERIOD: Effective 06/02/2013 To 06/02/2014 At 12:01 A.M. Standard Time
At the Named Insured's Address Shown Above

POLICY NUMBER: 8227-6754

ITEM 2. INSURER: Federal Insurance Company

ITEM 3. LIMITS OF LIABILITY:

Directors & Officers Coverage Section:

\$ 1,000,000	Each Claim
\$ 1,000,000	Each Policy Year
\$ 10,000	Deductible – Indemnifiable Loss

Crime Coverage Section:

Insuring Clauses:	Limits of Liability:	Deductible Amount:
(A) Insuring Clause (A), Employee Theft: Property Manager Theft Sublimit:	\$ N/A N/A	\$ N/A N/A
(B) Insuring Clause (B), Premises:	\$ N/A	\$ N/A
(C) Insuring Clause (C), In Transit:	\$ N/A	\$ N/A
(D) Insuring Clause (D), Forgery:	\$ N/A	\$ N/A
(E) Insuring Clause (E), Computer Fraud:	\$ N/A	\$ N/A

ITEM 3. LIMITS OF LIABILITY (continued):

Insuring Clauses:	Limits of Liability:	Deductible Amount:
(F) Insuring Clause (F), Funds Transfer Fraud:	\$N/A	\$ N/A
(G) Insuring Clause (G), Money Orders And Counterfeit Currency Fraud:	\$N/A	\$N/A
(H) Insuring Clause (H), Credit Card Fraud:	\$N/A	\$N/A
(I) Insuring Clause (I), Client:	\$N/A	\$N/A
(J) Insuring Clause (J), Expense:	\$N/A	\$N/A

ITEM 4. PENDING OR PRIOR LITIGATION DATE:

06/02/2010

ITEM 5. FORMS, TERMS & CONDITIONS ATTACHED AT INCEPTION:

See the "Policy Form and Endorsement Editions" in Your Policy.

ITEM 6. IMPORTANT COVERAGE NOTES & ADDITIONAL TERMS, CONDITIONS & EXCLUSIONS:

- (1) You Must Notify Us If You Have A Change In Operations Or Exposures Which Increases The Insurance Company's Risk Of Loss.
- (2) This "Evidence Of Insurance & Purchasing Group Membership Agreement" Does Not Convey Or Modify Insurance Coverage. The Policy Is The Controlling Instrument With Regards To The Terms And Conditions Of Insurance Coverage. The Policy Will Also Contain Coverage Enhancement, Coverage Restrictions, And Exclusions. The Application Becomes A Material Part Of The Policy Of Insurance. This "Evidence Of Insurance & Purchasing Group Membership Agreement" Is Intended To Highlight The Pertinent Terms & Conditions Of Coverage, Provide A Detailed Statement Of Charges, And Convey Membership Terms And Conditions.

ITEM 7. SCHEDULE OF CHARGES:

Directors & Officers Coverage Section (If Purchased):

Total Premium, Fees, Surcharges & Taxes (If Applicable): \$ 5,437.04

Premium:	\$ 4,404.00	Charged By Insurance Company
Purchasing Group Membership Fee:	\$ 1,033.04	Charged By Purchasing Group
Surplus Lines Tax:	\$ N/A	Charged By State
Stamping Fee:	\$ N/A	Charged By State
Other State Or Municipal Surcharge:	\$ N/A	Charged By State Or Municipality
Loss Control Inspection Fee:	\$ N/A	Charged By Program Administrator Or Inspection Service

Crime Coverage Section (If Purchased):

Total Premium, Fees, Surcharges & Taxes (If Applicable): \$ N/A

Premium:	\$ N/A	Charged By Insurance Company
Purchasing Group Membership Fee:	\$ N/A	Charged By Purchasing Group
Surplus Lines Tax:	\$ N/A	Charged By State
Stamping Fee:	\$ N/A	Charged By State
Other State Or Municipal Surcharge:	\$ N/A	Charged By State Or Municipality
Loss Control Inspection Fee:	\$ N/A	Charged By Program Administrator Or Inspection Service

Purpose & Effect Of "Application For Insurance & Purchasing Group Membership." By Signing An "Application For Insurance & Purchasing Group Membership" (Hereinafter "Application"), Applicant Agreed: (1) To Become A Member Of Community Associations PG, Inc. (Hereinafter "PG"); (2) To Participate In A Program Of Insurance Designed Exclusively For The Members Of PG; (3) To Accept, Abide By, And Be Bound By The "Terms & Conditions Of Insurance" Posted At www.purchasinggroups.com; (4) To Accept, Abide By, And Be Bound By The "Membership Agreement – Terms & Conditions Of Membership" Posted At www.purchasinggroups.com; (5) To Pay All Premiums (Including Audit And Additional Premiums, If Applicable), Fees (Including Broker & Purchasing Group Membership Fees), And State & Federal Taxes & Surcharges (If Applicable) When Due; (6) That Any Additional Material Supplied By Applicant Or Applicant's Insurance Broker To The Managing General Underwriter For A Given Program Of Insurance Becomes A Material Part Of The Application For Insurance; (7) That The Application Which It Signed Was The Basis Of The Contract [Policy &/Or "Evidence Of Insurance & Purchasing Group Membership" (Hereinafter "EOI")], Whether Or Not Said Application Was/Is Attached To The Policy &/Or EOI; (8) That The Application Is A Material Part Of The Policy &/Or EOI, Whether Or Not It Is Attached To The Policy &/Or EOI; And, (9) That The Application Is Considered Attached To The Policy &/Or EOI For Legal Purposes, Whether Or Not It Is Physically Or Electronically Attached To The Policy &/Or EOI.

Disclosure Regarding Shared Limits. Members Do Not Share Limits And Each Member Is Provided With Its Own Policy &/Or EOI.

Disclosure Pursuant To Federal Law Regarding Purchasing Groups [U.S.C. 15 3901, Et Seq.] PG Is A "Purchasing Group," As Defined Under Federal Law, Formed To Purchase Liability Insurance On A Group Basis For Its Members To Cover The Similar Or Related Liability Exposure(s) To Which The Members Of PG Are Exposed By Virtue Of Their Related, Similar, Or Common Business Or Service. Members Do Not Share Limits And Each Member Is Provided With Its Own Policy &/Or EOI.

Disclosure Pursuant To Terrorism Risk Insurance Act Of 2002. By Signing Below, Applicant Agrees That It Has Read And Understands The "Disclosure Pursuant To The Terrorism Risk Insurance Act Of 2002" Which Appears At www.purchasinggroups.com

To Learn More. Please Visit www.purchasinggroups.com, Which Contains More Information About Your Purchasing Group And Purchasing Groups, In General, As Well As Your Insurance Coverage, Premiums, Fees, Taxes, The MGUs' Income, And Your Insurance Broker's Income.

Notice of Loss Control Services

Insuring Company: Federal Insurance Company

As a Chubb policyholder, you have loss prevention information and/or services available to you, as described in this Notice.

Employment Practices Liability (EPL) Loss Prevention Services

- **Chubb EPL Loss Prevention Web Site**

For information about the program, as well as a way to access many of our available services, go to <http://csi.chubb.com/epllossprevention>.

- **ChubbWorks.com**

ChubbWorks.com is a web-based platform that offers multiple services including overviews of employment laws, sample employment policies and procedures, and on-line training. To gain immediate access to ChubbWorks go to www.chubbworks.com and register using your policy number.

Employment Practices Liability Loss Prevention Guidelines for Not-for-Profit Organizations Manual

Written by John B. Lewis of Baker & Hostetler, LLP exclusively for Chubb, this manual provides an overview of key employment issues and offers proactive ideas for avoiding employment lawsuits. To order ***Employment Practices Liability Loss Prevention Guidelines for Not-for-Profit Organizations***, simply call 1.866.282.9001, and order 14-01-0107, and provide your mailing address.

- **Loss Prevention Consultant Services**

Chubb has developed a network of more than 120 law firms, human resources consulting firms, and labor economist/statistical firms that offer specialized services for employment issues. In addition to preferred rates for customers, Chubb will reimburse customers for 50% of the cost of the qualified services, up to 10% of the customer's insurance premium. To access the network of consultants and learn more about the consultant services program, go to Chubb's EPL Loss Prevention Web site at <http://csi.chubb.com/epllossprevention>.

- **Toll-free Hot Line**

Have a question on how to handle an employment situation? Simply call **1.888.249.8425** to access the nationally known employment law firm of Jackson Lewis Schnitzler & Krupman. We offer customers an unlimited number of calls to the hot line at no additional charge.

If you have any questions on the EPL Loss Prevention program, simply consult <http://csi.chubb.com/epllossprevention> or email csi-info@chubb.com.

Directors and Officers (D&O) Liability Loss Prevention Services

- ***Directors and Officers Liability Loss Prevention Manual***

Written by Dan A. Bailey exclusively for Chubb, *Directors and Officers Liability Loss Prevention for Not-For Profit Organizations* discusses general principles governing D&O liability and potential exposures for directors and officers. To order *Directors and Officers Liability Loss Prevention for Not-For Profit Organizations*, simply call **1.866.282.9001**, order 14-01-0036, and provide your mailing address.

