

BY-LAWS OF
FAIRFIELD BAY COMMUNITY CLUB, INC.
Conformed as of August, 2009

ARTICLE I
NAME AND LOCATION

The name of the corporation is Fairfield Bay Community Club, Incorporated, of Van Buren and Cleburne Counties in the State of Arkansas. Herein Fairfield Bay Community Club, Inc., shall be referred to as The Club. The offices of The Club shall be located at Fairfield Bay, Van Buren County, Arkansas.

ARTICLE II
DEFINITIONS

Section 1. All terms and definitions defined in the Covenants and Restrictions of which these By-Laws are a part shall have the same meaning when used herein.

ARTICLE III
MEMBERSHIP AND VOTING RIGHTS

Section 1. Eligibility of Members to vote. An eligible member shall be any member who is not delinquent in payments of dues, assessments or user fees to The Club on any Lot, Parcel of Land or Living Unit within the Properties, and shall be deeded or contract to deed owners of a Lot or Living Unit, within the Properties as defined by the Declaration. If there is more than one Owner, any one of the Co-Owners may cast the vote for that Lot or Living Unit. ONLY ONE VOTE PER LOT OR LIVING UNIT will be considered as a valid vote. Should two or more votes be cast by ballot, all votes for that Lot or Living Unit will be considered invalid and not counted for or in that election. It is the responsibility of the Owners of a Lot or Living Unit to furnish the Club Secretary with the name and address of the voter, so that notices of meetings and election may be sent to the proper person at the proper time.

Section 2. Ballots and Proxies. In all elections, a Member shall vote by written ballot. The ballot will be furnished with the notice of each annual or special meeting of the Membership. The ballot must be returned by the postmarked date indicated on the ballot. Unless expressly stipulated in the Declaration there shall be no voting by proxy.

Section 3. Majority Vote. Unless expressly stipulated in the Declaration, the election to an office will be by a plurality vote of the written ballots. An affirmative vote on an initiative presented for vote of the Property Owners will be by the majority vote of the written ballots.

Section 4. Quorum. If FIVE PERCENT (5%) of the eligible voters are represented at the meeting by either presence at the Annual Meeting or written ballot, then that shall constitute a quorum and business may be transacted. It shall be the duty of the Secretary of the Board of Directors as stated herein to declare if a Quorum exists before business can be transacted at the Annual Meeting. If however, such Quorum shall not be presented or represented by ballots at the Annual Meeting when elections are held, then no business shall be conducted and the members present shall adjourn the meeting without notice. Notice of such adjourned meeting shall be given to the members entitled to receive the notice of the meeting; such notice must include that the meeting failed for lack of Quorum and a statement of the purpose of the meeting. Notice of a new meeting, with notice of the purpose of the meeting, shall be given to all eligible voters entitled to a vote, as said in Article IV of these by-laws.

ARTICLE IV
MEETINGS OF MEMBERS

Section 1. Annual Meeting. The Annual Meeting of Club Members for the election of Directors and other offices as determined by these by-laws, and for the transaction of other such business and initiatives as may come before the Board or the Property Owners, shall be held the third (3rd) Thursday in July each year. If this date shall fall on a holiday, then the meeting shall be held on the following Thursday of the next week. For any change of the time or place of the Annual Meeting for the election of Directors, voting on initiatives or transacting business, notice must be given to all eligible voting members not less than 15 days nor more than 60 days prior to the Annual Meeting setting forth the time and place of the meeting.

The location of the Annual Meeting shall be at Fairfield Bay, Van Buren County, Arkansas, and the location shall be included in the notice to voters.

Section 2. Special Meetings. Special Meetings of Club Members may be called at any time by the President of the Board of Directors or by three members of Board. Special Meetings must be called and held within sixty (60) days time if requested by thirty percent (30%) of the Club Members. Requests for Special Meetings by Members must be by written petition of thirty percent (30%) of eligible voters and delivered to the Secretary of the Board. The location of the Special Meetings shall be at Fairfield Bay, Van Buren County, Arkansas and the location shall be included in the notice to voters.

Section 3. Notice of meetings. Written notice of each meeting of the members shall be given by or at the direction of the Secretary of the Board. Such notice shall be not less than 15 days nor more than 60 days prior to the meeting and such notice shall specify the place, day and hour of the meeting and the purpose of the meeting. There shall be included in the notice a ballot and other informational material about the election of Directors and issues on which the Voters are expected to vote.

