

BYLAWS  
High Knob Owners' Association, Inc.

ARTICLE I  
INTENT

*Section 1. General Statement.* The intent of these Bylaws is to provide for orderly management of the business and social activities of High Knob Subdivision, the gated community known more commonly as "High Knob."

*Section 2. Survivability Clause.* Invalidation of any part of these Bylaws by court order or other action shall not affect any of the other provisions, which shall remain in full force and effect.

ARTICLE II  
DEFINITIONS

*Section 1. Preamble.* Terms italicized in these Bylaws and resolutions shall have the meanings specified for such terms in the Declaration of Covenants, Conditions and Restrictions recorded among the Land Records of Warren County, Virginia, (Deed Book 100 at page 191 et. seq.) The Virginia Supreme Court decision, HKA vs. Douglas, 249 Va. 478, which terms and meanings are set forth below to the extent not defined therein.

*Section 2. "Articles of Incorporation"* shall mean and refer to the Articles of Incorporation of the Association, dated October 29, 2001, and any amendments thereto.

*Section 3. "Association"* shall mean and refer to High Knob Owners' Association, Inc., its successors and assigns. High Knob Owners' Association, Inc., is also referred to as "HKOAI."

*Section 4. "Board of Directors"* shall mean and refer to the elected body that manages the business affairs for the Association (hereafter referred to as "the Board").

*Section 5. "Bylaws."* shall mean and refer to these Bylaws, as amended from time to time.

*Section 6. "Common Expenses"* shall mean and refer to the following:

- (a) All costs of administration, maintenance, management, operation, repair, and replacement of the Assets, Common Facilities, Properties and Resources;
- (b) Real estate taxes and assessments levied against the Assets, Common Facilities, Properties and Resources;
- (c) Premiums for insurance policies purchased by the Association in accordance with the provisions of these Bylaws;

(d) Expenses declared Common Expenses by the Owners acting in accordance with the provisions of the Declaration and these Bylaws.

*Section 7. "Assets, Common Facilities, Properties and Resources"* shall mean and refer to all property (real and personal) owned by the Association for the common use and enjoyment by Members of the Association as provided in the restrictive covenants, the applicable zoning ordinance of Warren County, Virginia, and any bylaws, rules or regulations of the Association.

*Section 8. "Covenants"* shall mean and refer to the various Restrictive Covenants of High Knob Subdivision as recorded among the Land Records of Warren County, Virginia.

*Section 9. "Land Records"* shall mean and refer to the appropriate governmental office in and for Warren County, Virginia, wherein documents and instruments affecting real property are recorded for the purposes of providing notice to the general public.

*Section 10. "Lot"* shall mean and refer to a parcel of land designated as a lot on a High Knob Subdivision Plat(s), and/or to consolidated lots shown in the Warren County Commissioner of Revenue's records. The Term lot does not include Assets Common Facilities, Properties and Resources.

*Section 11. "Member"* shall mean and refer to any person, persons or entity who holds any fee who has paid in full any fee simple interest in a Lot in the High Knob Subdivision. Membership in the Association is and shall be appurtenant to and inseparable from fee simple ownership of a property.

*Section 12. "Member in Good Standing"* shall mean and refer to a member who is current in payment of Association fees and assessments and/or whose High Knob Sanitary District fees have been paid in full. This shall include payment of any interest and fees for late payment.

*Section 13. "Owner"* shall mean and refer to the record owner whether one or more, persons, or entities, holding fee simple legal title to a Lot, but does not include any person, persons, or entity holding title to any Lot merely as security for the payment of an indebtedness or the performance of an obligation unless and until such person, persons, or entity takes title to a Lot by foreclosure or other appropriate proceeding in lieu thereof.

*Section 14. "Rules and Regulations"* shall mean and refer to those rules and regulations adopted by the Board.

### ARTICLE III MEMBERS' MEETINGS

*Section 1. Preamble.* All meetings of the Association shall be conducted principally in accordance with the most recent edition of Robert's Rules of Order.

*Section 2. Annual Meetings.* There shall be a meeting of the members of the Association on the last Sunday in June of each year, at 2:00 PM, or on such other date and time within two weeks of that time as may be designated by the Board. The purposes of the meeting will be to elect directors and transact such other business as may be necessary. The annual meeting shall include specific items mentioned in the notice as well as any business agenda item suggested by a member in writing at least 30 days in advance of the meeting.