- ***Loss Prevention Guidelines for Independent Directors***

Written exclusively for Chubb by Dan A. Bailey, this manual discusses roles played by independent directors, the increasing importance of independent directors, and corporate governance best practices. To order *Loss Prevention Guidelines for Independent Directors*, simply call **1.866.282.9001**, order 14-01-0679, and provide your mailing address.

Crime Loss Prevention Services

Crime Loss Prevention Manual

Written by KPMG LLP exclusively for Chubb, the Crime Loss Prevention Manual discusses general principles governing workplace crime exposures. To order the Crime Loss Prevention Manual, simply call **1.866.282.9001**, and order 14-01-0044, and provide your mailing address.

The services provided are advisory in nature. While this program is offered as a resource in developing or maintaining a loss prevention program, you should consult competent legal counsel to design and implement your own program. No liability is assumed by reason of the services, access or information provided. All services are subject to change without notice.

IMPORTANT NOTICE

IMPORTANT INFORMATION REGARDING YOUR INSURANCE

Insuring Company: Federal Insurance Company

In the event you need to contact someone about this insurance for any reason please contact your agent. If no agent was involved in the sale of this insurance, or if you have additional questions you may contact the insurance company issuing this insurance at the following address and telephone number:

15 MOUNTAIN VIEW ROAD
WARREN, NEW JERSEY 07059

1-800-36-CHUBB

If you have been unable to contact or obtain satisfaction from the company or the agent, you may contact the Virginia State Corporation Commission's Bureau of Insurance at:

1300 EAST MAIN STREET
RICHMOND, VIRGINIA 23219

877-310-6560

Written correspondence is preferable so that a record of your inquiry is maintained. When contacting your agent, company, or Bureau of Insurance, have your policy number available.

**POLICYHOLDER
DISCLOSURE NOTICE OF
TERRORISM INSURANCE COVERAGE**
(for policies with no terrorism exclusion or sublimit)
Insuring Company: Federal Insurance Company

You are hereby notified that, under the Terrorism Risk Insurance Act (the “Act”), effective December 26, 2007, this policy makes available to you insurance for losses arising out of certain acts of terrorism. Terrorism is defined as any act certified by the Secretary of the Treasury, in concurrence with the Secretary of State and the Attorney General of the United States, to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of an air carrier or vessel or the premises of a United States Mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion.

You should know that the insurance provided by your policy for losses caused by acts of terrorism is partially reimbursed by the United States under the formula set forth in the Act. Under this formula, the United States pays 85% of covered terrorism losses that exceed the statutorily established deductible to be paid by the insurance company providing the coverage.

However, if aggregate insured losses attributable to terrorist acts certified under the Act exceed \$100 billion in a Program Year (January 1 through December 31), the Treasury shall not make any payment for any portion of the amount of such losses that exceeds \$100 billion.

If aggregate insured losses attributable to terrorist acts certified under the Act exceed \$100 billion in a Program Year (January 1 through December 31) and we have met our insurer deductible under the Act, we shall not be liable for the payment of any portion of the amount of such losses that exceeds \$100 billion, and in such case insured losses up to that amount are subject to pro rata allocation in accordance with procedures established by the Secretary of the Treasury.

The portion of your policy's annual premium that is attributable to insurance for such acts of terrorism is: \$ **-0-**.

If you have any questions about this notice, please contact your agent or broker.

IMPORTANT NOTICE TO POLICYHOLDERS

Insuring Company: Federal Insurance Company

All of the members of the Chubb Group of Insurance companies doing business in the United States (hereinafter "Chubb") distribute their products through licensed insurance brokers and agents ("producers"). Detailed information regarding the types of compensation paid by Chubb to producers on US insurance transactions is available under the Producer Compensation link located at the bottom of the page at www.chubb.com, or by calling 1-866-588-9478. Additional information may be available from your producer.

Thank you for choosing Chubb.

DECLARATIONS

FEDERAL INSURANCE COMPANY

a stock insurance company, incorporated under the laws of Indiana, herein called the **Company**.

Policy Number: 8227-6754

THE DIRECTORS AND OFFICERS LIABILITY COVERAGE SECTION (IF PURCHASED) PROVIDES CLAIMS MADE COVERAGE, WHICH APPLIES ONLY TO "CLAIMS" FIRST MADE DURING THE "POLICY PERIOD," OR ANY EXTENDED REPORTING PERIOD. THE LIMIT OF LIABILITY TO PAY DAMAGES OR SETTLEMENTS WILL BE REDUCED AND MAY BE EXHAUSTED, UNLESS OTHERWISE PROVIDED HEREIN, BY "DEFENSE COSTS," AND "DEFENSE COSTS" WILL BE APPLIED AGAINST THE DEDUCTIBLE AMOUNT. READ THE ENTIRE POLICY CAREFULLY.

Item 1. Parent Corporation: Palisair Homeowners Association

Principal Address:

16050 Anoka Drive
Pacific Palisades, CA, 90272

Item 2. Policy Period:

- (A) From 12:01 A.M. on 06/02/2013
(B) To 12:01 A.M. on 06/02/2014
Local time at the address shown in Item 1.

Item 3. Coverage is available for the following:

- ☒ Yes ☐ No Directors & Officers Liability Coverage Section
☐ Yes ☒ No Crime Coverage Section

Item 4. Directors and Officers Coverage Section:

- (A) Limits of Liability:
(1) Each **Claim**: 1,000,000
(2) Each **Policy Year**: 1,000,000

(B) Deductible Amounts:
(1) Non-Indemnifiable **Loss**: None
(2) Indemnifiable **Loss**: 10,000

Item 5. Crime Coverage Section:

Insuring Clauses	Limits of Liability	Deductible Amount
(A) Insuring Clause (A), Employee Theft: Property Manager Theft Sublimit:	\$ N/A \$ N/A	\$ N/A \$ N/A
(B) Insuring Clause (B), Premises:	\$ N/A	\$ N/A
(C) Insuring Clause (C), In Transit:	\$ N/A	\$ N/A
(D) Insuring Clause (D), Forgery:	\$ N/A	\$ N/A
(E) Insuring Clause (E), Computer Fraud:	\$ N/A	\$ N/A
(F) Insuring Clause (F), Funds Transfer Fraud:	\$ N/A	\$ N/A
(G) Insuring Clause (G), Money Orders And Counterfeit Currency Fraud:	\$ N/A	\$ N/A
(H) Insuring Clause (H), Credit Card Fraud:	\$ N/A	\$ N/A
(I) Insuring Clause (I), Client:	\$ N/A	\$ N/A
(J) Insuring Clause (J), Expense:	\$ N/A	\$ N/A

Item 6. Extended Reporting Period:

(A) Additional Period:	1 year
(B) Additional Premium:	100 % of Annual Premium

Item 7. Pending or Prior Litigation Date:

06/02/2010

Item 8. Property Manager:

N/A

Item 9. Termination of Prior Bonds or Policies:

N/A

Item 10. Policy Form and Endorsement Editions Attached at Issuance:

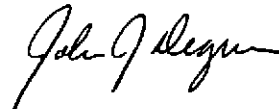
10-02-1281 v01.03	Notice Of Terrorism Insurance Coverage
10-02-1295 v06.07	Important Notice to Policyholders
14-02-1350 v01.95	California Premium Endorsement
14-02-17026CA v10.10	Community Associations PG, Inc. Member Amendatory Endorsement
14-02-17220 v10.10	Amend Section VII(A) Representations and Severability Endorsement
14-02-6028 v08.01	Protection for Community Association Leaders General Terms and Conditions Section
14-02-6031 v08.01	Directors & Officers Liability Coverage Section
14-02-6074 v09.01	California Amendatory Endorsement To The General Terms & Conditions Section
14-02-7816 v06.10	Securities Exclusion Endorsement
14-02-7977 v11.07	Notice of Loss Control Services
14-02-9228 v02.10	Compliance With Applicable Trade Sanction Laws
14-02-9972 v08.04	Specific Matter Exclusion Endorsement
99-10-0786 v10.06	Important Notice: Important Notice Regarding Your Insurance
DO-EOI-01 v01.11	"Community Associations" D&O and Crime Evidence of Insurance & Purchasing Group Membership
Q13-325 v03.13	Insured Organization V Insured Person Exclusion Endorsement

In witness whereof, the **Company** issuing this Policy has caused this Policy to be signed by its authorized officers, but it shall not be valid unless also signed by a duly authorized representative of the **Company**.

FEDERAL INSURANCE COMPANY



Secretary



President

07/01/2013

Date



Authorized Employee



Protection for Community Association LeadersSM

General Terms and Conditions Section

In consideration of payment of the premium and subject to the Declarations and the limitations, conditions, provisions and other terms of this Policy, the Company and the Insureds agree as follows:

I. TERMS AND CONDITIONS

Except for these General Terms and Conditions or unless stated to the contrary in any Coverage Section of this Policy, the terms and conditions of each Coverage Section apply only to that Coverage Section. If any provision in these General Terms and Conditions is inconsistent or in conflict with the terms and conditions of any Coverage Section, the terms and conditions of such Coverage Section shall control for purposes of that Coverage Section. Any defined term referenced in these General Terms and Conditions but defined in a Coverage Section shall, for purposes of coverage under that Coverage Section, have the meaning set forth in that Coverage Section.