ARTICLE V
BOARD OF DIRECTORS: SELECTION, TERM OF OFFICE, DUTIES

Section 1. Number. The affairs of The Club shall be managed by a Board of Directors consisting of seven (7) Directors, who shall be members in good standing of The Club. All Directors shall be elected by the eligible voter membership, but the Board shall elect the four (4) officers within the Board. All Directors shall constitute The Club Board, and all Directors shall be considered in decisions and resolutions made by the Club Board.

Section 2. Term of Office. So that continuity of experience on the Board may be preserved, a system of staggered terms shall be used such that, normally three (3) directors shall be elected in one year and two directors shall be elected in each of the following two years. Each Director shall be elected for a term of three (3) years, except in the case of filling a vacancy, where a shorter term would be required for some Directors to preserve the mathematical balance as required by this Section. No Director who has served two consecutive three-year terms is eligible for election to a third term, until such time as a period one (1) year has elapsed. If an incumbent Director dies, resigns, is removed, or is otherwise disqualified to serve or if not enough candidates file for election to fill the available positions, the remaining Board may appoint a Director to serve until the next election. At the next election, a Director shall be elected to serve the remainder of the term, if any.

Section 3. Removal. Any Director may be removed from the Board, with or without cause, by a majority vote of the voting members of the Club. Any Director who is absent without cause from all meetings of the Board for three (3) consecutive months shall be automatically removed from the Board. Any Director who is to be unable to serve for an extended period of their term may be removed by vote of the remaining Directors.

Section 4. Compensation. No Director shall receive compensation for any service rendered to The Club. However, any Director may be reimbursed for actual expenses incurred, such as but not limited to document reproduction, postage, etc., in the performance of duties, except that no reimbursement will be allowed for travel and related expenses to attend Board meetings, nor for such other travel, dinners or related expenses not approved

and authorized by majority vote of the Board present. Additionally, each Director may be issued a certificate entitling them to the same level of benefits as employees and certain community volunteers (i.e., D.P.S. Rescue and Fire Department). The director certificate will expire on the date the Director leaves the Board.

Section 5. General Duties of the Board. It shall be the duty of the Board to manage and set policies for the employees and to keep accurate records of the affairs of the Club and to report it to the Club Members. In addition:

(A) The Board, accountable to the Membership that elects it and supports the Club financially, may hire managers, agents, consultants and other professionals or persons as needed to maintain the Community and to handle the operational and business affairs of the Club.

(B) The Board must supervise and hold accountable all managers, employees and agents hired for salary by the Club to see that their duties are properly performed.

(C) The Board is responsible for the prudent use and investment of all of the Club's funds and assets.

(D) The Board shall develop and implement policies for the effective operation of all amenities, facilities and resources of the Club and in such endeavor shall develop and implement long-range plans for the Club as a whole and for each of the Club's departments and to help promote the Fairfield Bay community and to continually work to enhance the Property Owners' values.

(E) The Board shall maintain the fiscal integrity of the Community Club and regularly review departmental budget performances and evaluation and internal budget controls. The Board shall maintain a balanced budget on an accrual basis.

(F) Each of the members of the Board shall dedicate themselves to work for the good of the Club and in conjunction with other Board members and not pursue their own agendas or benefits for specific employees. In addition, the Board shall insure that attorneys employed to work on behalf of the Club shall comply in their representation with the Model Rules of Professional Conduct.

Section 6. Liability Insurance. The Board of the Club are hereby authorized and directed to purchase liability insurance coverage for Directors of the Club while engaged in the performance of their duties as Directors.

Section 7. Audit Committee. The President of the Board of Directors shall appoint an Audit Committee whose responsibility shall be to implement the Fairfield Bay Community Club, Inc. Audit policy. The committee shall be composed of the Treasurer of the Board of Directors and two other members of the Board of Directors, preferably those with the most financial understanding. The Audit Committee shall obtain the services, with the approval of the Board of Directors, of an accounting firm to conduct audits as set forth in the audit policy passed by the Board of Directors. The task of the Audit Committee shall be continuous and shall be performed as set forth in the audit policy. The conducting of assigned audits by the Audit Committee and the outside accounting firm will be independent and free of intervention by the Board of Directors and in compliance with the requirements and fulfilling the duties as set forth in the audit policy.

Section 8. Personnel Committee. The President of the Board of Directors shall serve as chairperson of this committee and appoint two additional Board members to this committee. They will adhere to the Personnel Committee job description as written by the Board.