*Section 3. Special Meetings.* Special meetings may be called when matters arise requiring approval of the Members. Such meetings may be called by a majority vote of the Board, or by petition to the Board from at least 25 percent of the Members in Good Standing. No business shall be transacted at a special meeting except as stated in the notice of such meeting given in accordance with the provisions of Article III, Section 5.

*Section 4. Town Meetings.* Town meetings may be called when needed. Such meetings can be called or sponsored by either the Board or a Committee appointed by the Board. The purpose of these meetings will be to discuss and/or provide information and will not result in any immediate decision or action.

*Section 5. Notice of Meetings.* All members will be provided written notice stating the place, day, and hour of each meeting. In the case of a Town or Special meeting, the written notice will also state the purpose(s) for the meeting. Such notices shall be delivered not less than ten nor more than fifty days prior to the meeting date. If a different notice period is required by any applicable law, that law shall take precedence. If mailed, such notice shall be deemed delivered when deposited in the United States mail addressed to the Member's address as it appears on the records of the Association, postage prepaid. The posting of the notice on the bulletin boards at the gates and clubhouse shall constitute written notice under this section.

*Section 6. Quorum.* The members holding twenty per cent (20%) of the votes which may be cast in person or by proxy at any meeting shall constitute a quorum at such meeting except where a greater proportion of the vote is required by any section of these Bylaws. If a quorum is not present at any meeting of the Members, a majority of the total votes represented may call another meeting, subject to the notice requirement set forth in Section 5 of this Article, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting provided the subsequent meeting is held within ninety (90) days following the preceding meeting. A majority of the votes entitled to be cast by the members present or represented by proxy at a meeting at which a quorum is present shall be required for the adoption of any matter voted upon by members unless a greater proportion is required by law.

*Section 7. Proxies.* The vote appertaining to any Lot may be cast pursuant to a written proxy duly executed by the Owner or by such Owner's duly authorized attorney-in-fact on behalf of such Owner(s). Any proxy shall be revocable by written notice or in person by the Owner(s). Any proxy shall be void if it is not dated. All proxies must be presented to the presiding officer prior to the meeting for which they are given. The proxy shall expire at the completion of the action for which the proxy was issued. All membership voting will include a provision for vote by proxy.

*Section 8. Voting.* Voting may occur either at a meeting of the Members or by mail as determined by the Board. The Board must ensure the integrity of the voting process is maintained. Members in Good Standing shall be entitled to one vote for each lot owned. Multiple owners of a property shall be entitled to a single vote per Lot which shall be cast as they themselves determine. (See *Article II*). The Board shall be entitled to rely upon the written representation signed by a majority of the multiple owners of any lot(s), as the same appears in the written records of the Association as to what other multiple owners have determined their vote to be. A majority of the votes cast by Members at a meeting of Members duly called and at which a quorum is present shall be sufficient to take or authorize action upon any matter which may properly come before the meeting.

*Section 9. Record Date.* The record date for establishing the identity of Members in Good Standing will be fixed by the Board of Directors not more than 30 days prior to the date of the meeting. If a meeting is postponed more than 120 days, the Board of Directors will fix a new record date for identifying Members in Good Standing.

*Section 10. Place of Meetings.* Meetings of the Association shall be held at the High Knob Clubhouse, or such other suitable place in Warren County, Virginia area as may be designated.

#### ARTICLE IV BOARD OF DIRECTORS

Preamble. All meetings of the Board shall be conducted following the most recent edition of Robert's Rules of Order.

*Section 1. Number and Election.* The number of directors shall be five (5) and each shall be a Member in Good Standing of the Association. The Members shall elect directors for vacant positions at the Annual Meeting each year. Voting in the election of the Board shall be in person by written ballot or by valid proxy. Members or their proxies shall cast their votes as defined in Article III, Section 8 of these Bylaws. The persons receiving the highest number of votes for each vacancy shall be elected.

*Section 2. Term of Office.* All persons elected as members of the Board shall be elected for two-year terms. Each person elected shall hold office until a successor is elected and qualified unless his directorship is terminated earlier by resignation, death or removal.

*Section 3. Vacancies.* A vacancy on the Board will be filled by appointment of the Board. The Director so appointed shall serve for the remainder of the term of the Director he/she replaces.

*Section 4. Removal of a Director.* Any director can be removed with or without cause by a majority vote of the members of the Association at a special meeting called for that purpose.

*Section 5. Compensation.* Directors shall receive no compensation for their services. However, each Director shall be entitled to reimbursement for Board-authorized and reasonable expenses incurred in the performance of his/her duties.