II. GENERAL DEFINITIONS

- (A) **Anniversary Date** means that date and time exactly one (1) year after the date and time set forth in Item 2(A) of the Declarations of these General Terms and Conditions and, if applicable, each succeeding date and time exactly one (1) year after the previous **Anniversary Date**.
- (B) **Claim** shall have the meaning ascribed to that term in the Directors and Officers Liability Coverage Section.
- (C) **Coverage Event** means the event or loss which must occur or be sustained in order to invoke coverage under the Crime Coverage Section.
- (D) **Debtor in Possession** means a debtor in possession as such term is used in Chapter 11 of the United States Bankruptcy Code.
- (E) **Insured** means all organizations, plans and natural persons defined as **Insureds** in each Coverage Section.
- (F) **Insured Organization** means the **Parent Corporation** and any **Subsidiary** acquired on or before the inception date as set forth in Item 2(A) of the Declarations or, subject to Section VI Changes in Exposure of these General Terms and Conditions, during the **Policy Period**. **Insured Organization** shall also mean any such entity as a **Debtor in Possession**.
- (G) **Insured Person** shall have the meaning ascribed to that term in the Directors and Officers Liability Coverage Section.
- (H) **Parent Corporation** means the entity named in Item 1 of the Declarations.
- (I) **Policy Period** means the period of time set forth in Item 2 of the Declarations, subject to any prior termination in accordance with Section XIV Termination of Policy of these General Terms and Conditions.
- (J) **Policy Year** means the period, within the **Policy Period**, from the date and time set forth in Item 2(A) of the Declarations to the first **Anniversary Date**, or the period from an **Anniversary Date** to its next succeeding **Anniversary Date**, subject to any prior termination as set forth in Section XIV Termination of Policy of these General Terms and Conditions.
- (K) **Property Manager** means the entity or natural persons specifically named, if any, in Item 8 of the Declarations, and any entities or natural persons specifically named as property managers and provided coverage under any policy of which this Policy is a renewal or replacement. If any



Protection for Community Association LeadersSM

General Terms and Conditions Section

- (L) **Property Manager** provided coverage under this Policy, or any policy of which this Policy is a renewal or replacement, is an entity, the term **Property Manager** shall also include **Property Manager Employees** employed by such entity to provide real estate property management services to the **Insured Organization**.
- (M) **Property Manager Employee** means any:
- (1) natural person in the regular service of a **Property Manager** in the ordinary course of such **Property Manager's** business, whom such **Property Manager** governs and directs in the performance of such service, including any part-time, seasonal, leased or temporary employee, or
 - (2) duly elected or appointed director, officer, member of the Board of Managers or management committee member while performing acts within the usual scope of a **Property Manager Employee**.
- (M) **Related Claims** means all **Claims** for **Wrongful Acts** based upon, arising from, or in consequence of the same or related facts, circumstances, situations, transactions or events or the same or related series of facts, circumstances, situations, transactions or events.
- (N) **Subsidiary** means any not for profit entity, which qualifies as a not for profit organization under the provisions of the Internal Revenue Code, during any time in which the **Parent Corporation** owns or controls, directly or through one or more **Subsidiaries**, the right to elect or appoint more than fifty percent (50%) of such entity's directors or trustees.
- (O) **Wrongful Act** shall have the meaning ascribed to that term in the Directors and Officers Liability Coverage Section.
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III. TERRITORY

Coverage shall extend anywhere in the world.

IV. NOTICE

- (A) Any notice to the **Company** with respect to any Coverage Section shall designate the Coverage Section under which the notice is being given.
- (B) All notices to the **Company** under this Policy of **Claims** or circumstances which could rise to a **Claim** under the Director and Officer Liability Coverage Section; or of **Coverage Events** under the Crime Coverage Section shall be given in writing addressed to:
- Attn: Claims Department**
Chubb Group of Insurance Companies
82 Hopmeadow Street
Simsbury, CT 06070-7683
- (C) All other notices to the **Company** under this Policy shall be given in writing addressed to:
- Attn: Underwriting**
Chubb Group of Insurance Companies
82 Hopmeadow Street
Simsbury, CT 06070-7683
- (D) Any such notice shall be effective on the date of receipt by the **Company** at such address.



Protection for Community Association LeadersSM

General Terms and Conditions Section

V. COOPERATION

The **Insureds** agree to provide the **Company** with all information, assistance and cooperation which the **Company** reasonably requests and agree that they will do nothing that may prejudice the **Company's** position or its potential or actual rights of recovery.

VI. CHANGES IN EXPOSURE

(A) Acquisition of Another Organization

(1) If any **Insured Organization** creates, acquires or merges with another not for profit entity which qualifies as a not for profit organization under the provisions of the Internal Revenue Code (each an "Acquired Organization") such that the **Insured Organization** is the surviving entity, and if as a result of such creation, acquisition or merger the Acquired Organization would otherwise become a **Subsidiary**, then coverage shall be provided for such Acquired Organization and its **Insureds** subject to:

- (a) the giving of notice of such creation, acquisition or merger by the **Parent Corporation** to the **Company** within sixty (60) days from the effective date of such event, and
- (b) any additional terms, conditions or limitations of coverage, including payment of additional premium, which the **Company**, in its sole discretion, may require.

Coverage provided to any such Acquired Organization and its **Insureds** with respect to:

- (i) the Directors and Officers Liability Coverage Section, if purchased: shall be solely for **Wrongful Acts** committed or allegedly committed after the effective date of such creation, acquisition or merger; and
- (ii) the Crime Coverage Section, if purchased: after the effective date of such creation, acquisition or merger, shall be pursuant to the Liability for Prior Losses Section of the Crime Coverage Section.

(2) If any **Insured Organization** creates, acquires or merges with any for profit entity (each an "Acquired For Profit Organization") such that the **Insured Organization** is the surviving entity, and if as a result of such creation, acquisition or merger the Acquired For Profit Organization becomes a subsidiary, the **Insured Organization** shall provide notice of such creation, acquisition or merger to the **Company** as soon as practicable together with all information requested by the **Company**. The **Company** may elect, in its sole discretion, to provide coverage for such Acquired For Profit Organization and all persons for whom coverage is requested and such coverage, if provided, shall be subject to any additional terms, conditions or limitations of coverage, including payment of additional premium, which the **Company**, in its sole discretion, may require.

(B) Cessation of Subsidiaries

If any **Subsidiary** ceases to be a **Subsidiary** before or during the **Policy Period**, then with respect to:

- (1) the Directors and Officers Liability Coverage Section, if purchased: coverage under this Policy shall continue for such **Subsidiary** and its **Insureds** until the expiration of this Policy, but solely for **Claims** for **Wrongful Acts** committed or allegedly committed prior to the effective date of such cessation; and



Protection for Community Association LeadersSM

General Terms and Conditions Section

- (2) the Crime Coverage Section, if purchased: such **Subsidiary** and its **Insureds** cease to be **Insureds** as of the effective date of such cessation, and coverage under this Policy shall apply as provided in the Crime Coverage Section.

(C) Conversion of Coverage under Certain Circumstances

If, during the **Policy Period**, any of the following events occur:

- (1) the acquisition of all or substantially all of the **Parent Corporation's** assets, by another organization, person or group of organizations or persons acting in concert, or the merger or consolidation of the **Parent Corporation** into or with another entity such that the **Parent Corporation** is not the surviving entity; or
- (2) another organization, person or group of organizations or persons acting in concert acquires the right to elect or appoint more than fifty percent (50%) of the **Parent Corporation's** directors, members of the Board of Managers or management committee members of the **Parent Corporation**;

coverage under this Policy shall, with respect to:

- (a) the Directors and Officers Liability Coverage Section, if purchased: continue until the expiration of this Policy, solely for **Claims** for **Wrongful Acts** committed or allegedly committed prior to such event;
- (b) the Crime Coverage Section, if purchased: terminate subject to Exclusion (G) of such Coverage Section.

The **Parent Corporation** shall give written notice of such event to the **Company** as soon as practicable together with such information as the **Company** may require, and the entire premium for this Policy will be deemed fully earned as of such event.

VII. REPRESENTATIONS AND SEVERABILITY

- (A) In granting coverage to the **Insureds** under this Policy, the **Company** has relied upon the declarations and statements in the written application(s) for this Policy. Such declarations and statements are the basis of the coverage under this Policy and shall be considered as incorporated in and constituting part of this Policy.
- (B) Solely with respect to the Directors and Officers Liability Coverage Section, if purchased, any written application(s) for coverage shall be construed as a separate application(s) for coverage by each **Insured Person**. With respect to the declarations and statements in such application(s):
- (1) no fact pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** for the purpose of determining if coverage is available; and
- (2) only facts pertaining to and knowledge possessed by any past, present or future President or Chairperson of any **Insured Organization** or any other individual signing such application(s) shall be imputed to any **Insured Organization** for the purpose of determining if coverage is available.
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Protection for Community Association LeadersSM

General Terms and Conditions Section

VIII. VALUATION AND FOREIGN CURRENCY

All premiums, limits, deductibles, loss and other amounts under this Policy are expressed and payable in the currency of the United States of America. If a judgment is rendered, a settlement is denominated or any element of loss under this Policy is stated in a currency other than United States of America dollars, payment under this Policy shall be made in United States of America dollars at the rate of exchange published in *The Wall Street Journal* on the date the final judgment is reached, the amount of the settlement is agreed upon or any element of loss is due, respectively.

