

FAIRFIELD BAY
VAN BUREN AND CLEBURNE COUNTIES, ARKANSAS

THIRD AMENDED AND RESTATED
DECLARATION OF COVENANTS AND RESTRICTIONS

DATED: 1993

CONFORMED DECLARATION OF COVENANTS AND RESTRICTIONS
as of February, 2009

THIS Third Amended and Restated Declaration of Covenants and Restrictions hereinafter referred to as Covenants and Restrictions, is made by and among, Fairfield Bay Community Club, Inc., hereinafter referred to as Club and Fairfield Communities, Inc., a Delaware Corporation, also known as Fairfield Communities Land Company, hereinafter referred to as FCI.

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, FCI is developing said lands as part of a common master plan of development and may add other lands to said development as provided under Article II.

WHEREAS, Fairfield Bay Community Club, Inc., hereinafter referred to as Club, desires to maintain and provide for the preservation of property values in Fairfield Bay and for the maintenance of streets, lakes, golf course, playgrounds, parks and other recreational and common facilities, which have been built, and additions as may hereinafter be made to the Property, in accordance with the provisions of Article II, to the covenants, restrictions, easements, liens and charges hereinafter set forth for the benefit of said Property and each Owner thereof.

WHEREAS, Fairfield Bay Community Club, Inc., a non-profit corporation, organized and existing under and by virtue of the laws of the State of Arkansas, with its principal office located in Fairfield Bay, Van Buren County, Arkansas, as part of this Declaration, intends to bind itself to perform certain functions as herein set forth, and to exercise the independent powers and duties as set forth herein.

WHEREAS, these Covenants and Restrictions constitute an amendment to the prior existing Covenants and Restrictions, approval whereof having been obtained by affirmative majority vote of the votes cast by the voting members of the Club at a meeting held for such purpose on the 17th day of September, 1993, all pursuant to the provisions of Article XV, Section 5, Amendments, of the then applicable Covenants and Restrictions, and the Club and FCI having joined in the execution hereof.

NOW, THEREFORE, Fairfield Bay Community Club, Inc., by consent of the required Members, and FCI agree to and do impose the following Third Amended and Restated Covenants and Restrictions for the real property described in Article II and such authorized additions heretofore made and as may hereafter be made, which real property is and shall be held, transferred, sold, conveyed and occupied, subject at all times to the covenants, restrictions, easements, liens and charges (collectively referred to as "Covenants and Restrictions") hereinafter set forth.

ARTICLE I
DEFINITIONS

The following words, when used in this Declaration or any supplement hereto, or upon the plat of any Properties described in Article II or any plats heretofore or hereafter made subject to the provisions of this Declaration as provided in Article II, shall have the following meanings:

(A) "Assessments" shall include "Dues" and "User Fees". "Assessment" shall refer to any special capital improvement or regular charge which the Club may impose on its membership in accordance with its Charter, By-laws and these Covenants and Restrictions.

(B) "Board of Directors" or "Board" shall mean and refer to the governing body of the Club elected by the Club Members as defined in the Club By-laws.

(C) "Charter Member" shall mean every Lot Owner or assignee of said Lot, which Lot was originally purchased from or regarding which Lot a contract was entered into with FCI on or before April 20, 1970, who continued such membership in accordance with the Covenants and Restrictions and By-laws.

(D) "Club" shall mean and refer to Fairfield Bay Community Club, Inc., its subsidiaries, successors and assigns.

(E) "Commercial Lot" shall mean and refer to any Lot, tract, or Parcel of Land so designated upon any recorded subdivision plat of the Properties, or as may be so designated by this Declaration.

(F) "Commercial Member" shall mean and refer to any person or entity who chooses to be a member and after the adoption of this Third Amendment of the Covenants and Restrictions, becomes an owner or enters into a contract to buy a Commercial Lot, tract, or Parcel of Land if construction has commenced or if the Lot, tract, or parcel of Land is being used for commercial purposes or any person or entity who becomes the operator of a commercial business in Fairfield Bay.

(G) "Common Property" shall mean and refer to those areas so designated upon any recorded subdivision plat of the Properties made a part of these Covenants and Restrictions which are intended to be devoted to the common use and enjoyment of Owners of the Properties and shall also mean and refer to any improvements or area designated by: (i) Developer as Common Property on future plats and approved in writing on said plat by Club and recorded in appropriate county offices by developer, (ii) or by Club out of Property that it owns. Common Properties may include, but are not limited to, such Properties as Roads and Streets, sewer and water systems, lakes, golf courses, tennis courts, swimming pools, marinas, permanent parks, and permanent recreational plots except the Mountain Ranch golf course and its related facilities have never been and are not currently part of the Common Properties.

(H) "Developer" shall mean any person or legal entity owning real estate primarily for development and resale, which realty is subject to this Third Amendment of the Covenants and Restrictions or who seeks to subject Real Estate to these Restated Covenants and Restrictions. The Developer of the Properties is currently Fairfield Communities, Inc.

(I) "Developer Membership" shall be granted to each Developer upon the terms and conditions provided in the Developer Agreement, which shall include reasonably detailed plans with time lines for beginning and ending development. Developer membership is not transferable without the written approval of the Board of Directors. That said "Developer Membership" may allow on-site employees of said Developer use of the facilities as a Regular Member, however, such membership carries no rights to vote by the employee or the Developer. Developer shall designate and provide the Club with requested information on said employees of the Developer upon the terms and conditions as provided in a Separate Agreement.

(J) "Dues" shall mean, refer to, and include charges by the Club for membership.

(K) "FCI" shall refer to Fairfield Communities, Inc., its successors and assigns, formerly known as Fairfield Communities Land Company, a Delaware corporation and FCI shall be included within the definition of Developer as found herein.

(L) "Guest Membership" shall mean and refer to the temporary membership in which the person or entity pays a fee to the Club for use of amenities for a temporary time period. Guest Memberships may be issued to visitors, convention participants, or other groups as set forth by the Board for temporary periods upon the terms, conditions and restrictions and subject to such Assessment as the Board may, from time to time, prescribe or promulgate. Guest Memberships are temporary in nature and do not provide voting rights.

(M) "Interval Ownership" shall mean a concept whereby Lot(s) or Living Unit(s) are conveyed for periods of time, the Owner receiving a stated time period for a period of years together with a remainder over in

fee simple as tenants in common with all other Owners in each particular Lot or Living Unit from the date and under such conditions as may be provided in the Declaration creating such Interval Ownership. The above term shall also include such Interval Owners or contract purchasers who have assigned their use rights into a trust in exchange for the right to utilize flexible time periods pursuant to agreed reservation rights or through purchase of undivided interests or other timeshare plan interests or other vacation club interests.

(N) "Limited Club Membership" shall mean and refer to memberships in the Club issued to persons or entities who may own no property subject to these Declarations. Limited Club Memberships shall have no right to vote and may be issued to persons or other entities as set forth by the Board for a period of time not to exceed one year, upon such terms, conditions and restrictions and subject to Assessments as the Board may, from time to time, prescribe or promulgate. Such memberships shall be voluntary and the Member or the Club may terminate such membership at any time.

(O) "Limited Common Properties" shall mean and refer to those areas of lands so designated upon any recorded subdivision plat of the Properties intended to be devoted to the common use and enjoyment of the Owners of specifically designated Properties.

(P) "Living Unit" shall mean and refer to any portion of a building situated upon the Properties designed and intended for use and occupancy as a residence by a single family, or by Interval Owner(s) where Developer has dedicated the Living Unit to Interval Ownership.

(Q) "Lot" shall be the numbered Lots in the numbered blocks as shown on any recorded subdivision plat of the Properties. Lot shall also be interpreted to include a Living Unit including a Living Unit that is subdivided for Interval Ownership as may be reflected upon any recorded subdivision plat and/or Declaration of Covenants and Restrictions including Declaration of Interval Ownership and/or Supplemental Declarations filed of record. All Owners of intervals within a Lot or Living Unit shall be considered as co-Owners of said Lot or Living Unit.

(R) "Member" shall mean and refer to all persons or entities who are Members of the Club as provided in Article III hereof.

(S) "Member in Good Standing" shall mean and refer to persons or entities who are Members of the Club as provided in Article III hereof and have all Assessments, Dues and User Fees paid current, and membership has not been suspended for violation of rules as set forth by the Board of Directors. If a member has multiple Lots, Living Units, or memberships, then said member shall be current on all assessments, dues and user fees on all the multiple Lots, Living Units or ownership interests giving rise to membership to be considered a member in good standing.

