

ARTICLE IX

9. Damage and Condemnation. Damage to or destruction of all or any portion of the Association Property and condemnation of all or any portion of the Association Property shall be handled in the following manner:

(a) If the Association Property is damaged or destroyed, the Association shall cause the Association Property to be repaired and reconstructed substantially in accordance with the original plans and specifications, and any restoration or repair of the Association Property shall be performed substantially in accordance with the original plans and specifications. If the cost of effecting total restoration of the Association Property exceeds the amount of insurance proceeds, then the Association shall levy a Reconstruction Assessment against the Lots and their respective Owners equal to the difference between the total restoration cost and the insurance proceeds.

(b) Each Owner is liable to the Association for any damage to the Association Property not fully reimbursed to the Association by insurance proceeds (including without limitation any deductible amounts under any insurance policies against which the Association files a claim for such damage) which may be sustained due to the negligence or willful misconduct of said Owner or the persons deriving their right and easement of use and enjoyment of the Association Property from said Owner, or of such Owner's family and guests. The Association may, after Notice and Hearing, (i) determine whether any claim shall be made upon the insurance maintained by the Association and (ii) levy against such Owner a Special Assessment equal to any deductible paid and the increase, if any, in the insurance premium directly attributable to the damage caused by such Owner or the persons for whom such Owner may be liable as described herein. If a Lot is jointly owned, the liability of its Owners is joint and several, except to the extent that the Association has previously contracted in writing with such joint Owners to the contrary. After Notice and Hearing, the cost of correcting such damage, to the extent not reimbursed to the Association by insurance, shall be a Special Assessment against such Owner.

(c) If all or any portion of the Association Property is taken by right of eminent domain or by private purchase in lieu of eminent domain, the award in condemnation shall be paid to the Association and deposited in the Operating Fund. No Owner may participate as a party, or otherwise, in any proceedings relating to such condemnation.

ARTICLE X

10. Insurance.

10.1 Casualty Insurance. The Board shall obtain and maintain fire and casualty insurance with extended coverage for loss or damage to all insurable Improvements installed by Declarant, Merchant Builders or by the Association on the Association Property for the full replacement cost thereof without deduction for depreciation or coinsurance, and may obtain insurance against such other hazards and casualties as the Association may deem desirable. The casualty insurance shall include earthquake coverage unless the Board is directed not to obtain earthquake coverage by a majority of the Association's voting power. The Association may also insure any other real or personal property it owns against loss or damage by fire and such other hazards as the Association may deem desirable, with the Association as the owner and beneficiary of such insurance. The policies insuring the Association Property must be written in