IX. SUBROGATION

In the event of any payment under this Policy, the **Company** shall be subrogated to the extent of such payment to all of the **Insured's** rights of recovery, and such **Insured** shall execute all papers required and shall do everything necessary to secure and preserve such rights, including the execution of such documents necessary to enable the **Company** effectively to bring suit or otherwise pursue subrogation rights in the name of such **Insured**.

X. RECOVERIES

- (A) Recoveries of loss with respect to any **Claim** or **Coverage Event**, whether effected by the **Company** or by an **Insured**, less the cost of recovery, shall be distributed as follows:
- (1) first, to an **Insured** for the amount of such loss, otherwise covered, in excess of the applicable Limits of Liability;
 - (2) second, to the **Company** for the amount of such loss paid to an **Insured** as covered **Loss**;
 - (3) third, to an **Insured** for the Deductible Amount applicable to such loss;
 - (4) fourth, to an **Insured** for the amount of such loss excluded under this Policy.
- (B) Recovery from reinsurance or indemnity of the **Company** shall not be deemed a recovery hereunder.

XI. ACTION AGAINST THE COMPANY

No action may be taken against the **Company** unless, as a condition precedent thereto, there shall have been full compliance with all the terms of this Policy. No person or entity shall have any right under this Policy to join the **Company** as a party to any action against any **Insured** to determine such **Insured's** liability nor shall the **Company** be impleaded by such **Insured** or legal representatives of such **Insured**.

XII. PARENT CORPORATION RIGHTS AND OBLIGATIONS

By acceptance of this Policy, the **Parent Corporation** is considered the sole agent of and will act on behalf of each **Insured** with respect to: the payment of premiums and the receiving of any return premiums that may become due under this Policy; the negotiation, agreement to and acceptance of endorsements; the giving or receiving of any notice, including but not limited to any Reservation of Rights Letters, Notice of Claim or Proof of Loss (except the giving of notice to



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General Terms and Conditions Section

apply for the Extended Reporting Period); the adjustment of the amount of **Loss** submitted; the giving of written notice of termination and the receipt or enforcement of payment of a **Loss**; and the **Parent Corporation** shall be responsible for application of any such payment, as provided for in this Policy, and each **Insured** agrees that the **Parent Corporation** shall act on their behalf.

XIII. ALTERATION AND ASSIGNMENT

No change in, modification of, or assignment of interest under this Policy shall be effective except when made by written endorsement to this Policy which is signed by an authorized employee of Chubb & Son, a division of Federal Insurance Company.

XIV. TERMINATION OF POLICY

- (A) This Policy shall terminate at the earliest of the following times:
- (1) upon receipt by the **Company** of written notice of termination from the **Parent Corporation**; provided that this Policy may not be terminated by the **Parent Corporation** after the effective date of any event described in Section VI Changes in Exposure (C) of these General Terms and Conditions;
 - (2) upon expiration of the **Policy Period** as set forth in Item 2(B) of the Declarations;
 - (3) twenty (20) days after receipt by the **Parent Corporation** of a written notice of termination from the **Company** based upon non-payment of premium, unless the premium is paid within such twenty (20) day period;
 - (4) thirty (30) days after receipt by the **Parent Corporation** of a written notice of termination from the **Company** for any reason other than non-payment of premium; or
 - (5) at such other time as may be agreed upon by the **Company** and the **Parent Corporation**.
- (B) The **Company** shall refund the unearned premium computed at customary short rates if this Policy is terminated by the **Parent Corporation**. Under any other circumstances the refund shall be computed pro rata. Payment or tender of any unearned premium by the **Company** shall not be a condition precedent to the effectiveness of such termination, but such payment shall be made as soon as practicable.
-

XV. TERMINATION OF PRIOR BONDS OR POLICIES

Any prior bonds or policies issued by the **Company** or its affiliates and specified in Item 9 of the Declarations shall terminate, if not already terminated, as of the inception of this Policy.

XVI. BANKRUPTCY

Bankruptcy or insolvency of any **Insured** shall not relieve the **Company** of its obligations nor deprive the **Company** of its rights or defenses under this Policy.



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General Terms and Conditions Section

XVII. HEADINGS

The descriptions in the headings and sub-headings of this Policy are solely for convenience, and form no part of the terms and conditions of coverage.

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Directors & Officers Liability Coverage Section

In consideration of payment of the premium and subject to the Declarations, General Terms and Conditions Section, and the limitations, conditions, provisions and other terms of this Coverage Section, the Company and the Insureds agree as follows:

I. INSURING CLAUSE

The **Company** shall pay on behalf of an **Insured** all **Loss** which such **Insured** becomes legally obligated to pay on account of any **Claim** first made against such **Insured** during the **Policy Period** or, if exercised, during the Extended Reporting Period, for:

- (a) a **Wrongful Act**;
- (b) **Employment Practices**; or
- (c) **Personal Injury or Publishers Liability**;

committed, attempted, or allegedly committed or attempted, by such **Insured** before or during the **Policy Period**.

II. DEFINITIONS

For the purposes of this Coverage Section:

(A) **Claim** means a:

- (1) written demand for monetary damages;
- (2) civil proceeding commenced by the service of a complaint or similar pleading;
- (3) criminal proceeding commenced by a return of an indictment; or
- (4) formal civil administrative or regulatory proceeding commenced by the filing of a notice of charges, formal investigative order or similar document;

against an **Insured** for a **Wrongful Act**, including any appeal therefrom.

(B) **Construction Defect** means any alleged or actual defective, faulty or delayed construction or any other matter recognized as a construction defect under applicable common or statutory law, whether or not as a result of any of the following: faulty or incorrect design or architectural plans; improper soil testing; inadequate or insufficient protection from subsoil or earth movement or subsidence; construction, manufacture or assembly of any tangible property; failure to provide construction-related goods or services as represented or to pay for such goods or services; or supervision of such activities.

(C) **Defense Costs** means that part of **Loss** consisting of reasonable costs, charges, fees (including but not limited to attorney's fees and experts' fees) and expenses (other than regular or overtime wages, salaries or fees of the trustees, committee members, volunteers, directors, officers or employees of an **Insured Organization**, **Property Manager** or employees of a **Property Manager**) incurred in defending any **Claim** and the premium for appeal, attachment, or similar bonds.

(D) **Employment Practices** means a **Wrongful Act** constituting wrongful dismissal, discharge or termination of employment, breach of any oral or written employment contract or quasi-employment contract, employment related misrepresentation, violation of employment discrimination laws (including harassment), wrongful failure to employ or

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promote, wrongful discipline, negligent evaluation, employment related wrongful infliction of emotional distress.

- (E) **Financial Impairment** means the status of any **Insured Organization** resulting from:
- (1) the appointment by any state or federal official, agency or court of any receiver, conservator, liquidator, trustee, rehabilitator or similar official to take control of, supervise, manage or liquidate the **Insured Organization**, or
 - (2) such **Insured Organization** becoming a debtor in possession.
- (F) **Insured** means an **Insured Organization** or any **Insured Person**. The term **Insured** shall also include any **Property Manager** but only with respect to any **Claim** made against a **Property Manager** for a **Property Manager Wrongful Act** committed, attempted, or allegedly committed or attempted by such **Property Manager** before or during the **Policy Period**.
- (G) **Insured Capacity** means the position held by any **Insured Person** in any **Insured Organization**, but shall not include any position in any entity other than such **Insured Organization** even if such **Insured Organization** directed or requested that such **Insured Person** serve in such other position.
- (H) **Insured Person** means any natural person who has been, now is or shall become a duly elected director or trustee, duly elected or appointed officer, employee or committee member (whether or not salaried) of an **Insured Organization**, and any natural person acting in a voluntary capacity on behalf of an **Insured Organization** and at the specific direction of such **Insured Organization**.
- (I) **Loss** means the total amount which any **Insured** becomes legally obligated to pay on account of any **Claim** made against any **Insured** for **Wrongful Acts** for which coverage applies, including, but not limited to, damages, judgments, settlements, pre-judgment and post-judgment interest and **Defense Costs**. **Loss** does not include:
- (1) any amount not indemnified by an **Insured Organization** for which an **Insured Person** is absolved from payment by reason of any covenant, agreement or court order;
 - (2) matters uninsurable under the law pursuant to which this Coverage Section is construed;
 - (3) any amount incurred by any **Insured Organization** (including its board of directors or any committee of the board of directors) in connection with the investigation or evaluation of a **Claim** or potential **Claim** by or on behalf of any **Insured Organization**;
 - (4) taxes, fines or penalties (including punitive or exemplary damages), or the multiple portion of any multiplied damage award;
 - (5) the future compensation or benefits of a claimant who has been or shall be hired, promoted or reinstated to employment pursuant to a settlement order or other resolution of such **Claim**; or
 - (6) any monetary payment pursuant to a notice period under any applicable law, including the Worker Adjustment and Retraining Notification Act or any

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amendments thereunder, or any similar provisions of any federal, state or local statutory law or common law.