Section 9. Conflict of Interest. Community Club Board members are prohibited from participating personally and substantially in a particular matter that will affect certain financial interests of the Director, thus creating a conflict of interest on behalf of the Director, as it may impact contracts and other transactions of the Club. The Board of Director with a conflict of interest will not participate in the matter which would pose a conflict, including recusing from discussion of the matter and vote which would impact the contract or the transaction of the Club.

ARTICLE VI
ELECTION COMMITTEE AND ELECTION OF DIRECTORS

Section 1. Candidates. Any Regular Member of the Club in good standing with the Club and who themselves or spouse is not an official of the City of Fairfield Bay may have his/her name placed on the ballot by written petition. Such petition must be signed by at least fifty (50) eligible voters. Eligibility of voters must be made available to the member petitioning as a candidate to check the signatures on his/her petition. It shall be the duty of the Election Committee to check the petition to determine the eligibility of signatures before the name is placed on the ballot. The petition with 50 qualified signatures must be received by the Secretary of the Board at least twenty-one (21) days prior to the day the notice of the Annual Meeting and elections is to be mailed. The candidate shall designate in writing upon presenting with 50 qualified signatures to Secretary of the Board, whether the candidates desires to run for standard three (3) years or partial term, if available.

Section 2. Election Procedure. All elections shall be conducted by written ballot only. The ballot shall be formulated by the Election Committee and approved by the Board of Directors. All candidates for the Board of Directors shall draw for ballot position. Each candidate shall be given reasonable notice and shall be allowed to be present when the ballot order is established by the drawing. The ballot shall also state clearly in bold print the last day on which the ballot must be received by the Secretary of the Board of Directors in order to be counted. The last day of voting shall be established by the Election Committee, and shall not be less than ten (10) days before the annual meeting.

Section 3. Election Committee. The Board, at least sixty (60) days prior to the date ballots are mailed for elections shall appoint an Election Committee. This committee shall be composed of five (5) persons. Election Committee members shall not be members of the Club's Board, persons standing for election to the Board, nor have a vested interest in the outcome of a members' right-to-vote initiative. Members of this committee shall serve a one year term, shall serve no more than two consecutive terms, and each year a minimum of two new members shall be appointed.

Duties of the Election Committee are:

- (A) Check all petitions for voter eligibility of the signatures.
- (B) Prepare the ballot form for mailing.
- (C) Certify that all requirements as to notices and mailings have been sent in accordance with the By-Laws, and that the rules on election have been observed.
- (D) Assist the Secretary of the Board in counting ballots to determine the Quorum.
- (E) During the period between close of voting by mail and the Annual Meeting, open the ballots, certify the validity of each, count the votes for Directors and the votes on any members' right-to-vote initiative issues. The results of these counts must be kept confidential to the members of the Election Committee until announced at the Annual Meeting. A vote shall not be considered valid and shall not be counted if it is not signed by a member who is in good standing with the Club. The vote shall be certified and the results of the election shall be announced at the Annual Meeting.

The candidates who are designated and run for the standard three (3) year term receiving the highest number of valid votes shall be elected to the Board of Directors for three (3) terms available, in order from candidate receiving the highest number of valid votes until all three (3) year terms have been filled.

The candidates who are designated and run for a partial term receiving the highest number of valid votes shall be elected to Board of Directors for remaining partial term in order from candidates receiving the highest number of valid votes for the position of partial term. Partial two year terms will be filled first. Partial one year terms shall be filled last.

Section 4. Voting by Associations. Votes cast by or on behalf of associations of timeshare members or other similar groups of members, shall only be counted if the association has considered the ballot measures and authorized voting on its behalf. Votes of the association shall only be counted if the association has returned with the ballot, a properly signed and sealed resolution allowing a duly appointed agent to cast votes on its behalf. In

order to be valid, the resolution must be filed no later than the last day of voting as established by the Election Committee. All such resolutions shall only be valid for the particular election for which it is filed.

Section 5. Recount Procedure. A recount may be requested by an affected candidate if the candidate loses a position on the Board by one percent (1%) or less of the total vote cast. The request for a recount is to be made in writing to the Secretary of the Board of Directors within two (2) days of the results being publically announced. The recount shall be conducted by the Election Committee within seven (7) days of the request. The results of the recount shall be communicated in writing to the Board of Directors and each affected candidate. If the original result is changed after the recount, the candidate affected by this action may request another recount in writing within two (2) days of receiving the result of the first recount. The same procedure set forth above shall govern the second recount. There shall be no more than two recounts for each election.