(T) "Multifamily Structure" shall mean and refer to any building containing two or more Living Units located on a single Parcel of Land.

(U) "Owner" shall mean and refer to the record Owner of a Parcel of Land, including the Developer, whether one or more persons or entities, of the fee simple title to any Lot or Living Unit situated upon the Properties or contract purchaser under outstanding contract. All Owners of intervals located within a Lot or Living Unit shall be considered as co-Owners of said Lot or Living Unit.

(V) "Parcel of Land" may be less than a Lot, a single Lot, more than a Lot, or several Lots, or a plot of land described by a metes and bounds description.

(W) "Property" or "Properties" shall mean and include all Properties that are subject to this Declaration, including all additional lands which may hereafter become subject to the Declaration in any manner provided in Article II.

(X) "Regular Member" shall refer to every person who owns at least an undivided one-half interest in fee simple or outstanding contract interest in any Lot or Living Unit sold after April 20, 1970. If the ownership of a Lot or Living Unit is so divided that no person owns as much as an undivided one-half interest, then the majority of the co-Owners may designate not more than two (2) of the co-Owners to be Members of the Club for such Lot or Living Unit. There shall be one (1) vote for each Lot or Living Unit where said Lot or Living Unit Members are in good standing and if there is more than one Owner, then the co-Owners must designate the Member who is entitled to vote.

(Y) "Reserved Property" or "Reserved Properties" shall mean and refer to those areas of land designated on any recorded subdivision plat of the Properties as "Reserved Properties" and to any other area included within the perimeter of any recorded plat and not identified thereon as Common Property or as platted Lots or dedicated Roads and Streets or Utility Easements.

(Z) "Roads and Streets" shall mean and refer to every way of passage by vehicle, whether or not dedicated to Owners exclusively or to the general public, and whether or not known by the name "road, street, avenue, place, lane" or other name. The designation shall not mean private driveways.

(AA) "Single Family Attached" shall mean and refer to any building containing one or more Living Units attached, but each Living Unit located on a separate Parcel of Land.

(BB) "Single Family Detached" shall mean and refer to any building intended for use as a Living Unit and not attached to any other building.

(CC) "Special Agreement" shall mean an agreement entered with a Developer setting forth the obligations and rights applicable between only that Developer and the Club involving Property to be subject to this Declaration. The Special Agreement shall not alter the rights, obligations or provisions of these Covenants and Restrictions, but are additional provisions applicable to a particular Developer or Owner and its successors and assigns. The Special Agreement shall be kept in the offices of the Community Club and be subject to review by members in good standing during normal working hours of the Club's offices. The minimum conditions, standards, and requirements of the Special Agreement must be consistent with the standards for Fairfield Bay.

(DD) "User Fees" shall mean charges by the Club for specific services or use of facilities including roads and streets.

(EE) "Utility Easement" shall mean and refer to those areas of land designated on any recorded subdivision plat of the Properties as "Utility Easements," or as may be provided in or by this Declaration, or any Supplemental Declaration.

ARTICLE II
PROPERTY SUBJECT TO THIS DECLARATION;
ADDITIONS THERETO

Section 1. Properties. The real property, which shall be referred to herein as "Article II, Section 1, Properties" and which is and shall be held, transferred, sold, conveyed and occupied subject to this Declaration except where otherwise provided, is situated in the Counties of Cleburne and Van Buren, State of Arkansas, and is described as follows: (All filing references refer to the offices of the Recorder, Cleburne and Van Buren County, Arkansas.)

CLEBURNE COUNTY:

Castle Ridge:	Plat Books C and F.
Indian Hills:	Plat Books B, C and F.
East Ridge Heights:	Plat Book F.
Enchanted Peninsula:	Plat Book E.
Grand Isle:	Plat Book F.

VAN BUREN COUNTY:

Brentwood:	Plats filed in Plat Book 5, Pages 45, 54, 55, 65, 66, and 74.
Castle Ridge:	Plat filed in Plat Book 3, Page 46 and Book 5, Pages 36, 68 and 69.
Chelsea Glade:	Plats filed in Plat Book 2, Pages 4, 9, 10, 11, 13, 14, 15, 16, 18, 19, 21, 24, 26, 27, 28, 42, 43, and 54; Book 4, Page 8, 18, 76, and Plat Book 5, Page 28.
Cliffside:	Plats filed in Plat Book 4, Pages 22, 50, 62, 68, 77, 80.
Country Club Ridge:	Plats filed in Plat Book 5, Pages 23, 31, 38, 64, 77 and Book 6, Page 24.
Crestwood Estates:	Book 7, page 172.
Eagle Ridge:	Plat filed in Plat Book 5, Page 26.
Enchanted Peninsula:	Plat filed in Plat Book 7, Pages 13 and 17.
Fair Oaks:	Plat filed in Plat Book 5, Page 73 and 78.
Fairways:	Plats filed in Plat Book 4, Page 79, and Book 5, Pages 6, 7, 9, 10, 13 and 17.
Glenview:	Plats filed in Plat Book 2, Pages 65 and 68; and Plats filed in Plat Book 2, Pages 51, 52, 59, 76, 80 and Plat Book 6, Pages 1 and 8.
Hamilton Cove:	Plats filed in Plat Book 5, Pages 51, 52, 59, 76, 80 and Book 6, Pages 1 and 8.
Hamilton Hills Addition:	Plats filed in Plat Book 1, Page 13 and Book 2, Pages 12, 22, 30 and 45.
Hamilton Point Estates:	Plat filed in Survey Book G, page 659.
Harbour Estates:	Book 95, page 3917.
Indian Hills:	Plats filed in Plat Book 2, Pages 31, 32, 33, 34, 37, 38, 44, 47, 64, 72, 98; Book 3, Page 4; Book 4, Pages 54, 55, 56 and Book 5, Page 70.
Indian Rock Village:	Book 5, page 81
Lakeview Addition:	Plats filed in Plat Book 1, Pages 8-A, 10-A, 22-A, 33, 34, 36, 40, 41, 45, 45-A, 46, 47, 49, 49-A, 50, 51, 52, and 53; Book 5, Page 14.
Lakewood Addition:	Plat Book 1, Pages 6-A, 8-A, 15-A, 16-A, 17-A, 24-A, 25-A, 26-A, 27-A, 28-A, 33-A, 37-A, 38-A, 40-A, 41-A, 42-A, 44-A, 46-A, and Book 2, Pages 1, 2, 3, 6, 7, 8, 20, 29, 36, 48 and 49; Book 3, Page 21 and Book 4, Page 34.

- Lakewood Hills: Plats filed in Plat Book 2, Pages 63, 73, 75, 81; Book 3, Pages 20 and 25; Book 4, Page 38.
- Meraz Subdivision: Book 7, page 64.
- Mountain Meadows: Plat filed in Plat Book 5, Page 24.
- Mountain Ranch: Plats filed in Plat Book 3, Pages 85, 86, 87; Book 4, Pages 32 and 53; and Book 5, Pages 47, 48 and 67.
- Mountain Ridge: Plats filed in Plat Book 5, Pages 32, 34, 41, 44, 57 and 72.
- Northwood Hills: Plats filed in Plat Book 2, Pages 70 and 71; Book 3, Page 28; and Plat Book 4, Page 23.
- Oak Ridge: Plat Book 2, Pages 89, 90, 91, and 92 and Book 5, Page 29.
- Oak Ridge Estates: Plat filed in Plat Book 6, Page 12.
- Oakview Addition: Plat filed in Plat Book 1, Page 36-A.
- Summerhill: Plat filed in Plat Book 5, Pages 35 and 37.
- Summer Hill Place: Plats filed in Plat Book 5, Pages 30, 39, 40, and 50.
- Tennis Chalets: Plat filed in Plat Book 3, Page 24 and Book 4, Page 7.
- Terraces: Plats filed in Plat Book 4, Pages 16, 57, and 87 and Book 5, Pages 8 and 15.
- The Greens: Plat filed in Plat Book 6, Pages 19 and 22.
- The Retreat at Grand Isle: Drawer.
- Winchell Subdivision:

Part of the Northeast quarter of the Northeast Quarter (Pt. NE 1/4 NE 1/4), Section Three (3), Township Eleven (11) North, Range Twelve (12) West, described as: Beginning at the Southwest corner of said NE 1/4 NE 1/4 and run thence North 00 degree 01 minutes East 370.00 feet to a point on the westerly right of way of county road, thence along and with said right of way of county road South 31 degrees 03 minutes East 256.30 feet to a point, thence continuing along said right of way line South 27 degrees 12 minutes East 170.00 feet to a point on the South line of said NE 1/4 NE 1/4, thence North 89 degrees 47 minutes West 210.00 feet to the point of beginning, containing 1 acres, more or less.