- (J) **Personal Injury or Publishers' Liability** means a **Wrongful Act** constituting false arrest; wrongful detention or imprisonment; malicious prosecution; defamation; invasion of privacy; wrongful entry or eviction; infringement of copyright, trademark, trade name, trade dress or service mark; unauthorized use of title; plagiarism; or misappropriation of ideas or trade secrets.
- (K) **Pollutants** means any substance located anywhere in the world exhibiting any hazardous characteristics as defined by, or identified on a list of hazardous substances issued by, the United States Environmental Protection Agency or any state, county, municipality or local counterpart thereof. Such substances shall include, without limitation, solids, liquids, gaseous or thermal irritants, contaminants, smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste materials. **Pollutants** shall also mean any other air emission, odor, waste water, oil or oil products, infectious or medical waste, asbestos or asbestos products and any noise.
- (L) **Property Damage** means the:
- (1) damage or destruction of any tangible property, or
 - (2) the loss of use of tangible property whether or not such property is damaged or destroyed.
- (M) **Property Manager Wrongful Act** means any error, misstatement, misleading statement, act, omission, neglect or breach of duty committed, attempted or allegedly committed or attempted by a **Property Manager**, but only in the sole capacity of providing real estate property management services to an **Insured Organization** and only where such **Property Manager** was acting at the specific direction of the **Insured Organization**.
- (N) **Specified Peril** means aircraft or self-propelled missiles; explosion; fire or lightning; silt accumulation; flood, surface water, waves, tidal water, overflow of a body of water or spray from any of these, even if driven by wind; lead contamination, including but not limited to lead paint; mold contamination, including but not limited to any fungi, mildew, yeast or bacteria, or dust or spores resulting from any of these, from any source; hail; leakage from fire equipment; mechanical breakdown; smoke; soil, subsoil or earth movement or subsidence, whether by earthquake, landslide, mudslide, volcanic eruption or other natural or man-made causes; or wind.
- (O) **Wrongful Act** means any error, misstatement, misleading statement, act, omission, neglect, or breach of duty committed, attempted, or allegedly committed or attempted, by:
- (1) an **Insured Organization**;
 - (2) an **Insured Person**, individually or otherwise, in their **Insured Capacity**, or any matter claimed against an **Insured Person** solely by reason of serving in such **Insured Capacity**;
- or any **Property Manager Wrongful Act**.
-

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Directors & Officers Liability Coverage Section

III. EXCLUSIONS

- (A) The **Company** shall not be liable for **Loss** on account of any **Claim** directly or indirectly based upon, arising from, or in consequence of:
- (1) any fact, circumstance, situation, transaction, event, **Wrongful Act**, **Employment Practice** or **Personal Injury or Publishers Liability** which, before the Inception Date set forth in Item 2(A) of the Declarations, was the subject of any notice given under any other policy of directors and officers liability or other similar insurance, or, with respect to any **Property Manager**, the subject of any notice given by such **Property Manager** under any property manager's professional liability policy or other similar insurance;
 - (2) any claim, demand, suit, arbitration, administrative or grievance proceeding or other proceeding pending, or order, decree or judgment entered for or against any **Insured** on or prior to the Pending or Prior Litigation Date set forth in Item 7 of the Declarations, or the same or any substantially similar fact, circumstance or situation underlying or alleged therein;
 - (3) any deliberately dishonest, or fraudulent act or omission or any willful violation of any statute or regulation by any **Insured**, if a final and non-appealable judgment or adjudication adverse to such **Insured** establishes such a deliberately dishonest or fraudulent act or omission or willful violation;
 - (4) any **Insured** having gained in fact any profit, remuneration or advantage to which such **Insured** was not legally entitled;
 - (5) any: (i) actual, alleged or threatened discharge, release, escape or disposal of **Pollutants** into or on real or personal property, water or the atmosphere; or (ii) direction or request that the **Insured** test for, monitor, cleanup, remove, contain, treat, detoxify or neutralize **Pollutants**, or any voluntary decision to do so; including but not limited to any **Claim** for the financial loss to an **Insured Organization** or its creditors based upon, arising from, or in consequence of the matters described in (i) or (ii) of this Exclusion (A)(5); provided that this exclusion shall not apply to any **Claim** for wrongful dismissal, discharge or termination of employment of any **Insured Person** in retaliation for such **Insured Person's** actual or threatened disclosure of the matters described in (i) or (ii) of this Exclusion (A)(5);
 - (6) any written, oral, express or implied contract or agreement, including but not limited to any employment contract; provided that this Exclusion (A)(6) shall not apply to: (i) that part of **Loss** which constitutes **Defense Costs**; or (ii) any **Claim** brought by or on behalf of any member of the **Insured Organization** which is based upon, arising from, or in consequence of any actual or alleged breach of an **Insured Organization's** covenants, conditions and restrictions ("CC&R's") or by-laws; or
 - (7) any theft, conversion, embezzlement, breach of fidelity, or breach of contract by any **Property Manager**.
- (B) The **Company** shall not be liable for **Loss** on account of any **Claim**:
- (1) for an actual or alleged violation of the responsibilities, obligations or duties imposed by the Employee Retirement Income Security Act of 1974, the Fair

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Labor Standards Act (except the Equal Pay Act), the National Labor Relations Act, the Worker Adjustment and Retraining Notification Act, the Consolidated Omnibus Budget Reconciliation Act of 1985, the Occupational Safety and Health Act, amendments to or rules or regulations promulgated pursuant to these laws, or similar provisions of any federal, state or local statutory law or common law. Provided, that this Exclusion (B)(1) shall not apply to any **Claim** for retaliatory treatment of an **Insured Person** with respect to actual or threatened disclosures by such **Insured Person** of any actual or alleged violation of the Fair Labor Standards Act or the Occupational Safety and Health Act;

(2) for liability of others assumed by any **Insured** under any written, oral, express or implied contract or agreement except to the extent that an **Insured Organization** would have been liable in the absence of the contract or agreement;

(3) made against any **Insured** which directly or indirectly relates, in whole or in part, to such **Insured's** capacity as:

- (a) a builder, developer, declarant or sponsor of the planned community, or
- (b) an affiliate of a builder, developer, declarant or sponsor of the planned community;

including but not limited to any **Claim** based upon, arising from, or in consequence of any actual or alleged conflict of interest, self-dealing, or disputes relating to the construction or development of the planned community, the implementation and/or collection of assessments, or the establishment and/or maintenance of reserve accounts;

(4) brought or maintained by or on behalf of an **Insured Organization** against any **Property Manager**; or

(5) made against any **Property Manager**; provided that this exclusion shall not apply to any **Claim** for a **Property Manager Wrongful Act** that is also brought and continuously maintained against an **Insured** other than a **Property Manager**.

(C) The **Company** shall not be liable for that part of **Loss**, other than **Defense Costs**, which constitutes costs of compliance with any order for, grant of or agreement to provide non-monetary relief, including but not limited to any costs of accommodation required pursuant to the American With Disabilities Act, the Civil Rights Act of 1964, rules or regulations promulgated thereunder, amendments thereto, or similar provisions of any federal, state or local law or common law.

(D) The **Company** shall not be liable for **Loss** on account of any **Claim** where all or part of such **Claim** is directly or indirectly based upon, arising from, in consequence of, or in any manner related to any:

- (1) mental or emotional distress (except with respect to any otherwise covered **Claim** for **Employment Practices**), bodily injury, sickness, disease or death of any person; or
- (2) **Construction Defect** or **Specified Peril**.

(E) The **Company** shall not be liable for **Loss** on account of any **Claim** for any **Property Damage**.

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Directors & Officers Liability Coverage Section

(F) Severability of Exclusions

With respect to Exclusions (A)(3) and (4) set forth in this Coverage Section:

- (1) no fact pertaining to or knowledge possessed by any **Insured Person** shall be imputed to any other **Insured Person** for the purpose of determining if coverage is available; and
- (2) only facts pertaining to and knowledge possessed by any past, present or future President or Chairperson of any **Insured Organization** shall be imputed to any **Insured Organization** for the purpose of determining if coverage is available.

IV. SPOUSAL LIABILITY COVERAGE

If a **Claim** against an **Insured Person** includes a claim against the lawful spouse of such **Insured Person** solely by reason of such spouse's marital status as a spouse or such spouse's ownership interest in property which the claimant seeks as recovery for an alleged **Wrongful Act** of such **Insured Person**, all loss which such spouse becomes legally obligated to pay on account of such **Claim** shall be treated for purposes of this Coverage Section as a **Loss** which such **Insured Person** becomes legally obligated to pay on account of the **Claim** made against such **Insured Person**. All limitations, conditions, provisions and other terms of coverage (including the Deductible Amount) applicable to such **Insured Person's Loss** shall also be applicable to such spousal loss. However, coverage shall not apply to the extent any **Claim** alleges any act or omission by such **Insured Person's** spouse.

V. EXTENDED REPORTING PERIOD

If this Coverage Section is terminated or not renewed for any reason other than non-payment of premium, the **Parent Corporation** shall have the right, upon payment of the additional premium set forth in Item 6(B) of the Declarations, to an extension of the coverage granted by this Coverage Part for the period set forth in Item 6(A) of the Declarations (Extended Reporting Period) following the effective date of termination or non renewal, but only for a **Wrongful Act** committed, attempted, or allegedly committed or attempted, prior to the effective date of termination or nonrenewal. This right of extension shall lapse unless written notice of such election, together with payment of the additional premium due, is received by the **Company** within sixty (60) days following the effective date of termination or non renewal. Any **Claim** made during the Extended Reporting Period shall be deemed to have been made during the immediately preceding **Policy Year**. The entire additional premium paid for such Extended Reporting Period shall be deemed fully earned as of the inception of the Extended Reporting Period.

