

Section 6 - Abandonment of Replacement Cost Insurance. Unless at least seventy-five percent (75%) of the Institutional Mortgagees based on one (1) vote for each First Mortgage held have given their prior written approval, the Association shall not be entitled to fail to maintain the extended coverage fire and casualty insurance required by this Article on less than a one hundred percent (100%) current replacement cost basis.

Section 7 - Federal Requirements. Notwithstanding the foregoing provisions of this Article, the Association shall continuously maintain in effect such casualty, flood and liability insurance and a fidelity bond meeting the insurance and fidelity bond requirements for planned unit development projects established by any of the Federal Agencies, so long as either is a Mortgagee, Owner, or insures or guarantees a Mortgage within the Covered Property, except to the extent such coverage is not available or has been waived in writing by the foregoing entities.

ARTICLE IX DESTRUCTION OF IMPROVEMENTS

Section 1 - Duty of Association. In the event of partial or total destruction of improvements upon the Community Facilities, it shall be the duty of the Association to restore and repair the same as promptly as practical pursuant to this Article. The proceeds of any casualty insurance maintained pursuant to this Declaration shall be used for such purpose, subject to the prior rights of Mortgagees whose interest may be protected by said policies.

Section 2 - Automatic Reconstruction. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be at least eighty-five percent (85%) of the estimated cost of restoration and repair or the cost not covered by insurance proceeds is less than the sum of One Hundred Fifty Dollars (\$150.00) per year per Residence, a Reconstruction Assessment, with each Owner contributing a like sum, may be levied by the Association to provide the necessary funds for such reconstruction, over and above the amount of any insurance proceeds available for such purpose, and the Board shall cause the damaged or destroyed Community Facilities to be restored as closely as practical to its condition prior to the destruction or damage.

Section 3 - Vote of Members. In the event that the amount available from the proceeds of such insurance policies for such restoration and repair shall be less than eighty-five percent (85%) of the estimated cost of restoration and repair or greater than the sum of One Hundred Fifty Dollars (\$150.00) per year per Residence, the improvements shall not be replaced or restored unless a majority of the voting power of the Association agrees in writing to such replacement or restoration or gives its affirmative vote at a meeting duly called therefore. Such majority vote must include at least a seventy-five percent (75%) majority of the Class A Members. If the Members approve such replacement or restoration, the Board shall cause the damaged or destroyed Community Facilities to be restored as closely as practical to its former condition prior to the destruction or damage. In the event of a determination, as provided above, not to replace or restore the improvements on the Community Facilities, the Community Facilities shall be cleared and landscaped for community park use and the costs thereof shall be paid for with the insurance proceeds, and any deficiency may be raised by Reconstruction Assessment in an amount determined by the Board. An election not to replace or restore any improvements to the Community Facilities will not be effective without the prior written approval from the City.

Section 4 - Excess Insurance Proceeds. In the event any excess insurance proceeds remain, after any reconstruction by the Association pursuant to this Article, the Board, in its sole discretion, may retain such sums in the general funds of the Association or distribute pro rata all or a portion thereof to the Members, subject to the prior rights of Mortgagees whose interest may be protected by insurance policies carried by the Association. In the absence of such prior rights, the rights of an Owner and the Mortgagee of his Residence as to such pro rata distribution shall be governed by the provisions of the Mortgage encumbering such Residence.

Section 5 - Use of Reconstruction Assessments. All amounts collected as Reconstruction Assessments shall only be used for the purposes set forth in this Article and shall be deposited by the Board in a separate bank account to be held in trust for such purposes. Such funds shall not be

commingled with any other funds of the Association and shall be deemed a contribution to the capital account of the Association by the Members.

ARTICLE X EMINENT DOMAIN

Section 1 - Definition of Taking. The term "taking" as used in this Article shall mean condemnation by eminent domain or sale under threat of condemnation of all or any portion of the Community Facilities.

Section 2 - Representation by Board in Condemnation Proceedings. In the event of a threatened taking of all or any portion of the Community Facilities, the Members hereby appoint the Board and such persons as the Board may delegate to represent all of the Members in connection with the taking. The Board shall act in its sole discretion with respect to any awards being made in connection with the taking and shall be entitled to make a voluntary sale to the condemner in lieu of engaging in a condemnation action.

Section 3 - Inverse Condemnation. The Board is authorized to bring an action in inverse condemnation. In such event, the provisions of this Article shall apply with equal force.

Section 4 - Award for Community Facilities. Any awards received on account of the taking of Community Facilities shall be paid to the Association. The Board may in its sole discretion retain any award in the general funds of the Association or distribute pro rata all or a portion thereof to the Members. The rights of an Owner and the Mortgagee of his Residence as to any pro rata distribution shall be governed by the provisions of the Mortgage encumbering such Residence.

ARTICLE XI USE RESTRICTIONS

Section 1 - Commercial Use. No part of a Residence shall be used or caused to be used or allowed or authorized in any way, directly or indirectly, for any business, commercial, manufacturing, mercantile, scoring, vending, or any nonresidential purpose; provided, however, that the provisions of this Section shall not preclude an Owner from renting his or her Residence in accordance with this Declaration, nor any Owner of a Lot from maintaining a home office and conducting business activities therefrom on the following conditions: (i) there is no external evidence of such activities; (ii) such activities are conducted in conformance with all applicable governmental ordinances; (iii) the patrons or clientele of such activities do not visit the Residence or park automobiles or other vehicles within the Project; (iv) the existence or operation of such activities is not apparent or detectable by sight, sound or smell from outside the boundaries of the Residence; (v) no such activity increases the liability or casualty insurance obligation or premium of the Association; and (vi) such activities are consistent with the residential character of the Project and conform with the provisions of this Declaration. Further, the Association shall have the right to provide or authorize such services on the Community Facilities as it deems appropriate for the enjoyment of the Community Facilities or for the benefit of the Members.

Section 2 - Signs. No sign or billboard of any kind shall be displayed to the public view on any portion of the Covered Property, except such signs as may be allowed by California law. A Member may display in his Residence, a sign advertising its sale or lease by him so long as such sign shall comply with any customary and reasonable standards promulgated by the Board as to the size, color, shape or other qualification for permitted signs.

Section 3 - Nuisance. No noxious or offensive trade or activity shall be carried on upon any Residence, or any part of the Covered Property nor shall anything be done thereon which may be, or may become an annoyance or nuisance to the neighborhood, or which shall in any way interfere with the quiet enjoyment of each of the Owners of his respective Residence, or which shall in any way increase the rate of insurance.