The property subject to this Declaration shall also include all properties that have been added by Supplemental Declarations subsequent to April 20, 1970 up and to and including the date of recording of these Restated Covenants and Restrictions, except as may be provided to the contrary in any supplemental declaration.

After the effective date of the Third Amendment, the Reserved Property and any of the property identified on Exhibit A attached hereto shall not be considered part of the Properties until such time as all or

any portion of the Reserved Property or the property identified on Exhibit A attached hereto has been subdivided or otherwise developed or improved. Any and all such Reserved and Exhibit A property shall be subjected to this Declaration at such time as the Owner of such property shall subdivide or otherwise develop or improve the property. In no event shall the Developer be subject to Assessments for the Reserved or Exhibit A property nor shall Developer be given a right to vote thereon. Thereafter, when any Lot, Living Unit, Interval Ownership or Commercial Lot, tract or Parcel of Land, formally a part of the Reserved or Exhibit A property is sold and/or conveyed or becomes subject to contract of sale to a third party non-Developer purchaser, such property shall be subject to these Covenants and Restrictions for all purposes. In the event any of the Reserved or Exhibit A property is sold to a third party non-Developer, then notwithstanding Article II, Section 2(B), a capital contribution may be assessed which shall not exceed \$250.00 per Lot, Living Unit or Commercial Lot, upon sale by the Developer of each Lot, Living Unit or Commercial Lot to a third party non-Developer. In the event any of the Reserved or Exhibit A property is sold to a third party Developer, a capital contribution may be assessed to the third party Developer, which shall not exceed \$250.00 per Lot, Living Unit or Commercial Lot upon sale by the Developer of each Lot, Living Unit or Commercial Lot to a third party non-Developer.

Section 2. Additions to Property.

(A) Developer(s) shall have the right but not the obligation to bring within the plan of this Declaration additional Properties, owned by the Developer(s), provided that such proposed additions shall be acceptable to the Club which acceptance shall be noted in writing as signed by the Club on the recorded Supplemental Declaration. No Supplemental Declaration shall be binding on the Club without its written consent. Under no circumstance, shall this Declaration or Supplemental Declaration bind the Developer(s) to make any future additions of Properties to the Declaration.

(B) The additions authorized hereunder shall be made by filing of record a Supplemental Declaration of Covenants and Restrictions with respect to the additional Properties which shall extend the plan of these Covenants and Restrictions to such Property, and the Owners, including the Developer(s), of Lots and Living Units in such additions shall be entitled to such privileges and obligations as are herein provided. Such dedication shall be binding and effective at such time and in such manner as may be provided in Supplemental Declaration of Covenants and Restrictions. Nothing herein is intended to prevent the Club, as to future additions, from requiring Developer attempting to add Property to enter into appropriate subdivision improvement agreements or Special Agreements upon such terms as the Board of Directors of the Club may require to assure that any and all promised improvements shall be constructed and completed in the time and in the manner as may be mutually agreed between the Club and the Developer. In addition, the Club may assess a capital contribution from the Developer attempting to subject new Property to these Restated Covenants and Restrictions payable upon the sale to a third party non-Developer of each Lot, Commercial Lot, or Living Unit. This capital contribution shall be \$500.00 per Lot, Commercial Lot or Living Unit, unless a higher amount is agreed to by the subject Developer and the Club.

(C) Such Supplemental Declaration may contain such complementary additions and modifications of these Covenants and Restrictions as may be necessary to reflect the different character, if any, of the additional Properties as long as such additions and modifications are all consistent with the concept of development as set forth in these Declarations. Such Supplemental Declaration shall contain provisions wherein Lots and Living Units, Units committed to Interval Ownership, Commercial Lots, tracts or Parcels of Land owned by the Developer(s) shall not be considered part of the Properties insofar as Assessments and voting rights are concerned, until such time as the Property has been subdivided and any Lot, Living Unit, Interval Ownership or Commercial Lot, tract or Parcel of Land has been sold and/or conveyed or becomes subject of contract of sale to a third party non-Developer purchaser as provided herein, (and furthermore as to the Commercial Lot, tract or Parcel of Land, construction has commenced or the Lot, tract or Parcel of Land is being used for commercial purposes) and in no event shall the Developer(s) be subject to Assessment for any Lot, Living Unit, Interval Ownership or Commercial Lot, tract or Parcel of Land, nor shall the Developer(s) be

given a vote thereon. In no event shall a Supplemental Declaration revoke, modify or change the application of this Declaration to Property then subject to the Declaration.

Section 3. Severability as to Each Property. Notwithstanding any provision herein, if any Lot or Lots or Parcel of Land described in this Article II or in a future addition to this Declaration as provided herein, shall for any reason fail to be validly bound by the terms of this agreement, such failure as to such Lot, Lots or Parcel of Land shall in no way prevent or limit the effectiveness of this agreement with respect to all other Properties that are properly included hereunder.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS IN THE CLUB

Section 1. Membership. Every person or entity who is a record Owner of a fee interest, or an undivided one-half fee interest, in any Lot or Living Unit, which is subject by covenants of record to Assessment by the Club, or who has entered into a contract of purchase on a Lot or Living Unit covered by the Covenants and Restrictions, shall be a Member of the Club, provided that such person or entity who holds such interest merely as a security for the performance of an obligation shall not be a Member. Also, every person or entity who is a record Owner of a fee interest, or undivided one-half fee interest, in any Lot or Living Unit or Commercial Lot, tract or Parcel of Land, which is part of the Properties but is not subject to Assessment by the Club, or any such person or entity who has entered into a contract of purchase with the Developer or third party covering such a Lot or Living Unit or Commercial Lot, tract or Parcel of Land, which is not subject to Assessment by the Club, may be a Member of the Club but shall not be required to be a Member. From and after the adoption of the Third Amendment, the record Owner of a fee interest or undivided one-half interest in any Commercial Lot, tract or Parcel of Land or any such person or entity who has entered into a contract of purchase with the Developer for a Commercial Lot, tract or Parcel of Land shall be a Member of the Club and the subject Commercial Lot, tract or Parcel of Land shall be subject to Assessment by the Club except as provided to the contrary herein. This provision shall apply only prospectively and will not obligate those Owners or purchasers of commercial property whose title ownership date or contract to purchase pre-dates the adoption of the Third Amendment. Those persons or entities whose title or contract to purchase date pre-dates the adoption of the Third Amendment may become Members but shall not be obligated to do so.

For the purpose of Article III, the Assessments shall be made based on the use of the property in question. In other words, if a Commercial Lot is subdivided and utilized as a Lot or Living Unit, the Owner shall be assessed as a Regular Member and not a Commercial Member.

Section 2. Classes of Membership and Voting Rights. The following classes of membership are established:

(A) Membership Restricted to Lot Owners Whose Property was Purchased from FCI prior to April 20, 1970. Every Lot Owner (including persons who entered into a contract of purchase with Developer), who was a Member of the Fairfield Bay Community Club on April 20, 1970, and who continues such membership, shall be a Charter Member of the Club. Said Charter Member shall have one vote for each Lot deeded to the Member or Members. The membership may be transferred by the transferring of member's interest in the lot, provided that the new Owners shall promptly apply for transfer of the Membership and provided further that from and after the date of the adoption of these Restated Covenants and Restrictions, the charter membership expires ten (10) years from the date of transfer of charter member's interest in the lot, at which time the membership shall terminate and the lot owner shall have the right to apply for Regular Membership. If the new Owner subsequently transfers ownership of the Lot to the next Owner, prior to the expiration of the ten (10) year period, the charter membership for the Lot shall terminate and said new lot Owner shall have the right to apply for a Regular Membership, which is subject to Assessments of a Regular

Member at that time. In each instance, the Owner of record of the Lot receives one (1) vote for each Lot owned and is eligible to vote if the membership has not been suspended for violation of rules as set forth by the Club. Dues for charter memberships are voluntary and Members may resign at any time. If such membership is terminated by resignation, failure to pay Dues, or otherwise, it can not be renewed. Dues for such membership are fixed at \$25.00 per year and may not be raised without the affirmative vote of a majority of such Members having a right to vote, who vote on the issue upon submission to them by the Club's Board of Directors.

