

Declarant that such assessments have been paid to date and that the property to be acquired is free and clear of all assessed indebtedness.

Section 2. "**Purpose of Annual Assessments**" The annual assessments levied by the Association shall be used exclusively to promote the health, safety, welfare, and recreation of the residents in the Subdivision, and for the improvements, security, preservation, operation and Maintenance of the Common Areas and/or of improvements situated within same or within the control of the Association. Annual assessments may include, and the Association shall acquire and pay for out of the funds derived from annual assessments, the following:

(a) Maintenance and/or repair of the Common Areas to the extent not performed by a governmental authority or an Owner. The Association acknowledges and agrees to comply with all McAllen Code of Ordinances, as now or hereinafter amended, including but not limited to Section 110-72.

(b) Water, sewer, garbage, electrical, lighting, telephone, gas, and other necessary utility service for the Common Areas.

(c) Acquisition of furnishings and equipment for the Common Areas as may be determined by the Association.

* (d) Maintenance and repair of all structures in the Common Areas, including, but not limited to, fences, sprinkler systems, street lighting and subdivision signs within the confines of the Subdivision and/or any Maintenance and repair required by the City of McAllen.

(e) Fire insurance, if obtainable, covering the full insurable replacement value of the improvements in the Common Areas with extended coverage.

(f) Liability insurance insuring the Association against any and all liability to the public, to any Owner, or to the invitees or tenants of any Owner arising out of their occupation and/or use of the Common Areas. The policy limits shall be set by the Association, and shall be reviewed at least annually and increased or decreased in the reasonable discretion of the Association.

(g) Workmen's compensation insurance to the extent necessary to comply with applicable law, and any other insurance deemed necessary by the Association.

(h) A standard fidelity bond covering all Officers of the Association, Members of the Board of Directors, and all other employees of the Association in an amount to be determined by the Association.

(i) Any other materials, supplies, furniture, labor, services, maintenance, repairs, structural alterations, insurance, taxes, or assessments which the Association is required to secure or pay pursuant to the terms of this declaration or by law, or which shall be necessary or proper in the opinion of the Association for the operation of the Common Areas, for the benefit of Lot Owners, or for the enforcement of these restrictions.

(j) In addition to the maintenance of the Common Areas, the Association may provide exterior maintenance on each Lot as follows. In the event an Owner of any Lot, its family, guests, invitees, agents or other persons using the Lot, shall fail to maintain the premises and the improvements situated thereon