Section 6. Election Challenges. A candidate may challenge an election by giving written notice to the Secretary of the Board of Directors within ten (10) days of the Annual Meeting, or the final recount, whichever is later. The notice shall state the basis for the challenge and any facts the candidate would like considered.

(A) The challenge to the election will be investigated by the Election Committee. The Election Committee shall issue a report of the investigation within fourteen (14) days of the notice of the election challenge being served upon the Secretary. The report shall be addressed to the Board of Directors and be sent to all candidates for office. The report may recommend that the Board disqualify ballots or votes, declare a new winner based upon new vote totals, or order a new election for all or one of the contested offices. If no appeal is filed within the time specified for appeal below, the Board shall act on the recommendations of the Election Committee.

(B) A candidate may appeal the findings of the Election Committee to the Board of Directors by giving written notice to the Secretary of the Board of Directors within seven (7) days of receiving the findings of the Election Committee. If the findings are appealed, the Board of Directors shall have a hearing on the contest within fourteen (14) days of the notice. The hearing shall be conducted according to Arkansas law and shall provide the candidate an opportunity to present witnesses and evidence for the consideration of the Board. Any affected members of the board shall be disqualified from considering the issues raised in the hearing. Within fourteen (14) days of the conclusion of the hearing, the Board shall issue a written decision setting forth its findings, and actions taken by the board in response to the appeal. All actions taken by the Board on appeal shall be final.

ARTICLE VII BOARD MEETINGS AND ACCESS TO BOARD MINUTES

Section 1. Regular Meetings of the Board of Directors. Regular Scheduled meetings of the Board should be held at least quarterly at such time and place as shall be fixed from time to time by resolution of the Board. All Meetings, except Executive and Special Meetings are open to the Membership.

Section 2. Special Meetings. Special Meetings of the Board shall be held when called by the President of the Board, or by any two (2) Directors, after not less then 24 hours notice to each Director informing them as to time, place and purpose of the meeting. All business conducted and actions taken at a Special Meeting shall be reported on at the next Regular Meeting.

Section 3. Executive Meetings. The Board may hold executive Meetings prior to each Regular Meeting for the Directors to prepare for the Regular Meetings, for treatment of personnel matters and to consider negotiations and decisions relating to litigation. All business conducted and actions taken, other than confidential personnel and legal matters, at an Executive Meeting shall be reported on at the next Regular Meeting.

Section 4. Quorum. A majority of the number of Directors shall constitute a quorum for the conduct of business. Every action on a resolution or decision of a majority of the Directors in attendance at a meeting in which a quorum is present shall be regarded as acts of the Board, and the minutes of the meeting shall be filed. If a quorum is not present, the Directors present may adjourn the meeting, and no business, acts or decisions will be considered acts of the Board.

Section 5. Action Taken Without a Meeting. The Directors shall have the right to take any action in the absence of a meeting they could take at a meeting by obtaining verbal approval, subsequently approved in

writing, of the action by the Directors. Any action so approved shall have the same effect as though taken at a meeting. All written approvals shall be filed with the Minutes of the Board.

Section 6. Member Access to Minutes of the Board. The Secretary shall take detailed minutes of discussions and actions of the Board. These minutes shall include, but not be limited to, resolutions passed by the Board and how each Director voted on that resolution, discussions of budget and financial matters, plans and proposals under consideration by the Board, and the attendance records of Directors. Any written reports from various cost centers, amenities centers, departments, committees, task forces, consultants, advisors that have been received by the Board for review shall be a part of the minutes.

Any Member in good standing may, upon twenty-four (24) hour notice to the General Manager or Assistant General Manager of the Club, review the Regular and Special minutes and any documents associated with the minutes while on Club office premises. These minutes and documents may not be removed from the Club Office. Should copies of the minutes and documents (budget documents limited to the approved budget summary and salary documents limited to salaries of key managers) be desired by a Member in good standing, the Club, will provide the single requested copies at reproduction costs.

ARTICLE VIII BOARD OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. Each year the Board shall elect, from the membership of the full Board of Directors, the officers of the Club. They shall be President, Vice President, Secretary and Treasurer. These members shall serve only if they agree to their election.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board after the election at the Annual Meeting. This election and its results shall be part of the minutes, and shall also be published to the Membership through the next issue of the Club newspaper that goes to all Membership, resident and non-resident, or by other communications sent to Members.

