

EXHIBIT I
DECLARATION OF COVENANTS AND RESTRICTIONS
PROTECTIVE COVENANTS

1. Application. These Protective Covenants shall apply to all of the Properties as provided in the Declaration. They shall also apply to additions to the Properties unless the Club shall specifically except from these Protective Covenants such additions or a portion thereof in the Supplemental Declaration by which the Club subjects such additions to this Declaration.

2. Architectural Control Committee. When the Architectural Control Committee, hereafter referred to as A.C.C., is referred to in these Protective Covenants, it shall mean the Architectural Control Committee appointed by the Board of Directors of the Club pursuant to Article XII of the Declaration.

3. Amendment, Rescission or Additions. The Club may amend, rescind or add to the Protective Covenants from time to time, but unless the Lots are specifically exempted from the Protective Covenants by the Declaration or a Supplemental Declaration at the time the Lots are subjected to the plan of the Declaration, such Amendment, Rescission or Addition shall not make the Protective Covenants as to those Lots zoned as residential less restrictive than as provided in the Federal Housing Administrations' then current edition of "Minimum Property Standard for Single Living Units."

4. Zoning. Residential lots within the Covenants and Restrictions shall be used solely for residential purposes, except in the circumstance, with the recommendation of the Architectural Control Committee (A.C.C.) and approval of the Board of Directors of the Fairfield Bay Community Club, Inc., and the City of Fairfield Bay Zoning Commission, that the lot(s) be used for non-profit, civic, religious, educational, multi-family, or community purposes, such as churches, schools, fire and police stations, community buildings, townhouses, libraries and parks.

Lots may be used for commercial purposes should the Board of Directors grant a variance for this purpose by an affirmative vote of the majority of the Board. The procedure to be followed in granting a variance shall be as follows:

(A) Thirty days prior to considering the variance, the party proposing the variance shall send formal notices to all affected property owners within one block of the proposed commercial site. Additionally, the proposed variance shall be published in the newspaper for three consecutive weeks leading up to the meeting. The meeting shall be conducted as an open forum, with those present allow to voice objection or approval for the proposed variance. After a reasonable time for the public to voice opinions, the Board shall take a vote regarding the proposed ordinance.

(B) Within thirty days of the vote regarding the proposed ordinance, an aggrieved party may appeal the Board action for further consideration of the Board. An aggrieved party is either a sponsor of the proposed variance, or a property owner who can demonstrate economic impact on real property owned in proximity to the proposed lot which is the subject of the ordinance. Once an appeal is filed, the Board will schedule a hearing on the appeal, to take place within ninety (90) days of the receipt of the appeal. The hearing will be run as an evidentiary administrative hearing, with all represented parties allowed to present witness testimony and exhibits and make arguments regarding the proposal. After the conclusion of the hearing, the Board will take a vote regarding the proposed variance. The measure must have the affirmative vote of a majority of the Board. The vote of the Board on appeal is final.

5. Resubdivision. No Lot shall be re-subdivided or replatted except upon payment of appropriate fees and written approval of the A.C.C., the Community Club Board, the City Planning Commission and the City Council.

6. Temporary Structures. No structure of a temporary character, trailer, basement, tent, shack, garage, or other outbuilding shall be used on any Lot at any time as a residence either temporarily or permanently, except that which complies with the city zoning and building codes.

7. Setbacks.

(A) Residential. No building shall be placed closer to the roads and streets than a setback line shown on a recorded subdivision plat or that required by city ordinance.

8. Land near Lakes, Water Courses, Golf Courses, Permanent Parks, Permanent Recreational Plots. No building shall be placed nor shall any material or refuse be placed or stored upon any Lot or other Parcel of Land within twenty (20) feet of the property line of any lake or within twenty (20) feet of the edge of any open water

course, or within twenty (20) feet of the property line of any golf course, permanent park or permanent recreational plot. Clean fill may be placed nearer to the property line of a lake or the edge of an open water course in the event the written permission of the A.C.C. is first obtained. On Greers Ferry Lake, the Corps of Engineers is the only authority to permit boat docks or boat houses. The decision of the A.C.C. as to the permission aforesaid shall be subject to appeal process as contained in the Covenants and Restrictions.

9. Time for Completion of Buildings. Commercial structures, Single Family Attached structures, and Multifamily structures shall be completed according to plans and specification both as to exterior and interior within such time as shall be fixed by the A.C.C. when the plans and specifications for the particular structure are approved by the A.C.C. The following shall apply to the construction of a Single Family Detached structure as well garage and outbuildings permitted:

(A) The exterior of any Single Family Detached structure, garage, or outbuildings permitted shall be erected upon or moved upon any Lot of the Properties covered by these Protective Covenants shall be entirely completed and finished within twelve (12) months of the date of the start of construction.

