

Board shall report the contents of such written reports to Declarant (if not already provided by the inspector directly) and to the Members of the Community Association at the next meeting of the Members following receipt of such written reports or as soon thereafter as reasonably practicable and shall include such written reports in the minutes of the Community Association. The Community Board shall promptly cause all matters identified as requiring attention to be maintained, repaired, or otherwise pursued in accordance with prudent business practices and the recommendations of the inspectors. Should such inspection require the inspection of any Residential Lot, there is hereby created a nonexclusive easement in favor of the Community Association, and its officers, agents, employees and independent contractors, to conduct such inspections and to correct any violations of this Declaration of the other Governing Documents by an Owner which entry shall be subject to the provisions of this Declaration. Any damage to any structure, landscaping or other improvements caused by the Community Association, or any of its officers, agents, employees or independent contractors, while performing such maintenance, repair or replacement work shall be repaired by the Community Association at its sole cost and expense.

ARTICLE 9

INSURANCE AND CONDEMNATION

It is important that the Community Association maintain insurance. This Article discusses the insurance which the Community Association will be required to maintain and also discuss the obligations of the Owners for insurance.

9.1 Insurance. The Community Association, to the extent available, shall obtain and continue in effect, in its own name, the types of insurance set forth below.

9.1.1 Fire and Extended Coverage Insurance. The Community Association shall keep (i) any Improvements on the Community Association Property and Common Maintenance Area insured against loss by fire and the risks covered by a standard all risk of loss perils insurance policy under an extended coverage casualty policy in the amount of the maximum insurable replacement value' thereof, and (ii) all personal property owned by the Community Association insured with coverage in the maximum insurable fair market value of personal property as determined annually by an insurance carrier selected by the Community Association. Insurance proceeds for improvements in the Community Association Property and Common Maintenance Area and personal property owned by the Community Association shall be payable to the Community Association. Insurance proceeds for Improvements in the Community Association Property and/or personal property owned by the Community Association shall be payable to the Community Association. In the event of any loss, damage or destruction to the Community Association Property (excluding Residential Lots), the Community Association shall cause the same to be replaced, repaired or rebuilt in accordance with the provisions of this Declaration. Premiums for all insurance carried by the Community Association are a Common Expense.

(a) Description of Policy Coverages. The policy shall cover the following real and personal property:

(i) Community Association Property. All Improvements, if any, within the Community Association Property and Common Maintenance Areas; but excluding land, foundations, excavations, and other items typically excluded from property insurance coverage; and

(ii) Landscaping. Lawn, frees, shrubs and plants located in the Community Association Property and Common Maintenance Areas.

(b) Covered Cause of Loss. The policy shall provide coverage against losses caused by fire and all other hazards normally covered by a "special form" policy or its equivalent.

(c) Primary. The policy shall be primary and noncontributing with any other insurance policy covering the same loss.

(d) Endorsements. The policy shall contain such endorsements as the Community Board in its discretion shall elect.

(e) Waiver of Subrogation. Except as provided in Section 7.32, the Community Association waives all rights of subrogation against the Owners and their Invitees. All insurance policies obtained by the Community Association shall include a waiver of all subrogation rights against any Owner and their Invitees; provided, however, that a failure or inability of the Community Association to obtain such a waiver shall not defeat or impair the waiver of subrogation rights between the Community Association and the Owners and their Invitees set forth herein.

9.1.2 Liability Insurance. The Community Association shall procure and keep in force public liability insurance in the name of the Community Association and the Owners against any liability for personal injury or property damage resulting from any occurrence in or about the Community Association Property or Common Maintenance Area with such minimum limits are set forth in Section 1365.9 of the California Civil Code, insuring against liability for bodily injury, death and property damage arising from the Community Association's activities or with respect to property the Community Association maintains or is required to maintain including, if obtainable, a cross-liability endorsement insuring each insured against liability to each other insured.

9.1.3 Fidelity Bond. The Community Association shall maintain a fidelity bond in an amount equal to the amount of funds held by the Community Association during the term of the bond but not less than one-fourth (1/4) of the annual Regular Assessments plus reserves, naming the Community Association as obligee and insuring against loss by reason of the acts of the Community Board, officers and employees of the Community Association, and any management agent and its employees, whether or not such persons are compensated for their services.

9.1.4 Worker's Compensation Insurance. The Community Association shall maintain worker's compensation insurance to the extent necessary to comply with all applicable

laws of the State of California or the regulations of any governmental body or authority having jurisdiction over the La Costa Oaks Community.