VI. LIMITS OF LIABILITY AND DEDUCTIBLE

- (A) The **Company's** maximum liability for all **Loss** from each **Claim** or **Related Claims** for which coverage is provided under this Coverage Section is set forth in Item 4(A)(1) of the Declarations. The **Company's** maximum liability for all **Loss** from all **Claims** first made during the same **Policy Year**, and for which coverage is provided under this Coverage

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Section, shall be the Limit of Liability for each **Policy Year** set forth in Item 4(A)(2) of the Declarations.

- (B) The Limit of Liability for the Extended Reporting Period shall be part of and not in addition to the applicable Limits of Liability for the **Policy Year** immediately preceding the expiration of the **Policy Period**.
- (C) The **Company's** liability under this Coverage Section shall apply only to that part of **Loss** arising from each **Claim** or **Related Claims** which is excess of the applicable Deductible Amount set forth in Item 4(B) of the Declarations. If different parts of a single **Claim** are subject to different Deductible Amounts, the applicable Deductible Amounts will be applied separately to each part of such **Claim**, but the sum of such Deductible Amounts shall not exceed the largest applicable Deductible Amount. Such Deductible Amount shall be borne by the **Insureds** uninsured and at their own risk.
- (D) The Deductible Amount for Non-Indemnifiable **Loss** set forth in Item 4(B)(1) of the Declarations shall apply to **Loss** incurred by any **Insured Person** for which no **Insured Organization** is permitted or required to indemnify, or is permitted or required to indemnify but does not do so by reason of **Financial Impairment**. The Deductible Amount for Indemnifiable **Loss** set forth in Item 4(B)(2) of the Declarations for this Coverage Section shall apply to all other **Loss**.
- (E) If the **Insured Organization** is permitted or required by common or statutory law to indemnify the **Insured Persons** for any **Loss**, or to advance **Defense Costs** on their behalf, and fails or refuses to do so other than for reasons of **Financial Impairment**, then the **Insured Organization** shall reimburse and hold harmless the **Company** for the **Company's** payment or advancement of such **Loss** up to the amount of the applicable Deductible Amount.
- (F) An **Insured Organization** shall be deemed permitted and required to indemnify an **Insured**, and the shareholder and board of director resolutions of an **Insured Organization** shall be deemed to provide indemnification to an **Insured**, to the fullest extent authorized by law. For purposes of this paragraph, the shareholder and board of director resolutions of the **Insured Organization** shall be deemed to provide indemnification for such **Loss** to the fullest extent permitted by such law.

VII. REPORTING

- (A) Any **Insured** shall, as a condition precedent to exercising rights under this Coverage Section, give to the **Company** written notice as soon as practicable of a **Claim**, but in no event later than sixty (60) days after the end of the **Policy Period**, or Extended Reporting Period, if exercised; provided that in the event this Coverage Section is cancelled by the **Company** for non-payment of premium, no coverage will be available for any **Claim** of which notice is provided to the **Company** after termination of the **Policy Period**.
- (B) If during the **Policy Period** an **Insured** becomes aware of circumstances which could give rise to a **Claim** and gives written notice of such circumstances to the **Company** as soon as practicable thereafter, but in no event later than sixty (60) days after the end of the **Policy Period**, then any **Claim** subsequently arising from such circumstances shall be considered to have been made during the **Policy Year** in which the circumstances were first reported to the **Company**.
- (C) All **Insureds** shall, as a condition precedent to exercising their rights under this Policy, give to the **Company** such information and cooperation as it may reasonably require,

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Directors & Officers Liability Coverage Section

including but not limited to a description of the **Claim** or circumstances, the nature of the alleged **Wrongful Act**, the nature of the alleged or potential damage, the names of the actual or potential claimants, and the manner in which such **Insured** first became aware of the **Claim** or circumstances.

- (D) All **Related Claims** will be treated as a single **Claim** made when the earliest of such **Related Claims** was first made, or when the earliest of such **Related Claims** is treated as having been made in accordance with the paragraphs (A) and (B) above.

VIII. DEFENSE AND SETTLEMENT

- (A) The **Company** shall have the right and duty to defend any **Claim** covered by this Coverage Section seeking pecuniary or non-pecuniary relief. Coverage shall apply even if any of the allegations are groundless, false or fraudulent.
- (B) The **Company** may make any investigation it deems necessary and may, with the consent of the **Insured**, make any settlement of any **Claim** it deems expedient. If such **Insured** withholds consent to any settlement acceptable to the claimant in accordance with the **Company's** recommendation (a "Proposed Settlement"), the **Company's** liability for all **Loss**, including **Defense Costs**, on account of such **Claim** shall not exceed the amount of the Proposed Settlement plus **Defense Costs** accrued as of the date such Proposed Settlement was proposed in writing by the **Company** to the **Insured**.
- (C) **Defense Costs** are part of and not in addition to the applicable Limit of Liability set forth in Item 4(A) of the Declarations, and the payment by the **Company** of **Defense Costs** reduces such applicable Limit of Liability.
- (D) No **Insured** shall settle any **Claim**, incur any **Defense Costs**, assume any contractual obligation or admit any liability with respect to any **Claim** without the **Company's** written consent, which shall not be unreasonably withheld. The **Company** shall not be liable for any settlement, **Defense Costs**, assumed obligation or admission to which it has not consented.
- (E) The **Company** will have no obligation to pay **Loss**, including **Defense Expenses**, or to defend or continue to defend any **Claim** after the **Company's** applicable Limit of Liability with respect to such **Claim** has been exhausted by the payment of **Loss**. If the **Company's** Limit of Liability for this Coverage Section is exhausted by the payment of **Loss** prior to the expiration of this Policy, the premium for this Coverage Section will be deemed fully earned.

IX. OTHER INSURANCE

If **Loss** arising from a **Claim** made against any **Insured** is insured under any other valid and collectible insurance policy(ies), prior or current, including but not limited to any general liability policy, then this Coverage Section shall cover such **Loss**, subject to its limitations, conditions, provisions and other terms, only to the extent that the amount of such **Loss** is in excess of the amount of payment from such other insurance, whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over the Limit of Liability provided in this Coverage Section.

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X. ESTATES AND LEGAL REPRESENTATIVES

Subject to the limitations, conditions, provisions and other terms of this Coverage Section, coverage shall extend to **Claims for Wrongful Acts of Insured Persons** where such **Claims** are made against the estates, heirs, legal representatives or assigns of **Insured Persons** who are deceased, or against the legal representatives or assigns of **Insured Persons** who are incompetent, insolvent or bankrupt.

ENDORSEMENT/RIDER

Protection for Community Association LeadersSM

Effective date of
this endorsement/rider: 06/02/2013

Carrier: Federal Insurance Company

Endorsement/Rider No. 1

To be attached to and
form a part of Policy No. 8227-6754

Issued to: Palisair Homeowners Association

COMMUNITY ASSOCIATIONS PG, INC. MEMBER AMENDATORY ENDORSEMENT

In consideration of the premium charged, it is agreed that the Directors & Officers Liability Coverage Section is amended as follows:

1. Section II. DEFINITIONS, of this Coverage Section, is amended as follows:
 - (A) Subparagraph (1) of the definition of **Claim** in Paragraph (A) is deleted and replaced with the following:
 - (1) written demand for monetary damages or non-monetary relief;
 - (B) The definition of **Insured Person** in Paragraph (H) is deleted and replaced with the following:
 - (H) **Insured Person** means any natural person who has been, now is or shall become a duly elected or appointed director or trustee, duly elected or appointed officer, employee or committee member (whether or not salaried) of an **Insured Organization**, and any natural person acting in a voluntary capacity on behalf of an **Insured Organization** and at the specific direction of such **Insured Organization**.
 - (C) The definition of **Loss** in Paragraph (I) is deleted and replaced with the following:
 - (I) **Loss** means the total amount which any **Insured** becomes legally obligated to pay on account of any **Claim** made against any **Insured** for **Wrongful Acts** for which coverage applies, including, but not limited to, damages (including punitive or exemplary damages, if and to the extent that such punitive or exemplary damages are insurable under the law of the jurisdiction most favorable to the insurability of such damages provided such jurisdiction has a substantial relationship to the relevant **Insureds**, to the Company, or to the **Claim** giving rise to the damages; and provided further that, if such jurisdiction is the State of California, the **Loss** does not include punitive or exemplary

damages), judgments, settlements, pre-judgment and post-judgment interest and **Defense Costs**. **Loss** does not include:

- (1) any amount not indemnified by an **Insured Organization** for which an **Insured Person** is absolved from payment by reason of any covenant, agreement or court order;
- (2) matters uninsurable under the law pursuant to which this Coverage Section is construed;
- (3) any amount incurred by any **Insured Organization** (including its board of directors or any committee of the board of directors) in connection with the investigation or evaluation of a **Claim** or potential **Claim** by or on behalf of any **Insured Organization**;
- (4) taxes, fines or penalties, or the multiple portion of any multiplied damage award, except as provided above with respect to punitive or exemplary damages;
- (5) the future compensation or benefits of a claimant who has been or shall be hired, promoted or reinstated to employment pursuant to a settlement order or other resolution of such **Claim**; or
- (6) any monetary payment pursuant to a notice period under any applicable law, including the Worker Adjustment and Retraining Notification Act or any amendments thereunder, or any similar provisions of any federal, state or local statutory law or common law.