(B) Memberships for Lot Owners Whose Property was Purchased from Developers After April 19, 1970.

(1) Regular Memberships.

(a) Every person who owns at least an undivided one-half interest in any fee simple interest in a Lot or Living Unit sold by Developer or an outstanding contract interest in any Lot or Living Unit after April 19, 1970 is a Regular Member of the Club. If the ownership of a Lot or Living Unit is so divided that no person owns as much as an undivided one-half interest, then a majority of the co-Owners may designate not more than two of the co-Owners to be the Members of the Club for such Lot or Living Unit. There shall be one vote for each Lot or Living Unit, if said Member is in good standing. If there is more than one Owner, then the co-Owners must designate the Member who is entitled to vote. Rescission of a contract of purchase by the Developer for any reason shall terminate a Membership based upon such Contract.

(b) Those Interval Owners, including contract purchasers under contracts for Interval Ownership, owning Unit Week(s) shall be Regular Members-Interval Owners of the Club. Such Members shall be entitled to exercise the privilege of regular membership during the period of their Unit Week(s). When an Interval Week(s) is owned by two or more co-Owners then a majority of the co-Owners of an individual Interval Week(s) may designate no more than two of such interval co-Owner(s) to be the Members of the Club during the period of their Unit Week(s), with remaining co-Owners being entitled to guest privileges during the period of their Unit Week(s). An Interval Owner or Interval co-Owner as provided above may assign his membership privilege to persons (which shall be considered as designated licensees) who are occupying an Interval Unit by virtue of an interval exchange program or trust program that allows use rights based on flexible time periods pursuant to agreed reservation rights provided that such designated licensees shall be limited to not more than two memberships for each such Interval Living Unit. There shall be one vote for each Lot or Living Unit that is included in an interval ownership declaration and the Board of Directors of the interval owners association shall exercise these votes. Rescission of a contract of purchase by the Developer for any reason shall terminate a Membership based upon such Contract.

(2) Business Memberships. Each entity, other than a person, who owns the fee simple interest in any Lot or Living Unit sold by Developer after April 19, 1970, shall hold a Business Membership in the Club and, as such, shall be entitled to designate one family to enjoy the privileges of membership in accordance with the rules of the Club. There shall be one vote for each Lot or Living Unit, if said membership is in good standing, and the family designated as being entitled to the privileges of membership shall be entitled to vote the membership.

(3) Commercial Memberships. As of the adoption of the Third Amendment any person or entity owning a Commercial Lot, tract or Parcel of Land or any person or entity who has entered into a contract of purchase with the Developer covering a Commercial Lot, tract or Parcel of Land or becomes an operator of a commercial business in Fairfield Bay, shall be entitled to membership in the Club upon such terms and conditions as set forth by the Board of Directors of the Club. After the adoption of the Third Amendment, any person or entity that becomes the Owner or enters a contract to purchase a Commercial Lot, tract or Parcel of Land, if construction has commenced or if the Lot, tract or Parcel of Land is being used for commercial purposes, or if a person or entity becomes the operator of a commercial business in Fairfield Bay, said person or entity shall be a Commercial Member of the Club, upon such terms and conditions as the Board of Directors of the Club may establish from time to time. There shall be one vote for each Commercial Membership issued by the Club, if said membership is in good standing and the member family designated as being entitled to the privileges of the membership shall be entitled to vote the membership. The annual fees for commercial

memberships shall be 175% of the regular membership rate. A commercial membership is entitled to designate one family to enjoy the privileges of membership in accordance with the rules and regulations of the Club. The Club may charge an Assessment equal to or higher than that of a Regular, Business or Limited Club Membership.

(C) Non-voting Memberships.

(1) Limited Club Memberships. The Club may issue Limited Club Membership to persons or entities who may own no property subject to these Declarations, and Limited Club Memberships shall have no right to vote. Limited Club Memberships may be issued to persons or other entities as set forth by the Board for a period of time not to exceed one year, upon such terms, conditions and restrictions and subject to Assessments as the Board may, from time to time, prescribe or promulgate. Such memberships shall be voluntary and the Member or the Club may terminate such membership at any time.

(2) Guest Memberships. The Club may issue Guest Memberships to persons or entities who pay a fee to the Club for use of amenities for a temporary time period. Guest Memberships may be issued to visitors, convention participants, or other groups as set forth by the Board for temporary periods upon the terms, conditions and restrictions and subject to such Assessment as the Board may, from time to time, prescribe or promulgate. Guest memberships are temporary in nature and do not provide voting rights.

(3) Developer Memberships. The Club shall issue Developer Memberships to Developer(s) who have entered into a Special Agreement. Developer membership provides no voting rights. The Developer, shall on or before the 15th day of each month, furnish to the Club, the name, address and Lot or Living Unit or Commercial Lot, tract, or Parcel of Land identification with respect to all persons (and/or entities) who entered into a contract of purchase with Developer for any property within Properties subject to the Declaration during the preceding month. Developer shall furnish such information one time with respect to all such existing contract purchasers within 30 days of the adoption and recordation of the Third Amendment to this Declaration. The Club may impose sanctions upon the Developer for failure to accurately and timely file the required information, which sanctions may include but are not limited to suspension of Developer's membership privileges (including the right for guests and sales prospects of the Developer to use Club facilities), until failure has been remedied by an accurate filing.

ARTICLE IV UTILITY EASEMENTS

Reservations of Utility Easements. The Club hereby reserves and is granted a perpetual, alienable and releasable easement, privilege and right on, over and under the grounds as hereinafter designated of the Properties to erect, maintain and use electric and telephone poles, wires, cables, conduits, water mains, drainage lines and drainage ditches, or drainage structures, sewers and other suitable equipment and structures for drainage and sewage collection and disposal purposes or for the installation, maintenance, transmission and use of electricity, telephone, gas, lighting, heating, water, drainage, sewage, cable TV, and other conveniences or utilities on, in, over and under all of the Common Properties upon the Properties and on, in, over and under all of the easements including, but not limited to, Roads and Streets, shown on any subdivision plat of the Properties (whether such easements are shown on said subdivision plat to be for drainage, utilities or other purposes) and in, over and under a 5-foot strip at the back of each Lot of the Properties and on, in over and under a 5-foot strip along the interior of all side Lot lines of each Lot of the Properties and on, in, over and under a 5-foot strip at the front of each Lot of the Properties. The Club shall have the unrestricted and sole right and power of alienating and releasing the privileges, easements and rights referred to in this Section or any such privileges, easements and rights reserved on any plat of the Properties for purposes similar to those allowed by this Article. The Owners, other than the Club, of the Lot or Lots subject to the privileges, rights and easements referred to herein shall acquire no right, title or interest in or to any poles, wires, cables, conduits, pipes, mains, lines or other equipment or facilities placed on, over or under the Property which is subject to said privileges,

rights and easements. All such easements, including those designated on any plat of the Properties, are and shall remain private easements and the sole and exclusive property of the Club.

ARTICLE V RESERVED PROPERTIES

Section 1. Real Properties Designated as "Reserved Properties" are Reserved from Declaration and Plats. Any area upon a plat covered by this Declaration or any Supplemental Declaration designated as "Reserved Properties," shall mean the privately-owned and the sole and exclusive property of the Developer, and neither this Declaration nor any Supplemental Declarations nor the plats in connection with same shall in any way apply to such "Reserved Properties" unless at a later time same shall be included under the provisions of the Declaration or a Supplemental Declaration as provided in Article II hereof. Reserved Properties shall be accepted by the Club only upon the entry of a Special Agreement between the Club and the Developer regarding the Reserved Property in question. The Developer hereby agrees that any and all such Reserved Properties shall be subjected to this Declaration, at such time as the Owner of such property shall subdivide or otherwise develop or improve the Property. Notwithstanding Article II, Section 2.(B), upon the sale to a third party non-Developer any Reserved Properties subjected by FCI to this Declaration may be assessed a capital contribution which shall not exceed \$250.00 per Lot, Commercial Lot or Living Unit.

