

which exists at the time the overall grading of the Project is completed by Grantor, or that which is shown on any plans approved by the Architectural Committee.

Section 13. Water Supply Systems. No individual water supply or water softener system shall be permitted in any Condominium Unit unless such system is designed, located, constructed and equipped in accordance with the requirements, standards, and recommendations of any applicable water district, the Orange County Health Department, and all other applicable governmental authorities. Any sewage disposal system shall be installed only after approval by the Architectural Committee and any governmental health authority having jurisdiction.

Section 14. Violation of Windwood Restrictions. There shall be no violation of the Windwood Restrictions, including without limitation the Windwood Rules and Regulations, once adopted by the Board. If any Member, his family, guest, or any licensee, lessee or invitee violates the Windwood Restrictions, the Board may impose a reasonable Special Assessment upon such Owner for each violation and may suspend or condition such Member's right to use the recreational facilities on the Common Areas and the Association Properties. Before invoking any such measure, the Board shall give such Member Notice and an opportunity for a formal Hearing, as further provided in the By-Laws. Any such suspension or conditional suspension shall be for a period of not more than thirty (30) days for any non-continuing infraction, but in the case of a continuing infraction (including nonpayment of any assessment after the same becomes delinquent), may be imposed for so long as the violation continues.

ARTICLE X

INSURANCE

Section 1. Duty to Obtain Insurance; Types. The Board shall obtain and continue in effect adequate blanket public liability insurance (including medical payments), with such limits as may be considered acceptable to the Federal National Mortgage Association (not less than \$1 million covering all claims for personal injury and property damage arising out of a single occurrence), insuring against liability for bodily injury, death and property damage arising from the activities of the Association and its Members, with respect to the Common Areas, the Association Properties and any other property under its jurisdiction. The Board shall also obtain and continue in effect fire and casualty insurance with extended coverage in an amount as near as possible to the full replacement value of the Common Areas (including, without limitation, all Improvements, built-in appliances, cabinets and initial basic floor coverings, all as provided in the plans and specifications for the Project) and the Association Properties, without deduction for depreciation. Such insurance shall be maintained by the Board of Directors for the benefit of the Association, the Unit Owners, and the Mortgagees, as their interests may appear as named insureds, subject, however, to loss payment requirements as set forth herein. The Board of Directors shall purchase such other insurance, as necessary, including but not limited to, errors and omissions, plate glass insurance, medical payments, malicious

mischief, liquor liability and vandalism insurance, fidelity bonds and workmen's compensation, and such other risks as shall customarily be covered with respect to condominium projects similar in construction, location and use. Fidelity bond coverage must be obtained by the Association for any Person or entity handling funds of the Association, including, but not limited to, officers, directors, trustees and employees of the Association and employees of the professional managing agent of the Association. Notwithstanding any other provisions herein, 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 condominium projects established by Federal National Mortgage Association ("FNMA"), the Government National Mortgage Association ("GNMA") and the Federal Home Loan Mortgage Corporation ("FHLMC"), so long as any of which is a Mortgagee or Owner of a Condominium within the Project, except to the extent such coverage is not available or has been waived in writing by the FNMA, GNMA and FHLMC, as applicable.

Section 2. Waiver of Claims Against Association. As to all policies of insurance maintained by the Association and the Unit Owners, the Association and the Unit Owners hereby waive and release all claims against one another, the Board of Directors and Grantor, to the extent of the insurance proceeds available, whether or not the insurable damage or injury is caused by the negligence of or breach of any agreement by any of said Persons.

Section 3. Rights and Duty of Unit Owner to Insure. Each Unit Owner shall provide insurance on his personal property and upon all other property within his Unit which is not insured by the Association's blanket policy. Nothing herein shall preclude any Unit Owner from carrying any public liability insurance as he may deem desirable to cover his individual liability for damage to Person or property occurring inside his individual Unit or elsewhere upon the Project or the Association Properties. All such other policies as may be carried by Unit Owners shall contain waivers of subrogation of claims against Grantor, the Association, the Board, the officers of the Association and all other Unit Owners. Such other policies shall not adversely affect or diminish any liability under any insurance obtained by the Association, and duplicate copies of such other policies shall be deposited with the Board. If any loss intended to be covered by insurance carried by the Association shall occur and the proceeds payable thereunder shall be reduced by reason of insurance carried by any Unit Owner, such Unit Owner shall assign the proceeds of such insurance carried by him to the Association, to the extent of such reduction, for application by the Board to the same purposes as the reduced proceeds are to be applied.

