

available to the Association, if any, and an additional amount not in excess of Five Thousand Dollars (\$5,000).

Any amount in excess of insurance proceeds utilized in performing such restoration shall be assessed equally against all Lots and the Owners thereof by levying reconstruction assessments as provided for in Article VI hereof; or

(ii) To not rebuild, in which event all net insurance proceeds, if any, paid on account of the damage or destruction of the improvements and remaining after expenses of clearing debris and making the damaged or destroyed area aesthetically pleasing, shall be retained by the Association for use in performing its functions under the Restrictions, or in the discretion of the Association, and subject to the rights of mortgagees of record, such net insurance proceeds shall be distributed in equal shares to the Owners of Lots within the Property.

Section 12.2 Method of Paying Reconstruction Assessments for Reconstruction of the Association Property. Reconstruction assessments assessed as contemplated in Section 12.1 above may be due in a lump sum or in installments, on such date or dates as the Association may designate over a period of not to exceed twenty (20) years. The Association may borrow money to pay the difference between the cost of restoring the damaged or destroyed improvements and the insurance proceeds available to the Association, and may secure such borrowing by an assignment of its right to collect such assessments, or by a pledge of its interest in and to any of its assets.

### ARTICLE XIII.

#### EMINENT DOMAIN REGARDING ASSOCIATION PROPERTY

Section 13.1 Definition of Proceeding Regarding Taking. The term "taking" as used in this Article XIII shall mean condemnation by eminent domain or sale under threat of condemnation.

Section 13.2 Representation by Board. In the event of a threatened taking of all or any portion of the Association Property, the Members hereby appoint the Board and such persons as the Board may delegate to represent all of the Members of the Association in connection with the taking. No Member shall challenge the good faith exercise of the discretion of the Board in fulfilling its duties under this Article. 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 condemnor in lieu of engaging in a condemnation action. Any awards received on account of the taking shall be paid to the Association. In the event of a taking of less

than all of the Association Property, the rules as to restoration and replacement of the Association Property and the improvements thereon shall apply as in the case of destruction of improvements upon the Association Property.

Section 13.3 Distribution of Award. In the event of a total taking or a partial taking where all of the net condemnation award is not used for restoration of the remaining Association Property, the Association shall in its discretion deal with, use and/or distribute any such net condemnation award in accordance with the same alternatives as are available under the provisions of Section 12.1(c)(ii) above. Notwithstanding anything to the contrary in this Article XIII, the distribution of any award or awards for a taking of all or any portion of the Association Property shall be subject to the prior rights of mortgagees under deeds of trust of record.

#### ARTICLE XIV.

##### ANNEXATION

Section 14.1 Annexation of Additional Property. Additional Property may be from time to time annexed to the Original Property initially covered by this Declaration and may become subject to this Declaration by any of the methods set forth hereinafter:

(a) Declarant may at any time, and from time to time, add to the Property which is covered by this Declaration all or any portion of the Additional Property, without the approval of the Owners, the Association, and/or its Board; provided, however, that the proposed annexation of Adjacent Property is in substantial conformance with a detailed plan of phased development submitted to the Commissioner of the DRE with the application of a public report for the Original Property. Such plan for phased development must include, but not be limited to, the following:

(i) Proof satisfactory to the Commissioner that no proposed annexation will result in an overburdening of common facilities.

(ii) Proof satisfactory to the Commissioner that no proposed annexation will cause a substantial increase in assessments against existing owners which was not disclosed in subdivision public reports under which pre-existing owners purchased their interest.

(iii) Identification of the land proposed to be annexed and the total number of residential units then contemplated by the subdivider for the overall subdivision development.