Section 2. Utilities Reserved from Declaration. Utilities, unless conveyed by written instrument to a third party are specifically reserved unto the Club. It is contemplated utilities for the Properties shall be furnished by the Club, its subsidiaries or related companies or by companies furnishing such services in the vicinity of the Properties and the Club retains and has the exclusive right to negotiate contracts and agreements with such companies, under such conditions and for such consideration, which consideration shall belong to the Club, as it shall deem proper under the circumstances. The utilities referred to shall include, but not be limited to:

Water System
Natural, Liquified or Manufactured Gas System,
Electrical System,
Telephone System,
Antenna Television Transmission and
Distribution Facilities and System, and
Waste Water System.

In the event the Club elects to furnish any of the utility services aforesaid, it may organize a company, or companies, to furnish such utility services, and shall have the right to enter into agreements with such company, or companies, to furnish the utility services reserved, or any of them, even though such company, or companies, so organized shall be wholly or partially owned by the Club. Nothing herein contained shall be construed or interpreted as an obligation on the part of the Club to provide the utilities reserved.

ARTICLE VI PLAN FOR CONSTRUCTION AND MAINTENANCE OF COMMON PROPERTIES

Section 1. Water System.

(A) It is contemplated that water system extensions may be constructed by FCI, to Properties that are now included within this Restated Covenants and Restrictions. FCI shall be the sole judge as to the time when the water systems shall be constructed and extended and said systems shall be constructed and extended without expense to the Club. When the Club extends sewers to said Properties, then FCI may extend water contemporaneously with the sewer extensions to Properties now included within this Restated Covenants

and Restrictions. In the event FCI shall decide it is not economically feasible to construct or extend the water system, it shall not be required to do so. In the event extensions are provided, FCI shall determine the most feasible manner of providing additional water system extensions which are consistent with the existing regulations concerning said extensions and may transfer ownership to the water district, and if transferred, the water systems shall become property of the water district and shall be operated, maintained, and improved by the water district and all revenues shall belong to the water district.

The Club or Community Water Association shall have the right, but no obligation, to extend water lines, if in their discretion, they should determine to do so. However, these Covenants do not place any obligation upon the Club or on the Community Water Association to provide or extend water lines.

(B) As to any water system extensions constructed by the Developer(s) within any subdivision plat filed of record after the effective date of the Third Amendment, the terms and conditions of putting in said water system shall be set forth in a special agreement entered into between the Club and the Developer(s).

Section 2. Roads and Streets. It is contemplated that Roads and Streets within the platted subdivisions which have been subjected to these Declarations as of the effective date of the Restated Covenants and Restrictions shall be constructed by FCI, its successors and assigns, and those Roads and Streets which are not dedicated to the general public will be a part of the Common Properties. However, FCI shall be the sole judge as to when such Roads and Streets, whether dedicated to the public or as Common Properties, shall be constructed and extended from time to time. FCI shall also be the sole judge as to the extent the Roads and Streets will be improved; provided, however, all Roads and Streets constructed by FCI or for which FCI was obligated to construct prior to the effective date of the Restated Covenants and Restrictions shall not be subject to any greater criteria standards or different road surfaces than those that existed as of the date the subdivision (where the Road or Street is located) was filed of record. In the event FCI shall decide not to extend improved Roads or Streets to a particular area, it shall not be obligated to do so. To the extent not provided by public authorities, the cost of maintenance, capital improvements, operation, taxes and other expenses incident to the Roads and Streets, regardless of whether dedicated to the public or as to Common Properties, shall be borne by the Club which may levy Assessments against each Lot and Living Unit as herein provided. The final road surfaces of all Roads and Streets reflected upon any subdivision plat filed before the effective date of the Restated Covenants and Restrictions, shall be surfaces specified in the HUD property report as same may be amended from time to time. The road surface of future Roads and Streets located or to be located within any subdivision plat filed of record after the effective date of the Restated Covenants and Restrictions, shall be mutually agreed upon by Club and the Developer pursuant to a Special Agreement which shall provide such reasonable standards of design and road surfaces as Club and Developer of such subdivision may mutually agree.

Section 3. Marinas, Racquet Club, Tennis Courts, Golf Course, Swimming Pools and other Recreational Facilities. As of the effective date of the Third Amendment, FCI has transferred to the Club the properties described in Exhibit 1 to FCI's Seventh Amended and Restated Joint Plans of Reorganization, dated August 6, 1992 (The "Plan") pursuant to Plan Section 9.01(b)(iii). The cost of maintenance, capital improvements, operation, taxes and other expenses incident to these deeded Common Properties shall be the obligation of the Club and shall be paid from Dues or Assessments against each Lot and Living Unit as herein provided, and also from fees for the use of the Common Properties. Any recreational or similar facilities built by FCI or Developer(s) subsequent to the effective date of the Third Amendment, that is intended to become part of the Common Properties shall be subject to such reasonable criteria, standards and conditions of acceptance as the Club may require or as set forth in the Special Agreement.

Section 4. Sewer. It is contemplated that a sewer treatment facility and a central sewer system shall be constructed, maintained and operated by the Club. The Board of Directors of the Club may assign

management of the system to a qualified operating entity provided there is adequate assurance that such other parties can maintain, operate and construct such a system as needed for the continued growth of the Fairfield Bay development. The Club Board of Directors shall be the sole judge as to the time when the sewer system shall be constructed and extended and whether such extensions are within the financial capability of the Club and the reasonable need of the particular area. In the event the Club shall decide it is not economically feasible to extend the central sewer system to a particular area, it shall not be obligated to do so. To the extent not provided by public authorities, the cost of maintenance, capital improvements, operation, taxes and other expenses incident to the sewer facilities, shall be borne by the Club. The Board shall adopt a written sewer policy, which may be amended from time to time, and cause a copy of same to be maintained with the Secretary of the Club. In establishing such policy, the Board shall always give proper consideration to the primary purpose of the Club which is to encourage the residential and commercial development of Fairfield Bay as a desirable and viable resort/retirement community and accordingly shall consider the following factors and such others as the Board may deem proper from time to time: (1) the demand for housing in an established subdivision, (2) the economic feasibility of extending such system, (3) the health needs of the community and regulatory requirements of local, state and Federal authorities, (4) the need to provide available Lots for construction of new housing and those Lot Owners trading from areas that are not presently served by sewage collection facilities where such cannot economically be served at that time due to their location, (5) the need to encourage the continued growth of the permanent residential community by providing sewer Lots for sale to persons who intend to move to Fairfield Bay and build a home, (6) the need to provide sewage collection for multiple-family areas, including second homes and guest housing, designed for non-resident property Owners, their guests, sales prospects and resort guests, and (7) the need to provide central sewage collection for additional community facilities including shopping, amenities of various types and recreational facilities that enhance the attractiveness and the value of the community for all property Owners and guests.

In connection with the above written policy, the Board shall establish from time to time reasonable fees for sewer service and reasonable fees for connections to the system. Because of the potential impact that Commercial, Interval Ownership or multi-family usage may have on sewage treatment plant capacity, fees for Commercial Members, Interval Owners and Multi-family Units may be higher than for other Members. Such fees shall apply to all residential connections on a nondiscriminatory basis, based on location of Properties.

ARTICLE VII PLAN FOR CONSTRUCTION AND MAINTENANCE OF LIMITED COMMON PROPERTIES

Section 1. Construction and Maintenance. Developer may, while in development or construction stage, designate certain facilities, then owned by Developer as Limited Common Properties for the benefit of a particular area or for the benefit of particular classes of Club membership. Construction expenses shall be the obligation of Developer. Maintenance, capital improvements, operation, taxes, and other expenses incident to these Limited Common Properties, shall be the obligation of the Owners of the Lots or Living Units entitled to the use and enjoyment of the particular Limited Common Properties. In order to perform maintenance, repair or improvement on Limited Common Properties built by Developer, Developer may organize a non-profit corporation to which Developer shall convey title to such Limited Common Properties following completion of initial construction. Said corporation shall have as Members all those Owners of Lots and Living Units entitled to the use and enjoyment of the particular Limited Common Properties. The non-profit corporation shall have, as to such Lots and Living Units, the power to levy dues and assessments against such particular Lots and Living Units in order to obtain funds for such Limited Common Properties.

