

(6) Reserves. The Board of Directors shall build up and maintain reasonable reserves for working capital, operations (including losses due to insurance deductibles), contingencies and replacements. Such funds shall be a Common Expense of the Association and shall be deposited and invested by the Board of Directors. Reserves for items serving only certain Lots shall be accounted for and funded solely by the Owners of the Lots served (as a Limited Common Expense). As to each separate reserve account:

- (a) Extraordinary expenditures not originally included in the annual budget, which may become necessary during the year shall be charged first against the appropriate reserves. Except for expenses for normal Upkeep shown in the annual operating budget, all expenses for repair and replacement of physical assets maintained by the Association shall be charged first against the appropriate reserves. Unless otherwise determined by the Board of Directors, the amount held as reserves shall not substantially exceed the amount reasonably required to assure the Association's ability to replace components as they reach the end of their useful lives.
- (b) If the reserves are inadequate to meet actual expenditures for any reason (including non-payment of any Owner's Assessment) then the Board of Directors may levy an Additional Assessment.

(7) Surplus and Deficit.

- (a) Any amount accumulated in excess of the amount required for actual expenses and reserves shall, at the discretion of the Board of Directors: (i) be placed in reserve accounts; (ii) be placed in a special account to be expended solely for the general welfare of the Owners; (iii) be credited to the next periodic installments due from Owners under the current fiscal year's budget, until exhausted, or (iv) be distributed to each Owner in proportion to the percentage (if any) of Assessments paid by such Owner during the last complete fiscal year.
- (b) Unless the surplus from the preceding years is applied against the deficit, the budget for the succeeding fiscal year is adjusted to amortize the deficit during such fiscal year or the shortfall is borrowed, any net shortage in expenses (including reserves) shall be assessed promptly against the Owners as an Additional Assessment.

(8) Capitalization Fee. Each purchaser of a Lot from an Owner shall pay to the Association at the time of settlement a Capitalization Fee. The amount of any "Capitalization Fee" shall be set annually by the Board of Directors. The funds received shall be used for capital improvements, capital reserves and enhancements to community life or such other similar purposes as the Board of Directors may determine by a vote of a Super Majority of the Directors.

(9) Road Use Fee. The Board of Directors shall have the authority to set and collect a Road Use Fee from the Builder of a new home, or from the Builder of a substantially remodeled home, to reimburse the Association for a portion of the excessive wear and tear of the infrastructure in Lake Holiday. This Fee shall not apply where the home is constructed on a roadway that has been improved by an entity other than the Association, and where this entity has provided a warranty to the Association against damage to the infrastructure that is caused by the Builder.