*Section 6. Quorum.* A majority of the directors in office shall constitute a quorum at any Board meeting.

*Section 7. Powers and Duties of the Board.* Except as otherwise provided by law or expressly reserved to the Members in accordance with the provisions of the Articles of Incorporation, Covenants or these Bylaws, the Board shall have all the powers, duties, and authority vested in or given to the Association or the Board by the Articles of Incorporation, these Bylaws or by any resolution of the Members that hereafter may be adopted in accordance with the provisions of these Bylaws. The foregoing grant of authority to the Board shall be interpreted in its broadest sense.

*Section 8. Specific Intent.* The Board shall manage the business affairs and social activities of the community. In its status as a Sanitary District, it shall prepare an appropriate budget while waiving the collection of member's fees and special assessments such as for roads. The Board shall also (a) develop and enforce rules and regulations for use of common areas and properties, (b) enforce restrictive covenants; (c) and maintain a community atmosphere consistent with the natural beauty of the mountain.

*Section 9. Meetings.* All Board meetings shall be conducted as described below:

(a) *Regular Meetings.* At least two Board meetings shall be held in a business year (July 1 thru June 30) at such time and place as shall be determined by the Board. Notice of regular meetings of the Board shall be given to each Director at least ten business days prior to the date named for such meeting.

(b) *Special Meetings.* The President may call special meetings of the Board with notice to each director by mail, telephone, fax, or email. The President or Secretary shall call special meetings of the Board on written or verbal request of at least two Directors. Notice of Special meetings of the Board shall be given to the directors with as much advance notice as practicable.

(c) *Organization Meeting.* An organization meeting shall be held immediately following the Annual meeting of the Association. The primary purpose of this meeting is the election of officers, as defined in Article V. Other organizational issues, such as the time, date and location of meetings, may also be decided.

(d) *Electronic Meetings.* Members of the Board may participate in any meeting of the Board by means of a telephone or video conference if all persons participating can communicate with each other.

(e) *Action without Meeting.* Any action by the Board required or permitted at any meeting may occur without a meeting if all Members of the Board consent in writing

to such action. Any such unanimous written consent shall be filed with the minutes of the Board's proceedings.

(f) *Executive Session.* The Board may convene in executive (closed) session upon the affirmative vote of a majority of the Board Members present in open session. Executive Sessions of the Board are limited to the following: legal issues, personnel matters, violations of covenants, or to discuss the personal liability of individual Members to the Association. No action agreed upon in Executive Session shall become effective until the Board votes on it in open meeting. The requirements of this section shall not require the disclosure of information in violation of any statute or law.

(g) *Work Session.* The Board may, from time to time, convene in work sessions for activities requiring a level of effort not available during Board meetings. No formal actions shall be taken at any Work Session. In order to maximize the Board's work product in these sessions, no participation by other Association Members will be permitted except at the pleasure of the Board.

(h) *Notification to Members.* Whenever possible, notices of meetings shall be given to all Members at least seventy-two hours before the meeting, either orally or in writing. Posting the notice on the community bulletin board shall constitute written notice.

## ARTICLE V OFFICERS

*Section 1. Enumeration of Officers.* These officers shall be president, vice president, secretary, treasurer and such other officers as the Board may establish by resolution. All officers shall have the duties normally incident to their respective offices in a Virginia non-stock corporation and such other or additional duties as shall be assigned by the Board.

*Section 2. Election of Officers.* The officers of the Association shall be elected by the Board at an organization meeting following each annual meeting of the Association and shall hold office at the pleasure of the Board.

*Section 3. Resignation of Officer.* Any officer may resign at any time by giving written notice to the Board President or Secretary. Such resignation shall take effect on the date of such notice or at any later time specified therein.

*Section 4. Removal of an Officer.* The Board of Directors has the authority to remove any Officer who is not a Member in Good Standing or neglects or refuses to perform the duties of that office.

*Section 5. Duties of the Officers are as follows:*

(a) The *President* shall be the chief executive officer of the Association and shall, for the benefit of the Members, promote improvements in procedures for managing or regulating the business of the Corporation. The President shall preside at all meetings of

the Board and all official meetings of the membership and shall, to the extent practicable, ensure that orders and resolutions of the Board are carried out.

(b) The *Vice President* shall act in the place of the president in the event of the President's absence, inability or refusal to act and shall exercise and discharge such other duties as may be required by the Board.

