

respective Dwelling Units. The Association shall pay all taxes levied upon any property conveyed, leased or otherwise transferred to the Association, to the extent not assessed to Owners.

Section 4.12. fidelity Bonds. The association shall purchase and maintain in force, if reasonably available, fidelity coverage against dishonest acts on the part of directors, officers, managers, trustees, employees, or volunteers responsible for handling funds belonging to or administered by the Association. Such fidelity bonds or insurance shall name the Association as the named insured and shall be written in an amount sufficient to provide protection, which is, in no event, less than 1-1/2 times the insured's estimated annual operating expenses and reserves, and provide for at least ten (10) days written notice to the Association. In connection with such coverage, an appropriate endorsement to the policy to cover any persons who serve without compensation shall be added, if the policy would not otherwise cover volunteers.

Section 4.13. assessments. The board of Directors shall levy and collect assessments pursuant to the provisions of these By-Laws and Article VII of the Declaration. The assessments levied by the association shall be used exclusively to promote the recreation, health, safety and welfare of the members and their guests, for the improvement and maintenance of the common areas and for all purposes set forth in the Articles, Declaration and these By-Laws. The board of Directors of the Association

shall provide that Association dues, charges or assessments shall include an adequate reserve fund for maintenance, repairs and replacement of those elements of the common areas and common property owned by the Association that must be replaced on a periodic basis. all such dues, charges and assessments imposed by the Association shall be paid on a periodic basis in regular installments rather than by special assessments.

A. the Board of Directors shall keep or provide for the keeping of books with detailed accounts affecting the administration of the Common Areas specifying the maintenance, repair and replacement expenses thereof any any other expenses incurred. The books and vouchers shall be made available for examination to any of the Owners at convenient hours on working days. At the Annual Meeting, the Board shall make available to the members of the Association a complete financial report pertaining to the Association's financial condition. Upon the vote or written request of twenty-five (25%) percent of the Association's members, the Board shall appoint a committee of at least three (3) members to audit the books, or in the alternative, shall contract with a private accounting firm to audit same.

B. Within (30) days prior to the end of each calendar year (January 1 through December 31) and subject to the provisions of Section 4.13(c) hereof, the Board of Directors shall estimate the total charges to be paid during the forthcoming year to determine

the annual assessment (including a reasonable reserve for contingencies and less any expected surplus from the prior year).

C. Subject to Section 4.13(b) hereof, the Board of Directors shall not increase the annual assessment by an amount greater than either (i) five percent (5%) of the amount of the preceding annual assessment; or (ii) the percentage increase in the cost of living as reflected by the column entitled "all items" in the Consumer Price Index on a national basis published by the Bureau of Labor Statistics of the United States Department of Labor (hereinafter called the "Cost of Living Index Number"). In the event that the Bureau of Labor Statistics shall fail to publish a comparable Cost of Living Index Number during any such years, but a comparable Cost of Living Index Number shall be published by any governmental agency of the United States in place thereof, then such comparable index number shall be used for the purpose of adjusting the annual assessment under the provisions of this Section 4.13 with the same force and effect as the Cost of Living Index Number of the Bureau of Labor Statistics.

D. Any increase by the Board of Directors in the Annual Assessment which is greater than the amount permitted under Section 4.13(c) hereof must be first approved by two-thirds (2/3) vote of the members who are voting in person or by proxy at a meeting duly called for this purpose before such increase may be placed in effect and bind the members of the Association.

Section 4.14. Authorized Payments by the association. The board of directors shall have the exclusive authority to make payments out of the Association's funds for the benefit of each Owner; this authority shall include but not be limited to the following:

A. Water service for the common areas.

B. Utility service for the common areas.

C. All goods, materials, supplies, labor, services, maintenance, repair, alterations, reconstruction and insurance which the Board of Directors is authorized to obtain and pay for pursuant to these By-Laws and the Declaration or which are authorized by the Owners for the convenient operation of the common property.

D. Workmen's Compensation Insurance to the extent necessary to comply with any applicable laws.

E. Professional management services as provided herein, legal, accounting and other services contracted by by the Board of Directors if it is deemed necessary by them for the operation and maintenance of the common property, protection of any of the common property or in the best interest of the Owners.

F. As provided in Section 4.04 A of the Declaration, maintenance, repair, upkeep and repainting of Dwelling Units, including all improvements on a lot shall be the sole responsibility of each Owner. In the event any Owner fails to maintain his/her lot or the exterior of his/her Dwelling Unit or any other improvements on a lot in a manner in keeping with the