

INSURANCE GUIDELINES
FOR
THE BAY CLUB AT FRISCO -- CONDOMINIUMS

Adopted April 22, 2014

WHEREAS, the Board of Directors ("Board") of The Bay Club at Frisco -- Condominiums ("Association") recognizes the Association's need for clear and consistent insurance guidelines to guide its handling of claims and occurrences;

WHEREAS, The Declaration of Covenants, Conditions and Restrictions for The Bay Club at Frisco Condominiums ("Declaration"), was recorded in the real property records of Summit County on March 20, 1998, at Reception No. 561249, sets forth the insurance and maintenance obligations of the Association and Owners;

WHEREAS, Article VI of the Declaration imposes upon the Board the power and obligation to obtain insurance coverage; and

WHEREAS, Article III, paragraph 1 of the Declaration grants the Board the rights to exercise other rights and privileges implied by the Declaration or by law; and

WHEREAS, Article III, paragraph 3 of the Declaration grants the Board the right to adopt and establish written nondiscriminatory policies and procedures relating to submittal of claims, responsibility for deductibles, and any other matters of claims adjustment; and

WHEREAS, the Board has determined that adoption of insurance guidelines designed to clarify individual Owner insurance responsibilities for providing insurance coverage and paying deductibles, and to establish a procedure by which Owners must submit potential insurance claims to the Association is necessary and proper for the Association's continued prosperity.

NOW THEREFORE, IT IS RESOLVED the Association, acting through its Board of Directors, hereby adopts the following policy concerning insurance coverage, payment of insurance deductibles, and the submission of claims to the Association:

I. Association's Insurance. In performance of its duty to maintain insurance, the Board, on behalf of the Association, shall obtain and keep in full force and effect the following insurance coverages:

A. Property Insurance. The Declaration requires the Association to provide blanket coverage in the amount of current replacement cost for all Units and Common Elements within the Condominium Project, excluding the finished interior surfaces of the walls, floors and ceilings of the Units. Fixtures are part of the Common Elements at the point where they pass the original interior finish and exit the individual Unit at the original ceiling, floor, or wall. Owners should obtain their own property insurance coverage as

described in Section II of these Insurance Guidelines. The Board of Directors shall obtain written appraisals of the Condominium Project for insurance purposes at reasonable intervals.

B. Commercial General Liability. The Association's commercial general liability policy provides protection against claims and liabilities arising in connection with the ownership, existence, use or management of the Common Elements. Owners should obtain their own liability insurance coverage as described in Section II of these Insurance Guidelines.

C. Fidelity Insurance, Employee Dishonesty Coverage, Directors and Officers Insurance and Other Coverage. The Association will comply with the Declaration's requirements and any other requirements or coverage recommendations standard in the industry for Condominium Projects like the The Bay Club at Frisco -- Condominiums when obtaining fidelity bonds, employee dishonesty coverage, directors and officers insurance, workmen's compensation insurance, and other applicable insurance.

II. Owners' Insurance. The Association recommends that Owners maintain their own insurance coverage for property and liability on their own Units, commonly called a Homeowners 6 ("HO-6") policy form for Owner-occupied Units, or an equivalent policy for rental Units, except to the extent that the Association provides coverage. The Association's insurance will not cover many of the improvements and liabilities for which an Owner may be responsible. Owners are responsible for determining the appropriate coverage to obtain, the level of deductible that they are comfortable with in light of the risk they are willing to take, and for coordinating their individual homeowner insurance coverage with the Association's insurance coverage. Owners should maintain the following insurance coverage pertaining to their Units:

A. Property Insurance. Owners bear the responsibility for obtaining proper insurance coverage on all furniture and personal property located within their Units, including coverage on all the final finishes on the walls, floors, ceilings within their Units. The Association's coverages shall not be brought into contribution with coverage purchased by an individual Unit Owner.

B. Liability. Owners bear the responsibility for obtaining proper liability insurance for occurrences in their Units.

C. Loss Assessment and Deductible Coverage. In the event the Association's insurance coverage does not suffice to cover an insured event, Owners will bear the responsibility for paying all or any portion of assessments levied by the Association to cover the difference between the total loss and the amount paid by the Association's insurance carrier. Owners should consult with their individual insurance agents to procure "loss assessment" coverage in appropriate amounts for this type of risk, as well as coverage for deductibles under the Association's property policy.

III. Renters' Insurance. In the event an Owner leases his or her Unit to a third party, the Owner shall require that any such lessee obtain renters' insurance, commonly called a Homeowners 4 ("HO-4") policy form. The lessee's fulfillment of this obligation does not relieve the Owner from maintaining the insurance required under Section II of these Guidelines. The Association does not insure against lost rent for uninhabitable Units; the Association and its insurance policies will not honor any claims for loss of rents.