(B) The interior of any Single Family Detached structure, garage or outbuildings permitted, which shall be erected upon or moved upon a Lot of the Properties covered by these Protective Covenants shall be completely finished within a reasonable time following the start of construction.

10. Sewage Disposal. No privately-owned sewage disposal system shall be permitted upon any Lot or Parcel of Land of the Properties covered by these Protective Covenants unless such system is designed, located and constructed in accordance with the requirements, standards and recommendations of the State Health Department and approved by the Club's Wastewater Department.

11. Water Supply. No privately-owned water system shall be permitted upon any Lot or Parcel of Land of the Properties covered by these Protective Covenants unless such water supply is approved by the A.C.C..

12. Easements. Easements for installation and maintenance of utilities and drainage facilities are reserved in the Declaration and will be reserved in any supplemental Declaration and may also be reserved as indicated upon any recorded subdivision plat of the Properties. Within these easements, no structure, planting or other material shall be placed or permitted to remain which may damage or interfere with the installation and maintenance of utilities, or which may change the direction of flow of drainage channels within the easements, or which may obstruct or retard the flow of water through drainage channels within the easements. The easement area of each Lot and all improvements in it shall be maintained continuously by the Owner of the Lot, except for those improvements for which the Club, a public authority or utility company is responsible.

13. Nuisances. No obnoxious or offensive activity shall be carried on upon any Lot or Parcel of Land of the Properties. All outdoor furnaces maintained on Lots shall be approved and permits obtained from A.C.C.

14. Clearance of Empty Lot. On an empty lot, prior to preparation for construction, only underbrush, small trees up to four inches (4") in diameter and tree limbs up to seven feet (7') above the ground, may be removed. Dead trees, diseased or damaged trees of any size may be removed at any time by the property owner. If the stump is left, it is to be cut even with and parallel to the ground. All logs, limbs and branches must be removed from the lot. Disposing of logs, limbs and branches on the property of another, without written consent of the owners of such property, is prohibited.

The practice known as "tree-topping" on empty or unimproved lots is prohibited, unless the lot owner or agent (authorized in writing by lot owner) performs the "tree-topping" in accordance with protective covenants.

15. Select Harvest of Timber on Common Areas. The Declaration of Covenants and Restrictions and Protective Covenants shall be interpreted to allow for the select removal of timber on common areas. The Architectural Control Community is authorized to permit, upon application, tree-removal on common property to improve views of natural landmarks of property owners. The applicant must establish that the proposed removal of timber will reasonably improve the aesthetic value of the applicant's property, in order to obtain the approval of the A.C.C. The proposed removal of timber also must not be unreasonably detrimental to affected property owners.

16. Oil, Gas, Mining and Logging Operations. Except as provided herein no oil or gas drilling, oil or gas development operations, oil refining, quarrying, mining or logging operations of any kind shall be permitted upon or in any Lot or Parcel of Land of the Properties, nor shall oil or gas wells, tanks, tunnels, mineral excavations or shafts be permitted upon or in any Lot or Parcel of Land. No derrick or other structure designed for the use of boring for oil or natural gas shall be erected, maintained or permitted upon any Lot or Parcel of Land.

Notwithstanding the foregoing provision, or any similar restriction within the Declaration of Covenants and Restrictions or Bylaws, or notwithstanding any resolution or action of the Fairfield Bay Community Club prohibiting or restricting such activity, said restrictions and prohibitions shall not apply where the City of Fairfield Bay has issued an Oil and Gas Permit pursuant to Oil and Gas Ordinance No. 2008-15 of the Municipal Code of Fairfield Bay, or any successor, amendment, or replacement to said ordinance, and followed all procedures and provisions set forth therein, allowing for oil and gas exploration and development within the lands defined in these Covenants and Restrictions

17. Supplements Covenants. Supplemental Covenants and Bills of Assurance for specific areas within the properties are permitted except in such ways as they conflict with these Protective Covenants.

18. Conflict with Declaration. When this Declaration is in conflict with another regulation, law or standard that is lawfully enacted, and the standards of this Declaration are more restrictive or impose higher standards, then the requirements of the Declaration shall govern.

19. Enforcement. These Protective Covenants shall be enforced as provided in this Declaration of which the Protective Covenants are a part. That if Members, Lot Owners, or parcel landowners violate the Covenants and restrictions and rules and regulation of the A.C.C., then they shall be subject to suspension of membership and voting rights in the Club.