(c) The *Secretary* shall record the votes and keep in a book or cause to be so kept the minutes of all meetings and proceedings of the Association; keep the corporate seal of the Association and affix it on all papers requiring such seal; keep or cause to be kept appropriate current records showing the Members of the Association together with their addresses, and shall perform such other duties as required by the Board;

(d) The *Treasurer* shall receive and deposit or cause to receive and deposit in appropriate bank accounts all money for the Association and shall disburse such funds as directed by the Board. The Treasurer also shall provide guidance for and assist in the development of an annual budget. The Treasurer shall submit a report at each regular meeting of the Board and such report shall be part of the proceeds of that meeting. The Treasurer will also arrange for an annual independent audit of the Association's financial books and records as described in article IX section 4. The Treasurer shall submit the audit to the Board for review and approval, and shall make the approved audit available to members according to the provisions in Article IX, section 2. The Treasurer shall ensure that all taxes are filed and paid in timely fashion.

## ARTICLE VI COMMITTEES

*Section 1.* Committees may be created by the Board to assist it in carrying out its duties. The Board shall develop and review charters for each committee. Designated Committee chairpersons shall recruit participation by other Members, perform long range and short term planning, make recommendations to the Board, propose budgets if applicable, solicit bids for contracts if applicable, and be responsible for minutes of committee meetings and prepare reports to the Board at a frequency directed by the Board. The Board may dissolve a committee when, in the Board's view, the committee no longer serves a useful function.

*Section 2.* Committees shall present their recommendations to the Board. The Board shall debate them in open forum, and Committee members shall participate in the debate to explain the rationale behind their recommendations.

## ARTICLE VII MEMBERS' POWER TO AMEND

*Section 1.* Proposed Changes to the Bylaws may be originated by either the Board or by Members at a special meeting called for that purpose, as provided in Article III, Section III.

*Section 2.* Proposed By-laws changes and notice of special meetings must be submitted by the Board to the Members by mail within sixty days following the Board meeting where the changes are recommended

*Section 3.* Changes to the bylaws shall require an affirmative vote of the members in accordance with Article III and in particular with Sections 6, 7 & 8 thereof except that any by law change will require a 2/3 majority of those voting.

## ARTICLE VIII AGREEMENTS, CONTRACTS, CHECKS, DEEDS AND GIFTS

*Section 1. Agreements, Contracts, Deeds.* In addition to the officers so authorized by these By-laws, the Board may appoint and authorize officer(s) or agent(s) of the Association to enter into a contract or to execute and deliver an instrument in the name of and on behalf of the Association, and such authority may be general or confined to specific instances.

*Section 2. Checks.* All checks and other instruments of the Association for expenditures or obligations in excess of two hundred dollars (\$200) shall be executed by any two officers of the Association, or by such other persons as may be designated by the Board. All such instruments for expenditures or obligations of two hundred dollars (\$200) or less may be executed by any officer of the Association (generally the Treasurer) or by such other person as may be designated by the Board.

*Section 3. Gifts.* The Board may accept on behalf of the Association any contribution, gift, bequest, or devise for general purposes or any special purpose of the Association.

## ARTICLE IX ACCOUNTS, BOOKS AND RECORDS

*Section 1. Accounts, Books and Records.* Financial Accounts, Books and Records of the Association shall be kept in accordance with generally accepted accounting practices. These shall include detailed accounts, in chronological order, of the receipts and expenditures of the Association and its administration, and shall specify expenses incurred. Accurate Records must be maintained on Members; Lots; Assets; Common Facilities; Properties and Resources.

*Section 2. Inspection.* The accounts, books and records of the Association shall be available for examination and copying by the Members at their own expense and/or their duly authorized agents or attorneys, upon reasonable notice, during normal business hours.

*Section 3. Documents.* Copies of the Declaration, Articles of Incorporation and Bylaws may be purchased from the Association at a reasonable cost as from time to time may be established by the Board.

*Section 4. Reviews.* The Association shall have an audit of all books and records of the Association prepared at least once for each fiscal year of the Association by a Certified Public Accountant (CPA) employed by the Board (see also Article V, section 5d). Such CPA shall not be an occupant of any High Knob property or a Member of the Association. In addition, any Member, at the sole expense of such Member, may cause the books and records of the Association to be audited, during normal business hours and upon reasonable notice, by an independent CPA. The member shall be liable for any administrative expenses incurred by the Association.

*Section 5. Fiscal Year Reports.* The fiscal year of the Association shall be the twelve calendar month period ending June 30 each year. An annual budget and statement of income and expenditures shall be prepared and distributed to each Member of the Association within 90 days after the end of each fiscal year.