Section 4. Notice of Expiration Requirements. All of the policies of insurance described herein shall contain a provision that said policy or policies shall not be cancelled or terminated, or expired by their terms, without sixty (60) days' prior written notice to the Board, Grantor, Unit Owners and their respective first Mortgagees (provided that such Unit Owners or Mortgagees have filed written requests with the carrier for such notice) and every other Person in interest who shall have requested such notice of the insurer.

Section 5. Insurance Premiums. Insurance premiums for any such blanket insurance coverage obtained by the Association and any other insurance deemed necessary by the Board of Directors shall be a Common Expense to be included in the Annual Assessments levied by the Association, collected from the Unit Owners; and the portion of such payments necessary for the required insurance premiums shall be separately accounted for by the Association in the Reserve Fund, to be used solely for the payment of premiums of required insurance as such premiums become due.

Section 6. Trustee for Policies. The Association, acting through its Board of Directors, is hereby appointed and shall be deemed trustee of the interests of all named insureds under policies of insurance purchased and maintained by the Association. All insurance proceeds under any such policies as provided for in Section 1 of this Article shall be paid to the Board of Directors as Trustees. The Board shall have full power to receive and to receipt for the proceeds and to deal therewith as provided herein. Insurance proceeds shall be used by the Association for the repair or replacement of the property for which the insurance was carried or otherwise disposed of as provided in Article XI of this Declaration. The Board is hereby granted the authority to negotiate loss settlements with the appropriate insurance carriers, with participation, to the extent they desire, by first Mortgagees who have filed written requests within ten (10) days of receipt of notice of any damage or destruction as provided in Article XI, Section 5 of this Declaration. Any two Directors of the Association may sign a loss claim form and release form in connection with the settlement of a loss claim, and such signatures shall be binding on all the named insureds.

Section 7. Actions as Trustee. Except as otherwise specifically provided in this Declaration, the Board, acting on behalf of the Association and all Unit Owners, shall have the exclusive right to bind such parties in respect to all matters affecting insurance carried by the Association, the settlement of a loss claim, and the surrender, cancellation, and modification of all such insurance, in a manner satisfactory to seventy-five percent (75%) of the first Mortgagees of Condominiums who have filed requests under Section 4 of this Article to the extent such first Mortgagees desire to participate. Duplicate originals or certificates of all policies of fire and casualty insurance carried by the Association and of all renewals thereof, together with proof of payment of premiums, shall be delivered by the Association to all Mortgagees who have requested the same in writing.

Section 8. Annual Insurance Review. The Board shall review the insurance carried by the Association at least annually, for the purpose of determining the amount of the casualty and fire insurance referred to in Section 1 above. The Board shall obtain a current appraisal of the full replacement value of the Improvements in the Project and the Association Properties except for foundations and footings, without deduction for depreciation, by a qualified independent insurance appraiser, prior to each such annual review.

Section 9. Required Waiver. All policies of physical damage insurance shall provide, if reasonably possible, for waiver of the following rights, to the extent that the respective insurers would have the rights without such waivers:

(a) subrogation of claims against the tenants of the Unit Owners;

(b) any defense based on co-insurance;

(c) any right of set-off, counterclaim, apportionment, proration or contribution by reason of other insurance not carried by the Association;

(d) any invalidity, other adverse effect or defense on account of any breach of warranty or condition caused by the Association, any Unit Owner or any tenant of any Unit Owner, or arising from any act, neglect, or omission of any named insured or the respective agents, contractors and employees of any insured;

(e) any right of the insurer to repair, rebuild or replace, and, in the event the building is not repaired, rebuilt or replaced following loss, any right to pay under the insurance an amount less than the replacement value of the Improvements insured or the fair market value thereof;

(f) notice of the assignment of any Unit Owner of his interest in the insurance by virtue of a conveyance of any Condominium; and

(g) any right to require any assignment of any mortgage to the insurer.

ARTICLE XI

DESTRUCTION OF IMPROVEMENTS

Section 1. Restoration of Project. Except as otherwise provided in this Declaration, in the event of any destruction of any portion of the Project or the Association Properties, it shall be the duty of the Association to restore and repair the same to its former condition, as promptly as practical. The proceeds of any insurance maintained pursuant to Article X hereof shall be used for such purpose, unless otherwise provided herein. The Board shall be authorized to have prepared the necessary documents to effect such reconstruction as promptly as practical. The Project shall be reconstructed or rebuilt substantially in accordance with the Condominium Plans and the original construction plans if they are available, unless changes recommended by the Architectural Committee shall have been approved in writing by seventy-five percent (75%) of the Unit Owners and by all of the holders of record of first Mortgages upon the Condominiums of the approving Unit Owners. 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, a Reconstruction Assessment of the Unit