9.1.5 Directors and Officers. The Community Association shall obtain directors and officers insurance to cover the officers and directors of the Community Association against liability for their negligent acts or omissions while acting in their capacity as officers and directors. The limits of such insurance shall not be less than One Million Dollars for all claims arising out of a single occurrence or such other minimum amount which meets the requirements of California Civil Code Section 1365.7.

9.1.6 Other Insurance. The Community Association shall maintain other types of insurance as the Community Board determines to be necessary to fully protect the interests of the Owners. Anything contained herein to the contrary notwithstanding, the Community Association shall maintain such insurance coverage as may be required by the Federal National Mortgage Community Association ("FNMA") or the Federal Home Loan Mortgage Corporation ("FHLMC") so long as FNMA or FHLMC, respectively, holds a mortgage on or owns any Lot.

9.2 Copies of Policies. Copies of all insurance policies (or certificates) showing the premiums to have been paid shall be retained by the Community Association and open for inspection by Owners at any reasonable time(s). All insurance policies shall (i) provide that they shall not be cancelable by the insurer without first giving at least ten (10) days' prior notice in writing to the Community Association, and (ii) if obtainable, contain a waiver of subrogation by the insurer(s) against the Community Association, Community Board and Owners.

9.2.1 Insurance to Satisfy Civil Code. Section 1365.7 of the California Civil Code provides for a partial limitation on the liability of volunteer officers and directors of the Community Association, provided that certain requirements, as set forth in the Code Section are satisfied. The requirements include that general liability insurance and officers' and directors' liability insurance be carried by the Community Association in specified amounts. The Community Association shall maintain general liability insurance and officers' and directors' liability insurance in amounts which satisfy the requirements of the California Civil Code Section 1365.7 or any successor statute or law to limit the liability of volunteer officers and directors of the Community Association.

9.2.2 Reimbursement of Community Association. In the event any insurance policy deductible amount relating to an Owner's property loss is charged to the Community Association, the Owner shall reimburse the Community Association upon written demand for the amount charged to the Community Association.

9.3 Review of Insurance. The Community Board shall review the adequacy of all insurance at least once every year. The review shall include a replacement cost appraisal of all insurable Improvements within the Community Association Property without respect to depreciation. The Community Board shall adjust and modify the policies to provide coverage and protection that is customarily carried by and reasonably available to prudent owners of similar property in the area in which the La Costa Oaks Community is situated.

9.4 Individual Insurance. Each Owner shall maintain property insurance against losses to real and personal property located within the Residential Lot, including the Residence and to any upgrades or Improvements to any fixtures or Improvements located within the Residential Lot and liability insurance against any liability resulting from any injury or damage occurring within the Residential Lot. The Community Association's insurance policies will not provide coverage against any of the foregoing. All Owners hereby waive all rights of subrogation against the Community Association, and any insurance maintained by an Owner must contain a waiver of subrogation rights by the insurer as to the Community Association; provided, however, that a failure or inability of an Owner to obtain such a waiver shall not defeat or impair the waiver of subrogation rights between the Owners and the Community Association set forth herein. If any Owner violates this provision and, as a result, there is a diminution in insurance proceeds otherwise payable to the Community Association, the Owner will be liable to the Community Association to the extent of the diminution. The Community Association may levy a Special Services Assessment against the Owner's Residential Lot to collect the amount of the diminution,

9.5 Condemnation. If the Community Association Property or any portion thereof shall be taken for public purposes by condemnation as a result of any action or proceeding in eminent domain, or shall be transferred in lieu of condemnation to any authority entitled to exercise the power of eminent domain, then the award or consideration for such taking or transfer shall be paid to and belong to the Community Association.

ARTICLE 10

DESTRUCTION OF IMPROVEMENTS

The Community Association will have certain obligations if there is damage or destruction to Community Association Property or Common Maintenance Areas. As an Owner, you will also have certain obligations if your Residence or other Improvements are destroyed. This Article describes those obligations and responsibilities.

10.1 Restoration of Improvements. In the event of partial or total destruction of Improvements upon the Community Association Property, it shall be the duty of the Community Association to restore and repair the same to its former condition (or a condition substantially similar to the former condition or as may be required to comply with the current Governmental Regulations) as promptly as practical, as hereinafter set forth.

10.1.1 Insurance Proceeds Adequate. If the cost of repairing or rebuilding the Community Association Property does not exceed the amount of insurance proceeds initially offered or paid by the insurance carrier by more than ten percent (10%) of the cost of **reconstruction, then the following shall apply:**

(a) All insurance proceeds shall be paid to a commercial bank or trust company designated by the Community Board to be held for the benefit of the Community Association and the Owners and their Mortgagees, as their interests shall appear.