## ARTICLE X DISCIPLINE PROCEDURES

*Section 1.* A Member is not in Good Standing if he or she does not meet the requirements for such status defined in Article II, Section 12. The Member shall be given the reasonable opportunity to take corrective action or petition for a hearing before the Board on a specified date. The voting rights of a Member not in Good Standing will be suspended pending his or her reestablishment as a “Member in Good Standing.” Until such time, the Board may suspend the right to use the Common Facilities (except the roads and water system); to seek restitution, and to take any necessary legal action.

*Section 2.* Any Member determined by the Directors to be in violation of any of the published rules and regulations shall be notified in writing of the alleged infraction by the Board in a timely manner. The Member will be given the opportunity to take corrective action and to have a hearing on a specified date. The Board may suspend the right to the use of the Common Facilities (except roads and the water system), of any Member charged under this section for a period of 30 days, and shall be entitled to seek restitution and take necessary legal action.

*Section 3.* High Knob Owners Association, Inc. (HKOAI) is the owner of the roads throughout the High Knob subdivision. As the owner, HKOAI has a duty to provide a means of ingress and egress to the members of HKOAI, namely the individual lot owners. In connection with its duty to maintain the roads for the benefit of its members, HKOAI has the authority to close the roads to all vehicles weighing in excess of five (5) tons when it is determined by HKOAI or its designee that the road conditions are such that the roads cannot adequately withstand the weight of such heavy vehicles without causing damage to the roads.

In order to monitor the condition of the High Knob roads as to the need for closing under this section, HKOAI or its designee shall cause to be installed temperature probes at the

edge of the roadbed at 4” and 12” in the ground at the Clubhouse and at the Paved Road Reservoir (located just above Greenfield Road).

For the purposes of this section, the following criteria shall be used by HKOAI or its designee to close and reopen the roads after a period of an extended freeze and thawing, such determination shall be made by the following means:

- (a) For the purposes of this section, an extended freeze shall be defined as both probes recording a temperature of 32° Fahrenheit or less for five (5) consecutive days.
- (b) After a freeze when there is a thaw indicated by 4” probe greater than 32° while the 12” probe remains at 32° or below. The roads will be closed until either:
  - a. both probes read 32° or below
  - b. both probes read 33° or above
- (c) Any decision by HKOAI or its designee to close the roads shall be made at least eighteen (18) hours in advance of the closing and shall be posted on the HKOAI website at HKOAI.org and on the HKOAI telephone answering machine.

Emergency vehicles and necessary vehicles as determined by HKOAI are exempt from this restriction.

Any member, their agents or other individuals or organizations that violate this limitation will be civilly assessed \$500.00 per individual incident as liquidated damages for not directly computable losses and expenses of damage and determining extent of damages to the association’s property plus any directly computable cost of repairing ensuing damages. If legal action is required to collect from anyone charged under this article, then the responsible party(s) will also be liable to High Knob Owners Association, Inc. for any and all costs, including attorney’s fees and court costs, for the collection of such charge(s).

This bylaw does not restrict access to their property by any member or their agents as they can go to their property in vehicles weighing less than five (5) tons. Any vehicle weighing more than five (5) tons will be considered trespassing on High Knob property and the driver will be subject to prosecution for said trespass.

## ARTICLE XI

## FISCAL MANAGEMENT

*Section 1. Fiscal Year.* The fiscal year of the Association shall be a twelve month period commencing July 1 of each year and terminating on June 30 of the following year.

*Section 2. Determination of Expenses.* Each year before the first day of June, or as soon as practicable thereafter, the Board shall adopt a budget for the Association for the upcoming year.

*Section 3. Carryover of Unused Funds.* The Association shall not be obligated to spend in any fiscal year all the sums collected in such year and may carry forward as surplus any remaining balance.

*Section 4. Purchase, Divestiture, or Exchange.* Any purchase, divestiture, or exchange of any real property shall not be concluded without the approval of the Membership.

*Section 5. Effect of Failure to Prepare or Adopt Budget.* The failure or delay of the Board to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of any Member's obligation to pay assessments for Common Expenses as provided in this Article. In the absence of any annual budget, all Members shall continue to pay assessments for Common Expenses at the rates established for the previous fiscal year.

*Section 6. Assessments for Association and Roads Expenses.*

(a) Each member shall be obligated to pay annual assessments, special assessments (if any) and road assessments.