(D) The definition of **Pollutants** in Paragraph (K) is deleted and replaced with the following:

- (K) **Pollutants** means any substance located anywhere in the world exhibiting any hazardous characteristics as defined by, or identified on a list of hazardous substances issued by, the United States Environmental Protection Agency or any state, county, municipality or local counterpart thereof. Such substances shall include, without limitation, solids, liquids, gaseous or thermal irritants, contaminants, smoke, vapor, soot, fumes, acids, alkalis, chemicals or waste materials. **Pollutants** shall also mean any other air emission, odor, waste water, oil or oil products, infectious or medical waste, asbestos or asbestos products and any noise, other than noise caused by other members of the **Insured Organization**.

(E) The following definitions are added:

Property Manager Claim means any **Claim** made solely against a **Property Manager** for a **Property Manager Wrongful Act**.

Third Party means any natural person who is:

- (1) a customer, vendor, service provider or other business invitee of the **Insured Organization**,
- (2) a past or present renter or owner of the **Insured Organization's** units and/or apartments, or

- (3) a potential renter or purchaser of the **Insured Organization's** units and/or apartments.

2. Section III. EXCLUSIONS, of this Coverage Section, is amended as follows:

- (A) Subparagraph (A)(7) is deleted and replaced with the following:
 - (7) any theft, conversion, embezzlement, breach of fidelity, or breach of contract by any **Property Manager**, provided that this Exclusion A(7) shall not apply to **Defense Costs** for that part of a **Claim** brought against the **Property Manager** for breach of contract where:
 - (a) the **Insured Organization** is party to such contract: and
 - (b) such **Claim** is not brought by or on behalf of the **Insured Organization** or **Insured Persons**.
- (B) Subparagraph (B) (4) is deleted and replaced with the following:
 - (4) made against any **Property Manager** where such **Claim** is brought by or on behalf of the **Insured Organization** or **Insured Persons**.
- (C) Subparagraph (B) (5) is deleted.
- (D) Subparagraph (D) is deleted and replaced with the following:
 - (D) The Company shall not be liable for **Loss** on account of any **Claim** where all or part of such **Claim** is directly or indirectly based upon, arising from, in consequence of, or in any manner related to any:
 - (1) mental or emotional distress, except with respect to any otherwise covered **Claim** for:
 - (i) **Employment Practices**, or
 - (ii) any discrimination against a **Third Party** committed, attempted, or allegedly committed or attempted by any **Insured Organization** or by any **Insured Person** in his or her **Insured Capacity**, based upon such **Third Party's** race, color, religion, creed, age, sex, national origin, disability, pregnancy, HIV status, marital status, sexual orientation or preference, military status or other status that is protected pursuant to any applicable federal, state, or local statutory law or common law anywhere in the world.
 - (2) bodily injury, sickness, disease or death of any person; or
 - (3) **Construction Defect** or **Specified Peril**, provided this Exclusion D (3) shall not apply to **Defense Costs** for that part of any **Claim** alleging failure of the **Insured** to effect and maintain insurance in connection with a **Specified Peril**.

(E) The Company shall not be liable for **Loss** on account of any **Claim** directly or indirectly based upon, arising from, or in consequence of any actual or alleged:

- (1) conversion from a "restricted" community to a "non-restricted" community; or
- (2) amendment to the **Insured Organization's** governing documents concerning golf club memberships.

(F) The Company shall not be liable for **Loss** on account of any **Claim** directly or indirectly based upon, arising from, or in consequence of the actual or alleged violation of the Securities Act of 1933, Securities Exchange Act of 1934, Investment Act of 1940, any state "blue sky" securities law, or any other federal, state or local securities law or any amendments thereto or any rules or regulations promulgated thereunder or any other provision of statutory or common law used to impose liability in connection with the offer to sell or purchase, or the sale or purchase of securities.

3. Section VI. LIMITS OF LIABILITY AND DEDUCTIBLE of this Coverage Section is amended to include following:

(G) **Defense Costs** shall be in addition to, and not part of, the applicable Limits of Liability set forth in Item 4(A) of the Declarations for this Policy, and payment of **Defense Costs** by the Company shall not reduce or exhaust such applicable Limits of Liability; provided, however, that when such applicable Limits of Liability are exhausted by payment of **Loss** other than **Defense Costs**, any obligation of the Company to pay **Defense Costs** or to defend or continue to defend any **Claim** shall cease.

4. Section VIII. DEFENSE AND SETTLEMENT of this Coverage Section is deleted and replaced with the following

(A) The Company shall have the right and duty to defend any **Claim** covered by this Coverage Section seeking pecuniary or non-pecuniary relief. Coverage shall apply even if any of the allegations are groundless, false or fraudulent.

(B) The Company may make any investigation it deems necessary and may, with the consent of the **Insured**, make any settlement of any **Claim** it deems expedient.

(C) If an **Insured** in any **Claim** withholds consent to any settlement acceptable to the claimant in accordance with the Company's recommendation (a "Proposed Settlement"), the Company's liability with respect to such **Claim** shall not exceed:

- (i) the amount of the Proposed Settlement plus **Defense Costs** incurred up to the date of the **Insured's** refusal to consent to the Proposed Settlement; plus
- (ii) fifty percent (50%) of any **Loss**, including **Defense Costs**, in excess of the amount referenced in paragraph (i) above, incurred in connection with such **Claim**;

subject in all events to the applicable Deductible and Limits of Liability for such **Claim**. The remaining fifty percent (50%) of **Loss**, including **Defense Costs**, in excess of the amount referenced in paragraph (i) above shall be borne by the **Insureds** uninsured and at their own risk.

(D) No **Insured** shall settle any **Claim**, incur any **Defense Costs**, assume any contractual obligation or admit any liability with respect to any **Claim** without the Company's written

consent, which shall not be unreasonably withheld. The Company shall not be liable for any settlement, **Defense Costs**, assumed obligation or admission to which it has not consented.

- (E) The Company will have no obligation to pay **Loss**, including **Defense Costs**, or to defend or continue to defend any **Claim** after the Company's applicable Limit of Liability with respect to such **Claim** has been exhausted by the payment of **Loss**. If the Company's Limit of Liability for this Coverage Section is exhausted by the payment of **Loss** prior to the expiration of this Policy, the premium for this Coverage Section will be deemed fully earned.

- 5. Solely with respect to any **Property Manager Claim**, Section IX. OTHER INSURANCE of this Coverage Section is deleted and replaced with the following:

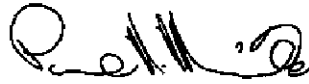
- (IX) If **Loss** arising from a **Property Manager Claim** made against any **Property Manager** is insured under any other valid and collectible insurance policy(ies), prior or current, including but not limited to any general liability policy, property managers errors & omissions policy or any other professional liability policy, then this Coverage Section shall cover such **Loss**, subject to its limitations, conditions, provisions and other terms, only to the extent that the amount of such **Loss** is in excess of the amount of payment from such other insurance, whether such other insurance is stated to be primary, contributory, excess, contingent or otherwise, unless such other insurance is written only as specific excess insurance over the Limit of Liability provided in this Coverage Section.

- 6. If, during the Policy Period, the Limits of Liability are increased ("Increased Limits of Liability") from the original limits set forth at the inception of the **Policy Period** ("Original Limits"), the Limits of Liability for **Loss** from any **Claim** based upon, arising from, or in consequence of:

- (a) any claim, demand, suit, arbitration, administrative or grievance proceeding or other proceeding pending, or order, decree or judgment ("Matter") entered on or prior to the effective date of such increase in limits; or
 - (b) the same or any substantially similar fact, circumstance or situation underlying or alleged in such Matter,
- shall be the Original Limit. The Original Limit shall be part of, and not in addition to, the Increased Limits of Liability.

The title and any headings in this endorsement/rider are solely for convenience and form no part of the terms and conditions of coverage.

All other terms, conditions and limitations of this Policy shall remain unchanged.

A handwritten signature in black ink, appearing to be "P. M. S.", written above a horizontal line.

Authorized Representative

ENDORSEMENT/RIDER

Protection for Community Association LeadersSM

Effective date of
this endorsement/rider: 06/02/2013

Carrier: Federal Insurance Company

Endorsement/Rider No. 2

To be attached to and
form a part of Policy No. 8227-6754

Issued to: Palisair Homeowners Association

AMEND SECTION VII(A) REPRESENTATIONS AND SEVERABILITY ENDORSEMENT

In consideration of the premium charged, it is agreed that solely with respect to the coverage section(s) selected under Item 3 on the Declarations, Section VII(A), Representations and Severability, of the General Terms and Conditions of this Policy is deleted and replaced with the following:

- (A) In granting coverage to the **Insureds** under this Policy, the Company has relied upon:
- (1) the declarations, statements and warranties contained in the
Community Associations _____ application, dated 04/16/2013, and
all other documentation and materials attached to, submitted with, or included in such
application; and
 - (2) any documentation and materials submitted directly to the Company by the **Insured
Organization** or any **Insured Persons** in connection with the underwriting of Policy.