Section 3. Term of Office. The Officers of the Board shall serve a one-year term, not to exceed two consecutive terms for the office of President and Vice President, and shall serve a one year term, not to exceed three consecutive terms for the office of Secretary and Treasurer. If there is a vacancy in an office, the Board shall elect a replacement from the full membership of the Board of Directors to fill out the term.

Section 4. Multiple Offices. No Director shall hold more than one office position at a time.

Section 5. Duties of the Officers.

(A) President. The President is the chief executive officer of the Club and shall preside at all meetings of the Board of Directors; shall see that resolutions and orders of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments as agreed to either by resolution of the Board or by affirmative vote on the Members voting on those "right-to-vote" issues as described in the Declaration and herein, and shall have such other powers and duties as may be delegated by the Board. The President is also the chairperson of the Personnel Committee.

(B) Vice President. The Vice President shall act in the place of the President in the event of absence of the President, or the inability or refusal to act on the part of the President. The Vice President shall exercise and discharge such other duties as required by the President.

(C) Secretary. The Secretary shall see that there is a detailed record of all votes and minutes of all meetings and proceedings of the Board and of its Directors; keep the corporate seal and see that it is affixed on all papers requiring such a seal; serve notice of meetings of the Board and of the Directors; keep appropriate current records showing the membership of the Club and their addresses, and other duties as required by the Board. The Secretary may, upon approval of the Board, enlist the assistance of the General Manager and the administrative staff in the conduct of affairs associated with the Secretarial duties of the Board. The Secretary is responsible for the oversight of all activities that have been delegated to the General Manager as described in this section for the Secretary.

(D) Treasurer. The Treasurer shall see that all moneys are received and deposited in appropriate bank accounts of the Club and shall disburse such funds as directed by resolution of the Board. The Treasurer or other designated officer or agent of the Board shall sign checks up to and including \$2,500. Checks in excess of \$2,500 shall require a second signature of an Officer of the Board. The Treasurer and others so designated by the Board shall sign notes of the Club as authorized by the Board; shall keep proper books of account; shall prepare the annual budget for the Board sixty (60) days prior to the beginning of the fiscal year; shall prepare an end-of-year statement of income and expense to be delivered and presented to the members at the Annual Meeting; and shall prepare all other financial reports as may be required by the Board. Any Club Member in good standing may review the financial records of the Club upon request twenty-four (24) hours in advance of the General Manager. Financial records of the Club may not be removed from the Club office. The Treasurer may enlist the assistance of and delegate to the General Manager and the Administrative staff certain Treasurer duties as approved by the Board. However, the Treasurer retains full oversight responsibility to see that all duties described above are carried out. The Treasurer shall see that both internal audits by the standing Accounting/Audit Committee and annual audits by an outside professional audit firm are conducted at proper times. The Audit reports are open for Membership review in the Club office and copies may be obtained pursuant to the payment of an administrative fee.

ARTICLE IX POWERS OF THE BOARD OF DIRECTORS

Section 1. The Board of Directors is empowered to perform the functions and to act in behalf of the Club Membership as follows:

(A) To carry out the powers of the Club as defined in the Declarations and the By-Laws except where the powers are reserved for action by the Members.

(B) To adopt and publish rules and regulations governing the use of all Common Areas and facilities and the public behavior of members and their guests thereon, and to establish penalties for infraction thereon. The Board may suspend the rights to use Common Areas, including all recreational facilities, of a Member for a period not to exceed ninety (90) days for violation or infraction of the published or posted rules and regulations.

(C) The Owner or Owners of a Lot, Living Unit, Commercial Lot, Tract, or Parcel of Land shall be responsible for the actions of the occupants of their properties and Guests using their properties. Except that: A person conducting business temporarily on a business property is not defined as a guest. A business owner shall not be held responsible for the acts of their customers except as the business owner has contributed to the acts of their customers.

The Board reserves the right to take action against violations by occupants and guests, and to assess fines against the Owner or Owners sponsoring the guests or permitting occupancy of their property.

(D) To suspend the voting rights and right to use Common areas including all recreational facilities, of a Member during such time as a Club Member shall be in default in the payment of any dues, fees or assessments that have been levied by the Club on all Lots, Living Units, Commercial Lots, Tracts, and Parcels of Land owned by the Member. Such a Member is a Member not in good standing. When payment in full has been made of all amounts owing the Club, all rights of membership shall be restored.