Section 2. Upon the failure of the non-profit corporation belonging to the Owners of the Property entitled to the use and enjoyment of the particular Limited Common Properties to provide for the construction,

maintenance, repair or improvement of the particular Limited Common Properties, the Club may perform same and apportion the charge against the Lots and Living Units entitled to the benefit of the particular Limited Common Properties with the same powers the Club has as provided in this Declaration and such apportioned charge shall constitute a lien against such Property subject only to the lien by reason of a first mortgage or deed of trust against such Property.

ARTICLE VIII PROPERTY RIGHTS OF THE COMMON PROPERTIES

Section 1. Members' Easement of Enjoyment. Subject to the provisions of Article IV, Article VII, and Section 3 of this Article VIII, every Member, so long as such membership shall continue, shall have a right and easement of enjoyment in and to the Common Properties and such easement shall be appurtenant to and shall pass with the title to every Lot or Living Unit.

Section 2. Title to Common Properties. The Developer shall convey the Common Properties in fee and unencumbered by debts or liens to the Club at the time when the construction of same is completed.

Section 3. Extent of Members' Easements. The rights and easements of enjoyment created hereby shall be subject to the following:

(A) The right of the Club to borrow money for the purpose of constructing, improving and maintaining the Common Properties and in aid thereof to mortgage said Properties or execute a deed of trust or other trust instrument covering such Properties. In the event of default upon any such mortgage, the lender shall have a right, after taking possession of such Properties, to charge service or use charges, admission and other fees as a condition to continued enjoyment by the Members and, if necessary, to open the enjoyment of such Properties to a wider public until the mortgage debt is satisfied, whereupon the possession of such Properties shall be returned to the Club and all rights of the Members shall be fully restored;

(B) The right of the Club to take such actions as are reasonably necessary to protect the Common Properties against foreclosure;

(C) The right of the Club to suspend the enjoyment rights including the right to vote of any Member for any period during which any Assessment, service or User Fee remains unpaid. In addition, the Club may for any period not to exceed ninety (90) days suspend a Member from using the Club's facilities, for any infraction of its published rules and regulations. If said suspended Member fails to cure the infraction within the ninety (90) day period, then the Club may suspend membership indefinitely;

(D) The right of the Club to charge reasonable service or User Fee, admission and other fees for the use, service, and enjoyment of the Common Properties; and,

(E) the right of the Club to make any golf course and other recreational facilities, owned and operated by the Club, available by lease, or otherwise, subject to sub-paragraph "F" hereof, to another country club, which shall be a non-profit corporation, with the right of the other country club to charge dues to members and permit persons who are not members to become members of the other country club for a membership payment and also for payment of dues, and with the understanding the other country club shall have the right to make rules and regulations which shall be enforceable as to members;

(F) The right of the Club to dedicate, transfer, sell, convey, lease or mortgage all or any part of the Common Properties and to pledge revenues of the Club including the right to sell and lease back or sell and reacquire all or some parts of said Properties to or from any third party, public agency, authority, political subdivision, utility or lending institution for the purpose of improving, maintaining, constructing or acquiring Common Properties and additions thereto subject to such conditions and for such consideration as may be determined by the Board of Directors to be in the best interest of the Club in furtherance of its purposes. Such action shall be taken at a regular or special meeting of the Board and notice of the proposed action shall be given in writing to each Board member at least seven (7) days prior to such meeting. Such action must be

authorized by a majority of the entire membership of the Board. Any golf course, marina, or country club, owned and operated by the Club, shall not be sold or leased for possible periods in excess of five years without notice and a majority vote of membership pursuant to Article X, Section 6.

ARTICLE IX PROPERTY RIGHTS OF THE LIMITED COMMON PROPERTIES

Section 1. Owners' Easement of Enjoyment. Lands designated upon plats as "Limited Common Properties", and also as may be so designated from time to time by the Developer, shall be devoted to the common use and enjoyment of the Owners of specifically designated Lots and Living Units to the exclusion of the common use and enjoyment of other Owners of Lots and Living Units upon the Properties. The Owners of the specifically designated Lots and Living Units, subject to Article IV hereof, shall have a right and easement of enjoyment in and to the particular Limited Common Properties and such easement shall be appurtenant to and shall pass with every such specifically designated Lot or Living Unit.

Section 2. Title to Common Properties. The Developer may retain the legal title to the Limited Common Properties until construction of any improvements is completed and shall then convey the title of the particular Limited Common Properties to the non-profit corporation created to serve such Limited Common Properties as provided in Article VII; or, if Developer deems it more desirable and the Club agrees, then Developer may convey to the Club and it shall perform as provided in Section 2, Article VII hereof.

ARTICLE X COVENANT FOR ASSESSMENTS

Section 1. Limitation with Respect to Certain "Article II, Section 1" Properties. Section 2 of this Article X shall not apply to any Property described in Article II, Section I if such property was purchased from the Developer by the Owner or his transferors by contract or deed dated prior to April 20, 1970, except as may be authorized by Article III, Section 2(A), for so long as a Charter Membership exists as to such Property.

Section 2. Creation of Assessment and Lien. There is hereby created Assessments for the common expenses and purposes as set forth in Article X, Section 3, as specifically authorized and made from time to time as provided herein or as may be set by the Board of Directors. Each (i) Owner except Developer and Charter Members (whose assessments shall remain at \$25.00 per year) under the terms set forth in these Covenants and Restrictions; and (ii) from and after the date of these Restated Covenants and Restrictions, any person or entity that becomes the Owner or enters a contract to purchase a Commercial Lot, tract or Parcel of Land, if construction has commenced or if the Lot, tract or Parcel of Land is being used for commercial purposes, by acceptance of the Deed thereon and (iii) each residential Lot or Living Unit purchaser whether by contract or other form of instrument, whether or not it shall be expressed in any deed, contract for purchase, or any other conveyance, shall be deemed to covenant and obligated to pay to the Club (1) annual Assessments and (2) special Assessments for capital improvements, such Assessments to be fixed, established and collected from time to time as herein provided or as may be set by the Board of Directors of the Club. Assessments shall be paid in the manner and on such dates as may be fixed by the Board of Directors, in accordance with Club By-laws which may include without limitation, acceleration of the annual Assessments for delinquency. Notwithstanding any provision to the contrary in Club's Charter or By-Laws, Developer shall not be liable for any Assessments or special Assessments. Developer is not exempted, however, from user fees (i.e., garbage pickup and sewer fees) or from the capital contribution set forth in Article II, Section 2(B) and Article V, Section 1.

The annual and special Assessments, together with such interest, costs and reasonable attorney fees, including appellate attorney fees and costs, shall be a charge on the land and shall be a continuing lien

upon the Property against which such Assessment is made, and shall be a personal obligation upon the person who was the contract purchaser or Owner of said Lot(s) or Living Unit(s) or Commercial Lot, tract or Parcel of Land at the time the assessment arose and further provided that the grantee of such Owner shall be jointly and severally liable for such portion thereof as may be due and payable at the time of the conveyance only to the extent expressly assumed, except no first mortgagee who obtains title to said Lot(s) or Living Unit(s), pursuant to the remedies provided in its mortgage, shall be liable for unpaid Assessments which accrued prior to the acquisition of the title.

The annual and special assessments shall be superior to any and all liens or encumbrances except as provided herein.

Section 3. Purpose of Assessments. The Assessments levied hereunder by the Club shall be used exclusively for the purpose of promoting the recreation, health, safety, and welfare of the Owner(s) of the Properties and in particular for the improvement and maintenance of Properties, services and facilities devoted to this purpose and related to the use and enjoyment of the Common Properties and the improvements situated upon the Common Properties, including but not limited to the payment of taxes and insurance thereon, and construction of capital improvements, repair, replacement, and additions thereto, and for the cost of labor, equipment, materials, management and supervision thereof. The limitation aforesaid shall not preclude the use of Assessments levied hereunder for maintenance of Roads and Streets within the Properties, even though same have been dedicated to the public.

Section 4. Basis and Maximum of Annual Dues Assessment. The annual dues Assessment for each Lot, Commercial Lot, Living Unit or Interval Ownership shall be fixed each year by the Board of Directors of the Club for all except charter memberships and Developers. The annual dues and Assessments for Regular Members may be fixed at variable rates based on the use, services, available amenities and location of the property. The annual Assessment for Living Units committed to Interval Ownership may be fixed at a higher rate than the Assessment for other memberships but shall not exceed two times the Assessment for the lowest rate available for regular memberships.