IV. Claims on Behalf of Owners.

A. The Association will not submit a loss in an amount less than the insurance deductible and otherwise covered by an Association insurance policy to its insurance carrier.

B. The Association shall serve as the claims administrator for all claims or occurrences that may fall within the scope of the Association's insurance policies.

C. Following the occurrence of a loss, the Owner must report the damage to the Association, or its managing agent, within forty-eight (48) hours. Failure to report a claim promptly may result in the insurance carrier's denial of the claim. The Owner should also notify his or her individual insurance carrier. The claim report needs to include incident specific information including who, what, when, where and why.

D. The Association, or its managing agent, will notify the Association's insurance agent of the loss. An Association representative will inspect the damage to assess the approximate cost to repair and/or replace the improvements. The Association, or its managing agent, will secure approval from the insurance agent or adjuster for any repairs necessary to ensure the safety of Association members, their families, guests, or invitees.

E. The Association will seek contractor bids for any damages that exceed an applicable insurance deductible amount on an Association insurance policy. Any Owner who incurred damage or loss must work with the Association, or its managing agent, during the bid and damage assessment process, which shall include making the Unit available for inspection, assisting in securing bids, and promptly responding to any requests made by the insurance adjuster, managing agent, or Board members.

F. In the event of a dispute, the Association, through the Board, will handle all negotiations with the insurance carrier, and the Owner must abide by the final settlement. The Board and/or the managing agent will communicate with the Owner to allow Owner input in the process.

G. Upon completion of the bid and damage assessment process, the Association or its managing agent will send the Owner a claim estimate and release form. Repair work will only commence after the Association receives the signed release form from the Owner.

V. Payment of Insurance Deductibles.

A. In the event the Association's insurance coverage is not sufficient to cover an insured event, whichever party (the Association or Owner(s), as the case may be) is responsible for maintenance of the damaged improvement or component under the Declaration will bear the responsibility for paying the shortfall. Any amount to be paid by the Association may be absorbed by the Association, or assessed to all Owners as a Common Expense.

B. Owners shall be responsible for paying all deductibles under their HO-6 and HO-4 policies.

C. The Association reserves the right, at the sole discretion of the Board, to allocate the payment of the insurance deductible among the Association and Owners, including the proportions in which they shall be allocated.

D. At the Board's discretion, the Association may pay the insurance deductible on behalf of an Owner or group of Owners and then charge the deductible amount, or portion thereof, to the individual Owner(s) as an Individual Assessment.

E. The Association shall provide an invoice that states the amount due and payable to any Owner responsible for an Association insurance policy deductible amount. The Owner responsible for a deductible amount shall either pay the insurance deductible directly to the insurance carrier, or reimburse the Association for the full amount of the insurance deductible previously paid by the Association on behalf of the Owner, within thirty (30) days from the date of the invoice provided by the Association.

F. If an Owner fails to pay all or any portion of an insurance deductible amount previously invoiced to the Owner, and the Association paid the insurance deductible amount on behalf of the Owner, the Association may assess the deductible amount to the Owner's account, which shall be payable as provided in the Declaration.

VI. Association's Right to Assess Owners. The Association shall have the right to make individual Assessments against Owners based on the following:

A. Negligent or Willful Acts or Omissions. In the event the Association suffers any insured or uninsured loss, or pays any insurance deductible, which loss or deductible arises from the negligent or willful act or omission of an Owner or an Owner's family member, guest, invitee, renter, or other occupant ("Related Parties"), then the Owner shall be personally obligated to pay the expenses, costs and fees incurred by the Association. Following notice and an opportunity for a hearing, the Association may assess the Owner for such amounts in accordance with Article VI, paragraph 3(b) of the Declaration.

B. Increases in Insurance Premiums Due to Owner Activities. In the event any insurance premium paid by the Association is increased due to insurance claims made for

losses described in Paragraph VI(A) above, then the Association may assess the Owner such increase in premium.

C. Right to Collect from Owner upon Default. The Association may pursue collection of all amounts due from an Owner in accordance with the Association's collection policy.

VII. General Provisions.

A. All capitalized terms used in these Insurance Guidelines shall have the same meaning as those terms used in the Declaration.

B. To the extent that a court of law invalidates or voids any part of these Insurance Guidelines, those provisions of the Insurance Guidelines not invalidated or voided shall remain valid, effective and enforceable.

C. All insurance policies carried by the Association shall be reviewed at least annually by the Board of Directors to ascertain that the coverage provided by such policies adequately covers those risks intended to be insured by the Association.

The Bay Club at Frisco -- Condominiums

By: [Signature]
Title

These Insurance Guidelines were adopted by the Board of Directors on the 22nd day of April, 2014, effective the 22nd day of April, 2014, and is attested to by the Secretary of The Bay Club at Frisco - Condominiums.

[Signature]
Secretary