(E) To employ a General Manager, consultants, independent contractors and other such persons or firms as they deem necessary; to appoint members of permanently established committees and other committees as they deem necessary, and to prescribe the duties of these committees; and to develop policies and practices as required for the efficient and economic operation of the Club's business activities.

(F) To authorize the execution of an easement or other assignment, conveyance or transfer of property of the Club, real, personal or mixed, except where Member consent is expressly required by terms of the Declaration and the By-Laws.

(G) To plat or replat Common Property, undivided parcels or sub-divided parcels of lands within the parameters of the Properties as identified in the Declarations, except where Member consent or approval is required by the terms of the Declaration and the By-Laws.

(H) To borrow money without Member consent:

Before considering additional debt, the Board shall use as a criteria for additional debt, the debt capacity ratio of 130% and a debt to equity ratio of 1.5 based upon a Consolidated Financial Statement.

The Board shall report to the Membership at each Annual Meeting the status of each project for which such borrowing is still outstanding and confirm that repayment of principal and interest are proceeding in accordance with the provisions concerned.

In the event of a shortfall in making planned repayments on any such project, the shortfall must be provided for from the current or next annual operating budget, and no additional borrowing for any such project can be made until the shortfall is corrected.

All other borrowing not included in this section (H) must be approved by a majority of the Club Membership voting by ballot, at the regular Annual Meeting or a special Meeting of the Members.

(I) To set annual dues for all Members, except for Charter Members, increases not to exceed 25% in any one year for Regular, Commercial and Business Memberships. All dues for other membership categories may be increased or decreased at the discretion of the Board.

(J) To raise or assess user fees on all memberships to meet the cost of such services as sewer maintenance, garbage disposal, road and street maintenance, and other community services as they deem necessary.

(K) To use a portion of the fees, dues and assessments for the purpose of setting up reserve accounts for reducing principal on debt in addition to interest payments, and to reserve funds for use of adding future amenities or making capital improvements on existing amenities for the enjoyment of the membership. The Board must at all times function within the operating budget where the fees, dues and assessments were established for the year.

(L) To assess an interest charge against delinquent accounts as expressed in the Declaration. The Board shall be active in the collection of delinquent membership dues and other assessments. The Board may delegate collection activities.

(M) To contract for all necessary liability and hazard insurance on property owned by the Club. To provide benefits, such as health insurance, retirement and privileges, for those appointed or employed by the Club.

(N) To cause Directors and employees having fiscal responsibility for the Club to be bonded.

(O) To see that Common areas are properly maintained.

(P) To enforce maintenance standards on all areas of the Community as provided in the Declarations.

(Q) To appoint, suspend and remove such subordinate officers, agents and factors as they deem necessary. To determine and fix the duties of appointees, to establish the salaries of all appointees and staff, and to change the duties and remuneration of any appointee or staff member as they deem fit.

ARTICLE X CLUB MANAGERS AND STAFF

Section 1. The Board may provide for and hire a General Manager and other managers they deem necessary to act in their behalf in day-to-day management and operation of the Club.

Section 2. The Board may delegate those duties and responsibilities of the Board to the General Manager and other managers as they deem fit. However, it is the responsibility of the Board to retain ultimate responsibility for the Club's operation. The Board may remove any manager from their position for failure to perform their duties up to the standards set by the Board.

Section 3. The Board may authorize the General Manager to hire sufficient staff to perform the duties the Board requires of that manager. The Board shall approve recommendations of the General Manager to hire other managers. The Board shall review the cost of the staff, the management of the staff in terms of maximum use of this resource, to periodically review with the General Manager the cost of the administration, and to get justification for the amount spent for administration.

ARTICLE XI MEMBER RIGHTS AND BOARD LIMITS

Section 1. Members Right to Vote. Members shall vote on the following issues:

(A) A plan for a loan for capital expense or capital improvements that would require incurring a debt to the Club in excess of the limits specified in Article IX, Section 1, Subsection (H).

(B) Changes in the organization and governance of the Club that alter it from private to semi-private or to public.

(C) Changes that would alter the character of the Club, e.g., acquisition by Club of a hotel or resort units for time sharing.

Section 2. The Board shall operate with a balanced budget, and may not borrow for operating expenses without a unanimous approval of all members of the Board. No Reserve funds established for reduction of debt principal or reserve funds set up for use for capital investment in new amenities may be used for any other purpose than that which it was intended.

