

6.17. Capital Contribution.

If FHA or VA issued a Project Approval (as defined in Section 2.2.6(i) above) for the first Phase of Development in which a Close of Escrow occurs ("Initial Closing Phase"), Declarant, if Declarant is the developer of the Initial Closing Phase, or if not, the Merchant Builder developing such Initial Closing Phase, shall make a one time only contribution to the capital of the Association in an amount equal to one-sixth (1/6th) of the annual amount of the Common Assessment for all Lots or Condominiums in the Initial Closing Phase. A capital contribution pursuant to this Section is not required if FHA or VA has not issued a Project Approval for the Initial Closing Phase.

ARTICLE VII

7. Destruction or Condemnation.

Damage to or destruction of all or any portion of the Association Property or Parkway Trees, or condemnation of all or any portion of the Association Property shall be handled in the following manner:

7.1. Damages by Owners or Project Associations.

To the extent permitted by law, each Owner and Project Association is liable to the Association for any damage to the Association Property or Parkway Trees not fully reimbursed to the Association by insurance (including any insurance policy deductible amounts) if the damage is sustained because of the negligence, neglect, willful misconduct or unauthorized or improper installation or maintenance of any Improvement by the Project Association, its members, guests or invitees, or the Owner, his Family, guests, tenants or invitees, or any other Persons deriving their right and easement of use and enjoyment of the Association Property from the Project Association, the Owner, or their respective Family and guests, both minor and adult. However, the Association, acting through the Board, may determine whether any claim will be made upon the insurance maintained by the Association, and after Notice and Hearing the Association may levy a Special Assessment equal to the increase, if any, in insurance premiums directly attributable to the damage caused by the Owner or the Person for whom the Owner may be liable as described above. In the case of joint ownership of a Lot or Condominium, the liability of the Owners is joint and several, except to the extent that the Association has previously contracted in writing with the joint Owners to the contrary. After Notice and Hearing, the cost of correcting the damage, to the extent not reimbursed to the Association by insurance, shall be a Special Assessment.

7.2. Repair of Damages.

If Association Property Improvements or Parkway Trees which are the maintenance responsibility of the Association are damaged by fire or other casualty, any insurance proceeds payable by reason thereof shall be paid to the Association, which thereupon shall contract for the repair or replacement of all the Association Property Improvements or Parkway Trees so damaged. The Association shall levy a Reconstruction Assessment on Owners to satisfy any

deficiency between insurance proceeds and the actual cost of repair or replacement in the same manner and proportion that Common Assessments are levied against and collected from Owners (for example, Owners located in a Cost Center will pay their proportionate share of any Reconstruction Assessment attributable to their Cost Center Improvements, and Owners not located in such Cost Center are exempt from such Reconstruction Assessment). Any restoration or repair of the Parkway Trees or Association Property Improvements after damage due to an insurable hazard will be performed substantially in accordance with the original plans and specifications unless other action is approved by holders of fifty-one percent (51%) of the first Mortgages on Lots and Condominiums subject to Common Assessments for the maintenance of such Association Property.

7.3. Condemnation.

If all or any portion of the Association Property, or any interest therein, 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 appropriate Operating Fund. No Member or Project Association (other than a Person on whose Lot or Common Area and Association Property easement affected by a condemnation may be located) may participate as a party, or otherwise, in any proceedings relating to such condemnation. The Association has the exclusive right to participate in such proceedings and shall, in its name alone, represent the interests of all Members. The Board of Directors immediately upon learning of any taking by eminent domain of any Association Property, or any threat thereof, shall promptly notify all Owners whose Lots and Condominiums are subject to Common Assessments for the maintenance of such Association Property, and all Record holders of first Mortgages on such Owners' Lots and Condominiums.

7.4. Notice to Owners and Listed Mortgagees.

The Board, immediately upon learning of any damage or destruction affecting a material portion of the Association Property, shall promptly notify all Owners whose Lots and Condominiums are subject to Common Assessments for the maintenance of such Association Property, and all holders, insurers, and guarantors of first Mortgages on Lots or Condominiums who have filed a written request for such notice. The Board, immediately upon learning of any damage or destruction affecting a Lot or Condominium, shall promptly notify the holder and insurer or guarantor of the first Mortgage on such Lot or Condominium who has filed a written request for such Notice with the Board.

ARTICLE VIII

8. Declarant and Merchant Builder Exemption.

8.1. Interest of Declarant.

The First Subdivision is a portion of a larger parcel of land which Declarant is developing into a master planned community. Declarant in cooperation with the County, has created a comprehensive plan for the development of the Properties which includes modern