

BELLA TERRA
c/o VISION Community Management
16625 S. Desert Foothills Parkway
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Dear Homeowner,

The Association's Board of Directors is notifying the Membership of certain insurance obligations, in accordance with Arizona's Condominium Act. As you are aware, the Association is subject to the Condominium Declaration for Bella Terra Condominiums, recorded at Recording No. 2005-1443202, in the official records of Maricopa County Recorder's Office (the "Declaration"), as amended. Article 8 of the Declaration sets forth the scope of insurance coverage that the Association is required to maintain. Pursuant to A.R.S. §33-1253(K), the Association is writing to notify the Membership of each Unit Owner's responsibility for the Association's insurance deductibles for all property and liability coverage, and the amount of each deductible.

In accordance with Article 8 of the Declaration, the Association maintains the following insurance coverage:

- A special form policy of property insurance with sprinkler leakage, debris removal and water damage endorsements, insuring the Common Elements. The Board of Directors, in its discretion, may elect to have the property insurance also cover the Units, except for: (i) additions, alterations and improvements supplied or installed by the Unit Owners; and (ii) furniture, furnishings or other personal property of the Unit Owners. As of the date of this notice, the Association has obtained insurance coverage for the Units; however, the insurance policy obtained by the Association does not cover additions, upgrades, alterations and improvements supplied or installed by the Unit Owners, furniture, furnishings or other personal property of the Unit Owners (the exact scope of coverage is set forth more fully in the policy procured by the Association). Such property insurance shall cover the interests of the Association, the Board of Directors and all Unit Owners and their mortgagees, as their interests may appear, in an amount equal to one hundred percent (100%) of the then current replacement cost of the insured property (exclusive of the land, excavations, foundations and other items normally excluded from such coverage), without deduction for depreciation. The replacement cost shall be reviewed annually by the Board of Directors with the assistance of the insurance company affording such coverage. The Board of Directors shall also obtain and maintain such coverage on all personal property owned by the Association. The deductible for this property insurance policy is \$10,000.00 per claim. The deductible for water damage is \$20,000.00. The deductible for windstorm or hail is 5% of the limit.

(SEE REVERSE)

- Broad form comprehensive general liability insurance, for a limit to be determined by the Board, but not less than \$1,000,000 for any single occurrence and Umbrella or Excess Liability Coverage in an amount not less than \$2,000,000. Such insurance shall cover all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements. There is no deductible for this Broad form comprehensive general liability insurance.

The deductible for the property insurance policy is a common expense. In accordance with Article 8, Section 8.1.3 of the Declaration, the Board of Directors may select deductibles applicable to the insurance coverage to be maintained by the Association to reduce the premiums payable for such insurance. The deductibles, if any, on any insurance policy obtained by the Association shall be a Common Expense, but the Association may assess to a Unit Owner any deductible amount necessitated by the negligence, misuse or neglect for which such Unit Owner is responsible. The Association may ask for payment in advance from the Owner(s), or may ask for reimbursement. Premiums for all insurance policies maintained by the Association pursuant to the Declaration shall be common expenses.

It is important to note that pursuant to Article 8, Section 8.3, to the extent not covered by the policies of liability insurance obtained by the Board of Directors for the benefit of all of the Unit Owners, each Unit Owner shall obtain and maintain in full force and effect at all times: (a) property insurance on his Unit and all fixtures, furnishings, cabinets and appliances and all personal property of the Owner located in the Unit; and (b) comprehensive general liability insurance covering his Unit. Furthermore, each Unit Owner shall provide the Board of Directors with a certificate of insurance evidencing that such insurance coverage is in effect at least ten (10) days prior to the conveyance of the Unit to the Unit Owner, and thereafter at least ten (10) days prior to the expiration of any policy.

Please be advised that if there is a situation where you believe insurance coverage is available in accordance with the Association's property insurance policy, A.R.S. § 33-1253(E) sets forth that, prior to reporting a loss under the Association's master property insurance policy, a Unit Owner shall report the loss to the Association and give the Association an opportunity to provide the Unit Owner with a written decision on whether the Association will be reporting that loss to the policy.

The Association encourages each Unit Owner to review the terms of the Declaration carefully in order to understand these insurance provisions.

Sincerely,
The Board of Directors