

ARTICLE 13

INSURANCE AND DESTRUCTION

13.1 Owner's Insurance on Residence Lot. Each Owner shall maintain fire insurance of extended coverage insuring his Residence Lot and the improvements located thereon in an amount equal to not less than ninety percent (90%) of the full insurable value thereof, keeping said insurance in full force and effect at all times. Each Owner shall promptly furnish to the Corporation a certificate from his insurance carrier certifying that such insurance coverage is in existence and in full force and effect and that it is evidenced by a policy with premiums payable not less than at annual intervals and further certifying that said insurance coverage cannot be cancelled or reduced without ten (10) days' prior written notice to the Corporation.

13.2 Corporation's Insurance on Residence Lot. In lieu of the insurance specified in the preceding section, by the vote or written consent of the Owners entitled to exercise a majority of the voting power, the Corporation may be authorized to acquire and pay for out of the maintenance fund a blanket fire insurance policy including the perils of the extended coverage endorsement to the California Standard Fire Policy Form insuring all of the Residence Lots of the Project. Any such insurance coverage shall be for not less than ninety percent (90%) of the full insurable value thereof, and for the benefit of the Owners and each of them and their respective Mortgagees in accordance with their interests and shall provide for a separate loss payable endorsement in favor of the Mortgagee or Mortgagees of each Residence Lot, if any. Notwithstanding anything to the contrary

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contained in paragraph 18.1, no amendment to paragraphs 13.1 or 13.2 shall affect the rights of the holder of any mortgage recorded prior to the recordation of such amendment who does not join in the execution thereof. Within three (3) days after the Corporation has obtained such an insurance policy, the Corporation shall give each Owner written notice thereof, such notice among other things to specify the name of the issuing insurance company, the amount and type of coverage, and the amount of premiums thereof. Within fifteen (15) days thereafter, each Owner shall execute any and all documents necessary to effectuate fully such coverage with respect to his Residence Lot, including cancellations of any existing coverage which may in the opinion of the Corporation by operation of the co-insurance or other clause serve to affect or reduce the coverage or potential recovery under any such blanket policy. The amount of the premium for such policy shall be assessed equally among the Owners and such assessment shall be secured by a lien which may be created pursuant to the provisions of Section 7 hereof.

13.3 Insurance on Common Area. The Corporation shall maintain insurance on the Common Area pursuant to the provisions of Section 6.3 hereof.

13.4 Damage and Destruction Affecting Residence Lots. In the event of damage or destruction by fire or other casualty to the improvements on a Residence Lot, the Owner thereof shall reconstruct the same as soon as reasonably possible and substantially in accordance with the original plans and specifications therefor. Notwithstanding the foregoing, however, an Owner of such damaged Residence Lot may request permission from the Board to reconstruct or repair such Residence Lot in accordance with new or changed plans or

specifications. The decision of the Board on any such plans or specifications so submitted shall be final, provided, however, that the Board in accepting or rejecting the plans or specifications shall not act arbitrarily or capriciously but shall exercise its discretion reasonably and in good faith and solely for the purpose of effectuating the intent and purposes of this Declaration including among other things the purpose of insuring the harmonious development and improvement of the Project. The Board's approval or disapproval as required herein shall be in writing. In the event the Board fails to approve or disapprove the plans and specifications within sixty (60) days after the date they have been submitted to it or in any event if no suit to enjoin such work has been commenced before completion thereof, approval shall be conclusively presumed. Any insurance proceeds received by the Corporation on account of destruction to improvements on a Residence Lot shall be used for repair of such improvements.

13.5 Damage and Destruction Affecting the Common Area.

If any portion or all of the Common Area is damaged or destroyed by fire or other casualty, then:

(1) If the estimated cost of repairing or rebuilding the damaged or destroyed portion of the Common Area does not exceed the amount of available insurance proceeds (defined as the balance of proceeds remaining after any Mortgagee has been paid its mortgagee's interest if any Mortgagee so elects) by more than ten percent (10%), the proceeds shall thereupon be paid to the Corporation and the Corporation shall contract to repair or rebuild damaged

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portions of the Common Area substantially in accordance with the original plans and specifications. If the insurance proceeds are insufficient to pay all of the cost of repairing or rebuilding, the Corporation shall levy a special assessment enforceable as provided in Section 7 hereof on all the Owners equally to make up any such deficiency.