Such declarations, statements, warranties, documentation and materials are the basis of the coverage under this Policy and shall be considered as incorporated in and constituting part of this Policy.

The title and any headings in this endorsement/rider are solely for convenience and form no part of the terms and conditions of coverage.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

ENDORSEMENT/RIDER

Protection for Community Association LeadersSM

Effective date of
this endorsement/rider: 06/02/2013

Carrier: Federal Insurance Company

Endorsement/Rider No. 3

To be attached to and
form a part of Policy No. 8227-6754

Issued to: Palisair Homeowners Association

SECURITIES EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed solely with respect to the Directors & Officers Liability Coverage Section, that no coverage will be available under this Policy for **Loss** on account of any **Claim** directly or indirectly based upon, arising from, or in consequence of the actual or alleged violation of the Securities Act of 1933, Securities Exchange Act of 1934, Investment Act of 1940, any state "blue sky" securities law, or any other federal, state or local securities law or any amendments thereto or any rules or regulations promulgated thereunder or any other provision of statutory or common law used to impose liability in connection with the offer to sell or purchase, or the sale or purchase of securities.

The title and any headings in this endorsement/rider are solely for convenience and form no part of the terms and conditions of coverage.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

ENDORSEMENT/RIDER

Protection for Community Association LeadersSM

Effective date of
this endorsement/rider: 06/02/2013

Federal Insurance Company

Endorsement/Rider No. 4

To be attached to and
form a part of Policy No. 8227-6754

Issued to: Palisair Homeowners Association

COMPLIANCE WITH APPLICABLE TRADE SANCTION LAWS

It is agreed that this insurance does not apply to the extent that trade or economic sanctions or other similar laws or regulations prohibit the coverage provided by this insurance.

The title and any headings in this endorsement/rider are solely for convenience and form no part of the terms and conditions of coverage.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

ENDORSEMENT

***Protection for Community Association LeadersSM
Directors & Officers Liability***

Effective date of
this endorsement: 06/02/2013

Company: Federal Insurance Company

Endorsement No. 5

To be attached to and
form a part of Policy No. 8227-6754

Issued to: Palisair Homeowners Association

SPECIFIC MATTER EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that no coverage will be available under this Coverage Section for **Loss** on account of any **Claim** directly or indirectly based upon, arising from, or in consequence of any fact, circumstance, situation, transaction, event or matter described or cited in

Claim # NP006055 Baumbblatt, Joel, Reese & Donna

or the same or any substantially similar fact, circumstance, situation, transaction, event or matter.

The title and any headings in this endorsement are solely for convenience and form no part of the terms and conditions of coverage.

All other terms, conditions and limitations of this policy shall remain unchanged.



Authorized Representative

ENDORSEMENT/RIDER

Protection for Community Association LeadersSM

Effective date of
this endorsement/rider: 06/02/2013

Company: Federal Insurance Company

Endorsement/Rider No. 6

To be attached to and
form a part of Policy No. 8227-6754

Issued to: Palisair Homeowners Association

INSURED ORGANIZATION V INSURED PERSON EXCLUSION ENDORSEMENT

In consideration of the premium charged, it is agreed that the **Company** shall not be liable for **Loss** on account of any **Claim** brought or maintained by or on behalf of an **Insured Organization** against any **Insured Person**, provided this Exclusion shall not apply to any **Claim**:

- (1) brought or maintained derivatively on behalf of the **Insured Organization**; provided such **Claim** is brought and maintained without any active assistance or participation of or solicitation by any **Insured**; or
- (2) brought against **Insured Persons** of any **Insured Organization** by a bankruptcy trustee, receiver, liquidator, conservator, rehabilitator, creditors' committee or any similar official who has been appointed to take control of, supervise, manage or liquidate the **Insured Organization**.

The title and any headings in this endorsement/rider are solely for convenience and form no part of the terms and conditions of coverage.

All other terms, conditions and limitations of this Policy shall remain unchanged.



Authorized Representative

Protection for Community Association LeadersSM

Effective date of
this endorsement: 06/02/2013

Company: Federal Insurance Company

Endorsement No. 7

To be attached to and
form a part of Policy No. 8227-6754

Issued to: Palisair Homeowners Association

CALIFORNIA AMENDATORY ENDORSEMENT TO GENERAL TERMS & CONDITIONS SECTION

In consideration of the premium charged, it is agreed that:

1. The Company has no obligation to renew the Policy. If the Company does not renew the Policy, it will mail or deliver notice of non-renewal to the Parent Corporation and to the agent at the mailing address shown on the Policy at least sixty (60), but not more than one hundred twenty (120), days before the Policy expiration date set forth in Item 2(B) of the Declarations.

The Company may non-renew the Policy at any Anniversary Date by providing notice in accordance with the foregoing paragraph.

Section XIV. Termination of Policy of the General Terms & Conditions Section, paragraph (A)(2), is amended to the extent necessary to effect the foregoing.

2. The Company may condition renewal of the Policy upon a reduction in limits, elimination of coverages, increase in deductibles or increase by 25% or more of the rate upon which the premium is based, by mailing or delivering notice of such renewal change(s) to the Parent Corporation at the mailing address shown on the Policy and to the agent of record, if any, at least sixty (60), but not more than one hundred twenty (120), days before the Policy expiration date set forth in Item 2(B) of the Declarations.
3. If, in connection with any non-renewal or renewal conditioned upon renewal change(s) as described in paragraphs 1 and 2 above, the Company does not mail or deliver notice thereof at least sixty (60) days before the Policy expiration date set forth in Item 2(B) of the Declarations, the coverage afforded under the Policy shall continue in force with no change in its terms, conditions and limitations for sixty (60) days after the Company mails or delivers such notice.
4. If the Directors and Officers Liability Coverage Section is in effect for sixty (60) days or more, or is a renewal, the Company may cancel such Liability Coverage Section, other than for non-payment of premium, for one or more of the following reasons:

A judgment by a court or an administrative tribunal that shows an increase in the risk insured against;

Discovery of fraud or material misrepresentation, by the Insured or his or her representative in obtaining the insurance, or by the Parent Corporation or its representative in pursuing a claim under the Policy;

Discovery of willful or grossly negligent acts or omissions or of any violations of state laws or regulations establishing safety standards, by the Parent Corporation or its representative, which materially increase any of the risks insured against;

Failure by the Parent Corporation or its representative to implement reasonable loss control requirements which were agreed to by the Parent Corporation as a condition of Policy issuance or which were conditions precedent to the use by the Company of a particular rate or rating plan, if the failure materially increases any of the risks insured against;

A determination by the insurance commissioner that the loss of, or changes in, the Company's reinsurance covering all or part of the risk would threaten the financial integrity or solvency of the Company. A certification made under penalty of perjury to the commissioner by an officer of the Company of the loss of, or change in, reinsurance and that the loss or change will threaten the financial integrity or solvency of the Company if the cancellation of the Policy is not permitted shall constitute such a determination unless disapproved by the commissioner within thirty (30) days of the filing;

A determination by the commissioner that a continuation of the Policy would place the Company in violation of the laws of California or the state of the Company's domicile or that the continuation of coverage would threaten the solvency of the Company; or


A change by the Parent Corporation or its representative in the activities or property of the commercial or industrial enterprise which results in a material added risk, a materially increased risk or a materially changed risk, unless the added, increased, or changed risk is included in the Policy.

The Company will provide thirty (30) days' advance written notice of cancellation to the Parent Corporation, or ten days' such notice in the case of cancellation for fraud, with such notice stating the effective date of cancellation.

Section XIV. Termination of Policy (A)(4) of the General Terms and Conditions Section is amended to the extent necessary to effect the foregoing for the Directors and Officers Liability Coverage Section. Section XIV. (A)(4) as it applies to the Crime Coverage Section is not amended by this paragraph (4).

The regulatory requirements set forth in this Amendatory Endorsement shall supersede and take precedence over any provisions of the Policy or any endorsement to the Policy, whenever added, that are inconsistent with or contrary to the provisions of this Amendatory Endorsement, unless such Policy or endorsement provisions comply with the applicable insurance laws of the state of California.

All other terms, conditions and limitations of this policy shall remain unchanged.



Authorized Representative

ENDORSEMENT

Protection for Community Association LeadersSM

Effective date of
this endorsement: 06/02/2013

Company: Federal Insurance Company

Endorsement No. 8

To be attached to and
form a part of Policy No. 8227-6754

Issued to: Palisair Homeowners Association

CALIFORNIA PREMIUM ENDORSEMENT

In consideration of the premium charged, it is agreed that:

It is agreed that in compliance with the ruling of the Commissioner of Insurance of the State of California and the opinion of the Attorney-General of that state requiring that the premium for all bonds or policies be endorsed thereon, the basic premium charged for the attached bond/policy for the period

From: 06/02/2013

To: 06/02/2014

Is: 4,404.00

CALIFORNIA SURCHARGE: 0.00

ALL OTHER TERMS AND CONDITIONS REMAINED UNCHANGED.



Authorized Representative