Section 5. Special Assessments for Capital Improvements. In addition to annual Assessments and user fees (i.e., garbage pickup, sewer fees, and road fees), the Club may levy against all Members, special Assessments for capital improvements, except Developer shall not be subject to special Assessments. A special Assessment for the purpose of defraying, in whole or in part, the cost of any construction or reconstruction, unexpected repair or replacement of the Roads and Streets or other Common Properties within the Properties, even though same may have been dedicated to the public, and also a described capital improvement upon the Common Properties, including the necessary fixtures and personal property related thereto, provided that any such Assessment shall be for a stated period of time and shall be levied by affirmative vote of a majority of the Members of the class of membership who are voting in person or by proxy at a meeting duly called for this purpose, written notice of which shall be sent to all Members at least thirty (30) days in advance and shall set forth the purpose of the meeting. The Special Assessment must be the same for all affected Class Members, as set forth in the policy that may be subject to change from time to time by the Board of Directors.

Section 6. Quorum for Any Action Authorized Under Section 5. The quorum of any action authorized by Section 5 hereof shall be as follows:

At the first meeting called as provided in Section 5 hereof, the presence at the meeting of Members or of proxies, entitled to cast 30% of the total votes that may be cast on the particular question to be presented, shall constitute a quorum. If the required quorum is not forthcoming at any meeting, the meeting may be recessed to a day and time certain not less than seven (7) days nor more than thirty (30) days thereafter, and notice of such date shall be given. The required quorum, when the meeting reconvenes, shall be one-half of the previously required quorum.

Section 7. Date of Commencement of Annual Assessments: Due Date. The annual dues Assessments provided for herein shall commence on the 1st day of January of each year or as set forth by the Board, except for charter memberships.

Dues Assessments for memberships shall be payable monthly, quarterly, semiannually, annually or as otherwise determined from time to time by the Board of Directors of the Club, for each type of membership. The Board shall have the authority at its option to establish reasonable discounts and/or administrative fees for such Dues or Assessments. The first annual Assessments shall be for the balance of the fiscal year in which the Property becomes subject to this Declaration and shall be apportioned over the remaining months of such fiscal year, and payments shall be payable on the 1st day, or such other day as may be fixed by the Board of Directors of the Club, of each month for the remainder of the fiscal year. The Assessments for any year, after the first year, shall become due and payable on the first day, or such other day as fixed by the Board of Directors of the Club, of each fiscal year, and shall be apportioned over 12 months and the first payment shall be payable on such day as fixed aforesaid, and the remaining payments payable on the same day of each month thereafter for the remainder of the year. In the event of default as to the periodic payment and if the default is not remedied within thirty (30) days, the Club shall have the option of declaring the Assessment for the entire year due and payable.

The Board shall have the authority to establish different, dates of payment, apportionment and collection criteria for payment of annual Dues or Assessments on Lots committed to Interval Ownership and on Limited Club Memberships.

The amount of the annual Assessment which may be levied for the balance remaining in the first year of Assessment shall be an amount which bears the same relationship to the annual Assessment provided for in Section 4 hereof as the remaining number of months. The same reduction in the amount of the Assessment shall apply to the first Assessment levied against any Property which is hereafter added to the Properties now subject to Assessment at a time other than the beginning of any Assessment period.

The due date of any special Assessment under Section 5 hereof shall be fixed in the resolution authorizing such Assessment, and it shall also be payable monthly with the same option on the part of the Club in the event of default.

Section 8. Duties of the Board of Directors. The Board of Directors of the Club shall fix the date of commencement and the amount of the Assessment against each Lot or Living Unit for each Assessment period at least thirty (30) days in advance of such date or period. Prior rate of assessment shall remain in effect unless and until changed. The Board of Directors of the Club will prepare a roster of the Properties and Assessment applicable thereto which shall be kept in the office of the Club and shall be open to inspection by any Owner. Written notice of the Assessment shall be sent to every Owner when the rate is changed. The Club shall upon demand at any time furnish to any Owner liable for said Assessment a certificate in writing signed by an Officer of the Club, setting forth whether said Assessments have been paid. Such certificate shall be conclusive evidence of payment of any Assessment therein stated to have been paid.

Section 9. Delegation of Collection of Assessment. The Club may delegate to a third party the duty of collecting the Dues Assessments, but all such collections shall belong to the Club.

Section 10. Effect of Non-Payment of Assessment; The Lien; Remedies of Club. If the Assessments are not paid on the date when due (being the date specified in Section 7 hereof), then such Assessment shall become delinquent with the expiration of a thirty (30) day period and shall upon the election of the Club to declare the entire Assessment due and payable, together with such interest thereon and cost of collection thereof as hereinafter provided, thereupon become a continuing lien on the Property subject to this Declaration to which such delinquency relates which lien shall bind such Property in the hands of the then Owner, his heirs, devisees, and assigns. Any non-payment of Assessments of Club Members subject to this Declaration shall, upon the election of the Club, to declare the entire Assessment due and payable, together with interest and cost of

collection, entitle the Club to commence legal action at law or equity to collect all sums due including, but not limited to, reasonable attorneys' fees thereon.

If the Assessment is not paid as provided in Section 7 and the Club shall declare the entire Assessment due and payable, the Assessment shall bear interest from date of delinquency at the highest rate of interest as allowed by Arkansas law, and upon recording a notice of lien by the Club, there shall exist in favor of the Club a perfected lien upon the Property for all unpaid Assessments, including special Assessments on the respective Properties, prior and superior to all other liens, except the lien or charge of a first mortgage of record (meaning any recorded mortgage with first priority over other mortgages made in good faith and for value) and the Club may foreclose the Assessment lien against said Property, and there should be added to the amount of such Assessment the cost of such action, including filing fees, publication costs, fees and other costs incurred to protect the Property and in the event a judgment is obtained, such judgment shall include interest on the Assessment as above provided, together with the costs of this action.

The Club shall have the power to bid for the Properties at foreclosure sale and to acquire and hold, lease, mortgage, and convey the same. During the period in which the Property is owned by the Club following foreclosure, no Assessment shall be levied or assessed against it and no right to vote shall be exercised on its behalf, except the Board shall be allowed to cast votes to establish a quorum at any meeting.

Section 11. Subordination of the Lien to Mortgages. The lien of the Assessments provided for herein shall be subordinate to the lien of any first mortgage or first deed of trust now or hereafter placed upon the Properties subject to Assessment; provided, however, that such subordination shall apply only to the Assessments which have become due and payable prior to a sale or transfer of such Property pursuant to a decree of foreclosure, or any other proceeding in lieu of foreclosure, and such first mortgage shall have been made in good faith and for value. Such sale or transfer shall not relieve such Property from liability for any Assessments thereafter becoming due, nor from the lien of any such subsequent Assessment. Developer shall not be liable for any unpaid Dues or Assessments on any Lot or Living Unit which was subject to an outstanding contract of sale where the purchaser failed to pay such charges and defaulted on the contract to Developer, and Developer has cancelled said contract of sale. Any lien imposed on such Lot or Living Unit shall be subordinate to Developer's interest. The Developer shall notify the Club of contract cancellation not more than 30 days after a contract has been cancelled. Said notification shall be in writing to the Club, requesting a lien release of club dues on said property. The Club's lien shall be superior to all other liens or encumbrances except as provided herein.

Section 12. Exempt Property. The following Property subject to this Declaration shall be exempted from the Assessments, charge and lien created herein:

- Common Properties,
- Limited Common Properties,
- Utility Easements and all other Easements,
- Reserved Properties,
- Utilities,
- Water System and Properties,
- Developer-owned Properties not currently under contract, if under contract, the contract purchaser shall be solely liable, and
- Waste Water System.

ARTICLE XI
PARTY WALLS

Section 1. General Rules of Law to Apply. Each wall which is built as part of the original construction of the home upon the Properties and placed on the dividing lines between Lots shall constitute a party wall, and to the extent not inconsistent with the provisions of this Article, the general rules of law regarding party walls and of liability for property damage due to negligent or willful acts or commissions shall apply thereto.

Section 2. Sharing of Repair and Maintenance. The cost of reasonable repair and maintenance of a party wall shall be shared by the Owners who make use of the wall in proportion to such use.