(2) If subparagraph (1) is inapplicable, then all available insurance proceeds shall be paid to the bank at which the general account of the Corporation is maintained, in trust for the benefit of the Owners and their respective Mortgagees as their interest shall appear subject to the provisions hereof. The Corporation is authorized on behalf of the Owners to enter into such agreements, consistent with these Restrictions, as such bank may require relating to its powers, duties and compensation and as the Corporation may approve.

13.5.1 Bids for Reconstruction. The Corporation shall obtain firm bids (including an obligation to obtain a performance or completion bond) from two (2) or more responsible contractors to rebuild the Common Area substantially in accordance with the original plans and specifications and shall, as soon as possible thereafter, call a special meeting of the members to consider such bids. If the Corporation fails to do so within sixty (60) days after the date of the casualty, any Owner may obtain such bids and call and conduct such meeting as herein provided. At such meeting the Owners entitled to exercise sixty-seven percent (67%) of the voting power may elect to reject all such bids. Fail-

ure to reject all such bids shall automatically authorize the Corporation to accept the bid it considers the most favorable. If all such original bids are rejected, the Corporation may prepare and present to the Owners various alternative plans for the repair and reconstruction of the Common Area, such plans to embody such changes and deviations from the original plans and specifications as the Corporation may deem necessary or desirable. Before presenting any such new plans to the Owners, the Corporation shall obtain firm bids (including an obligation to obtain a performance and/or completion bond) from two (2) or more responsible contractors to perform the work of repair or reconstruction in accordance with each such new plan. Such bids shall be considered as soon as possible after they have been obtained. The Owners entitled to exercise sixty-seven percent (67%) of the voting power may elect to reject all such new bids. Failure to reject all such bids shall authorize the Corporation to accept the bid it considers most favorable.

13.5.2 Assessment for Costs of Reconstruction. If a bid is accepted, the Corporation shall immediately levy a special assessment equally among the Owners to make up any deficiency between the total insurance proceeds and the bid price for such repair and rebuilding, such assessment to be enforced pursuant to the provisions of Section 7 hereof. The amount of the assessment and all insurance proceeds, whether or not subject to the lien of mortgages, shall then be paid to the trustee holding such insurance proceeds to be used for such rebuilding. Upon payment of the total assessment,

the Corporation shall let the contract to the successful bidder and the trustee shall disburse the sums held by it pursuant to the terms of such contract.

13.5.3 Demolition of Destroyed Premises. If no such bid is accepted within eighteen (18) months after the date the damage or destruction occurred, then the Corporation shall use the available insurance proceeds to demolish and remove all damage or destroyed structures and improvements from the common area and level and landscape the sites thereof. In the event that all of the insurance proceeds are not required to perform this work, the excess shall be distributed equally to the Owners and their respective Mortgagees as their interests shall appear. In the event the insurance proceeds are not sufficient to accomplish such demolition and removal and site finishing, then the Corporation shall levy a special assessment equally among the Owners to make up the deficiency, such special assessment to be enforced pursuant to the provisions of Section 8 hereof.

ARTICLE 14

RULES AND REGULATIONS

14.1 Rules and Regulations. The Board, in the name of and acting on behalf of the Corporation, shall have the right to adopt reasonable rules and regulations not inconsistent with the covenants contained in this Declaration and to amend the same from time to time relating to the use of the Residence Lots and the Common Area and the facilities situated thereon by Owners and by their tenants and guests, the conduct of such persons with respect

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to automobile parking, outside storage, boats and trailers, bicycles and other objects, disposal of waste materials, drying of laundry, control of pets and other activities which, if not so regulated, might detract from the appearance of the Project or offend or cause inconvenience or danger to persons residing or visiting therein. Such rules may provide that the Owner and/or Owners of a Residence Lot whose occupant leaves property on the Common Area in violation of the rules and regulations may be assessed to cover the expense incurred by the Corporation in removing such property and storing or disposing of same. A copy of such rules and of all amendments thereto shall be mailed to each Owner and a copy may be posted in one or more places on the Project where the same may be conveniently inspected.

14.2 Notwithstanding anything to the contrary contained in this Declaration or the By-Laws, there shall not be any monetary penalty assessed against an Owner, there shall not be any suspension of voting rights or other privileges or rights of an Owner, and there shall not be any suspension of an Owner's right and privilege to use the Common Area on account of the Owner's breach of the Rules and Regulations of the Association, the By-Laws, or this Declaration without the Board first giving the Owner at least ten days prior written notice describing such breach and notifying the Owner of his right to present his position and defense before the Board at a time and place specified in said notice; and if the Owner so presents his position and defense, the Board shall give it fair consideration in determining what penalty or other disciplinary action to impose, if any.

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