(b) Annual assessments are for the Common Expenses and may not be increased or decreased without a vote of the members.

(c) Special assessments may be levied by a vote of the Members as provided for in these Bylaws for a defined purpose and time period.

(d) Road assessments are levied in accordance with the Covenants.

(e) This section is waived as long as the High Knob Subdivision is a Sanitary District.

## ARTICLE XII LIABILITY

*Section 1. Indemnification.* The officers and the members of the Board of the Association, in consideration of their services to the Association, shall not be liable to Members for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or gross negligence. The Members and the Association hereby indemnify and hold harmless each of the officers and Directors from and against all liability arising out of contracts made or other action taken or failure to act by the Officers or the Board of Directors on behalf of the Members or the Association to the full

extent permitted under law. This indemnification shall also apply to any person authorized by the Board acting in any authorized capacity on behalf of the Association.

*Section 2. Liability.* The officers and the members of the Board of Directors of the Association shall not be liable for any failure of utility services or other services obtained by the Association or paid for as a Common Expense, or for injury or damages to any person or property caused by the elements, by any Member, or by any other person, or resulting from electricity, water, snow or ice which may leak or flow from any portion of the Common Areas or from any pipe, drain, conduit or equipment; provided, nothing herein shall be deemed to limit the scope of the insurance coverage required to be maintained by the Association pursuant to the provisions of Section 3 of this Article.

*Section 3. Insurance.* The following insurance coverage will be maintained:

(a) *Physical Damage Insurance.* The Board shall obtain and maintain a blanket all-risk policy of physical damage insurance, with extended coverage, insuring the Common Areas in an amount equal to one hundred percent (100%) of the full replacement value of the Common Areas based on the current replacement cost (exclusive of the land and other items normally excluded from such coverage), without deduction for depreciation. The amount of coverage shall be reviewed annually by the Board with the assistance of the insurance company affording such coverage, and such coverage shall be redetermined when and as the Board deems advisable. A certificate of insurance or a true and certified copy of the policy of physical damage insurance, all renewals thereof, and any sub-policies or certificates and endorsements issued thereunder, together with proof of payment of premiums shall be delivered by the insurer to the Association.

(b) *Liability Insurance.* The Board of Directors shall obtain and maintain comprehensive general public liability insurance in such limits as the Board of Directors may determine in accordance with this paragraph, insuring each member of the Board of Directors, the Association and each Owner against any liability to the public or to the Owners (and their invitees, agents and employees) arising out of or incident to the ownership and/or use of the Common Areas. Such insurance shall be issued on a comprehensive liability basis and shall contain: (i) libel, slander, false arrest and other personal injury offenses; (ii) medical payments coverage; (iii) a cross liability endorsement under which the rights of a person insured under the policy shall not be prejudiced with respect to that person's action against another person insured by the policy; (iv) coverage for water damage liability; and (v) a Severability of interest. Endorsement which shall preclude the insurer from denying liability to an Owner because of negligent acts of the Board of Directors, the Association or of another Owner. The Board of Directors shall review such limits once each year, but in no event shall such insurance be written in an amount less than One Million Dollars (\$1,000,000.00) covering all claims for bodily injury or property damage arising out of one occurrence. Additional amounts of umbrella liability insurance in excess of the primary limits also may be obtained at the discretion of the Board of Directors.

(c) *Directors and Officers Liability Insurance.* This is liability coverage and fidelity bond coverage to protect against wrongful and dishonest acts on the part of officers, directors and employees of the Association and all others who handle, or are responsible for handling, funds of the Association. Fidelity bonds shall: (i) name the

Association as an obligee; and (ii) contain waivers of any defense based upon the exclusion of persons who serve without compensation from any definition of employee or similar expression.

(d) *General Liability, Property (building contents), and Automobile Insurance* will also be maintained.

(e) Such other insurance as the Board may determine, or as may be required by law.

*Section 4. Board of Directors as Agent.* The Board hereby is irrevocably appointed the agent for each Member to adjust and settle all claims arising under insurance policies maintained by the Association and to execute and deliver releases upon the payment of claims

*Section 5. Repair and Reconstruction after Fire or Other Casualty.* Unless otherwise provided by law, in the event of fire damage or other casualty to common areas, the Board may arrange for and supervise the prompt repair and restoration of such Common Areas.

## ARTICLE XII WATER

*Section 1. Water System.* High Knob Utilities, Inc., (HKUI) is a wholly owned subsidiary of this Association that operates and manages the water system that provides water service for the High Knob subdivision.