Section 3. Destruction by Fire or Other Casualty. If a party wall is destroyed or damaged by fire or other casualty, any Owner who has used the wall may restore it, and if the other Owners thereafter make use of the wall, they shall contribute to the cost of restoration thereof in proportion to such use without prejudice, however, to the right of any such Owners to call for a larger contribution from the others under any rule of law regarding liability for negligent or willful acts or omissions.

Section 4. Weatherproofing. Notwithstanding any other provision of this Article, an Owner who by his negligent or willful act causes the party wall to be exposed to the elements shall bear the whole cost of furnishing the necessary protection against such elements.

Section 5. Right to Contribution Runs with Land. The right of any Owner to contribution from any other Owner under this Article shall be appurtenant to the land and shall pass to such Owner's successors in title.

Section 6. Arbitration. In the event of any dispute arising concerning a party wall, or under the provisions of this Article, each party shall choose one arbitrator, and such arbitrators shall choose one additional arbitrator, and the decision of a majority of all the arbitrators shall be final and conclusive of the question involved.

ARTICLE XII
ARCHITECTURAL CONTROL COMMITTEE

Section 1 The Architectural Control Committee (A.C.C.) shall be composed of a Board liaison and two members of the Board. A Field Representative may be appointed by the Board to assist in investigations and complaints, and as needed by the A.C.C. The affirmative vote of a majority of membership of the A.C.C. shall be required in order to adopt or promulgate any rules or regulations. or to make any findings, determinations, rulings or orders, or to issue any permit, authorization or approval pursuant to directive or authorizations by the A.C.C. In the case of ties, the matter shall be referred to the Board for action. The A.C.C. may promulgate rules governing the form and content of plans to be submitted for approval or requiring specific improvements on all Lots or Living Units within the Properties and may adopt general statements of policy all of which may be amended or revoked by the A.C.C. from time to time. The A.C.C. shall also have the authority to appoint committees who shall have such powers and perform such functions as may be designated by the A.C.C. from time to time.

Section 2. Review by Committee. No building, fence, wall, improvement, or other structure shall be commenced, erected or maintained upon the Properties, nor shall any exterior addition to or change or alterations therein be made until the plans and specifications showing the nature, kind, shape, height, materials

and location of the same shall have been submitted to and approved in writing as to harmony of external design and location in relation to surrounding structures and topography by the A.C.C. In the event the A.C.C., or its designated committee, fails to approve or disapprove such design and location within thirty (30) days after said plans and specifications have been submitted to it, approval will not be required and this Article will be deemed to have been fully complied with. If the A.C.C. or its designated committee disapproves of submitted plans or specifications, then the submitting party may appeal the decision of the A.C.C. or its designated committee to the Board of Directors of the Club, by filing a written request for review with the Club within thirty (30) days after notification of the decision of the A.C.C. or its designated committee. Thereafter, the Board of Directors of the Club shall review the plans and specifications and shall make its decision on the appeal within sixty (60) days from the day the written request for appeal is received. The A.C.C. may charge a reasonable fee for its review of plans, pursuant to this Section.

Section 3. Waiver of Liability. Neither the A.C.C., nor its designated committees, nor Club, nor any agent or employee of the foregoing shall be responsible in any way for any failure of the structures to comply with the requirements of this Declaration although a certificate of compliance has been issued, any defects in any plans and specifications submitted, revised or approved in accordance with the foregoing provisions, nor for any structural or other defects in any work done according to such plans and specifications and all persons submitting any such plans and specifications, and all persons relying thereon, agree not to sue or claim against the entities and persons referred to in Article XII for any cause arising out of the matters referred to in this Article XII and further agree to and do hereby release said entities and persons for any and every such cause.

Section 4. Sanctions for Failure to Comply with A.C.C. In the event the Owner of any Lot, Living Unit, or Property, shall fail to comply with the requirements of the A.C.C., then they shall receive written notice and have thirty (30) days in which to correct the noncompliance with A.C.C. rules, regulations and directions. If the aforementioned Owner of any Lot, Living Unit or Properties fail to comply within the thirty (30) day period, then the Owner's membership privileges shall be revoked and suspended, including the right to vote, until said Owner of said Property comes in compliance with A.C.C. mandate. In the event the owner of any Lot, Living Unit, or Property fails to comply with the requirements of the A.C.C., legal action is taken to enforce the noncompliance, the owner of the Lot, Living Unit or Property shall be liable for the Club and/or A.C.C. attorney fees to pursue said litigation and a lien may be placed upon the Lot, Living Unit, or Property of said person or entity, subject to the Covenants and Restrictions.

ARTICLE XIII EXTERIOR MAINTENANCE

This Article XIII is deleted in its entirety per Amendment No. 1 of the Amendment and Supplement to Third Amended and Restated Declaration of Covenants and Restrictions dated September 2, 1997 and recorded on September 11, 1997 as Instrument No. 9704692.

ARTICLE XIV PROTECTIVE COVENANTS

Attached hereto as "Exhibit 1" and incorporated herein by reference as fully as though set forth word for word are protective covenants. Such covenants shall be considered to be part of the "Declaration" and shall apply to and bind all of the Properties which come within the Covenants and Restrictions.

Any Property subjected to these Restated Covenants and Restrictions by Supplemental Declaration may contain provisions limiting, adding or restricting the Protective Covenants as to that Property.

ARTICLE XV
GENERAL PROVISIONS

Section 1. Duration. All provisions, covenants and restrictions of this Declaration shall run with and bind the land, and shall inure to the benefit of and be enforceable by the Club, or the Owner of any land subject to this Declaration, their respective legal representatives, heirs, successors and assigns, for a term of twenty-five (25) years from the date this Declaration is recorded, after which time said covenants shall be automatically extended for successive periods of ten (10) years unless an instrument signed by the then Owners of two-thirds (2/3) of the Lots and Living Units has been recorded, agreeing said Covenants and Restrictions be revoked For purposes of meeting the two-thirds (2/3) requirements, when Living Units are counted, the Lot or Lots upon which such Living Units are situated shall not be counted. Provided, however, that no such agreement to revoke at the extension date shall be effective unless made and recorded three (3) years in advance of the extension date, and unless written notice of the proposed agreement is sent to every Owner at least ninety (90) days in advance of any action taken.

Section 2. Notices. Any notice given or required to be sent to any Member or Owner under the provisions of this Declaration shall be deemed to have been properly sent when deposited in the United States mail with postage paid, addressed to the last known address of the person who appears as Member or Owner on the records of the Club at the time of such mailing.

Section 3. Enforcement. Enforcement of these Covenants and Restrictions shall be by any proceeding at law or in equity against any person or persons violating or attempting to violate any Covenant or Restriction, either to restrain violation or to recover damages, and against the land to enforce any lien created by these covenants; and failure by the Club or any Owner to enforce any Covenant or Restriction herein contained shall in no event be deemed a waiver of the right to do so thereafter.

Section 4. Assignability. All provisions of this Declaration shall be binding upon and shall inure to the benefit of the parties, their successors and assigns. Developer or the Club may assign or convey all or any part of its rights, privileges or obligations hereunder at any time, but such assignment or conveyance shall not relieve the assignor from fulfilling its obligations hereunder or causing them to be fulfilled by such assignee.

Section 5. Amendments. The provisions of this Declaration may be amended if such amendment is adopted by affirmative vote of a majority of the votes cast by the voting Members of the Club. Any such amendment must be in writing and properly executed and recorded. Any amendment affecting the Developer's Membership, authorizing assessments against Developer or changing the present duties or obligations of Developer shall require the written consent of Developer.

Section 6. Severability. Invalidation of any provision, Covenants or Restrictions contained herein shall not invalidate any other provisions and they shall remain in full force and effect.

UPON PROPER RESOLUTION BY THE BOARD OF DIRECTORS:

FAIRFIELD BAY COMMUNITY CLUB, INC.
by:

President
(SEAL)

Secretary

ACKNOWLEDGMENT

STATE OF _____
COUNTY OF _____

On this ___ day of _____, 20___, before me the undersigned, a Notary Public within and for the County and State aforesaid, duly commissioned and acting appeared in person the within named agents for FAIRFIELD BAY COMMUNITY CLUB, INC., to me known to be the persons whose names are subscribed to the foregoing document and stated that they had executed the same for the consideration and purposes therein mentioned and set forth.

Notary Public

(SEAL)
My commission expires: _____