ARTICLE XII ASSESSMENTS, DUES, FEES, USER FEES

Section 1. As more fully provided in the Declaration and elsewhere in these By-Laws, Club Members are obligated to pay to the Club annual and special assessments, dues, fees and user fees as set by the Board, subject to the powers and limits set herein. Assessments, dues, fees and user fees may be secured by a continuing lien upon the property against which assessments have not been paid. If an assessment, dues, fee or user fee is not paid within thirty (30) days after the due date, the charge shall be considered delinquent and shall bear interest from the date of the delinquency at the maximum allowed by law. The due date must appear on all written statements. No Owner may escape liability for an assessment, dues, fee or user fee provided for in the Declaration or herein by non-use of the Common Areas or abandonment of the Lot, Living Unit, Tract or Parcel of Land against which the charges have been made.

Section 2. All statements shall show the due date. Assessments, dues, fees and user fees payments may be made on an annual, semi-annual, quarterly or monthly basis. Changes in dues payment schedules to a more frequent schedule, except those handled by automatic bank transfers, shall be subject to a small charge for the administrative cost of handling. This charge shall be set by the Board and shall be within the limits of law.

Section 3. Class A Charter Members annual Club dues are set at twenty five dollars (\$25) per year, unless changed by vote of the Charter Members. These Members are subject to all other assessments, fees and user fees, such as sewer, garbage and amenities fees as provided in the Declaration and the By-Laws.

ARTICLE XIII COMMITTEES

Section 1. The Board shall appoint an Architectural Control Committee as provided in the Declaration, and an Audit Committee, an Election Committee and a Personnel Committee as provided in these By-Laws.

Section 2. The Board may appoint amenity advisory committees. Amenity advisory committees are established to assist the Board of Directors of the Community Club in the effective operation of the Club amenities.

The advisory committee is to act in an advisory capacity for the amenity to which assigned by assisting the manager of the amenity and to the Community Club Board with implementation of programs, services and any other projects as requested by the manager or the Club. The advisory committee shall also provide insight as to the needs and desires of the members, to assist with any communication needs between the Club and the members, and offer suggestions for improvements. The advisory committee shall not be involved in any personnel issues or management issues that are to be handled by management or the Board.

The Community Club Board shall appoint at least three (3) and no more than seven (7) members to an advisory committee in such a manner to allow for staggered terms of 2 years each and shall serve no more than two (2) terms. An advisory committee member must be a member in good standing with the Community Club and shall not be an employee reporting to the manager of the amenity. The Board shall appoint one board member to act as a liaison to the board for the committee. The Board liaison will be a non-voting member of the committee and shall not hold any office on the committee. The manager of the amenity shall be an ex-officio member.

A chairman and secretary shall be elected each year from the membership of the committee.

Meetings shall be conducted in a manner consistent with good business practices where minutes of discussions are taken, approved, and distributed; agendas are established prior to meeting and followed; and members of the committee vote on all decisions made by the committee.

Section 3. With the exception of the Architectural Control Committee, whose authority is delineated in the Declaration, and the Audit Committee, the Election Committee and the Personnel Committee, whose authority is delineated in these Bylaws, each committee shall consist of no less than three (3) members and these committees shall only have the authority assigned to them by the Board. The Director assigned as liaison to the committee is a regular member of the committee, but may not hold an office. A Committee chairperson may not serve more than two consecutive years as chairperson of the same committee.

ARTICLE XIV CHARTERED CLUBS AND ORGANIZATIONS

Section 1. Any group of Club Members interested in pursuing a particular hobby, avocation or field of interest which will require use of Club facilities on a regularly scheduled basis may obtain authorization for such use by registering the organization or group with the Community Club.

Section 2. For the convenience of all Club Members, registration with the Community club shall be required of all Service Clubs, Churches, and Property Groups.

Section 3. Requirements for registration, as well as duties, responsibilities and authorities of clubs and service groups are subject to review by the Club to determine that the actions, goals or activities of that club or service group are not in conflict with the Declaration, Protective Covenants or By-Laws of the Club.

Section 4. Any organization that does not comply with the requirements of registration or with the Declaration, Protective Covenants or By-Laws may have its registration revoked by a majority vote of the Board. Board action shall be final.

ARTICLE XV DISSOLUTION

Section 1. Vote of Membership Necessary. The Club may only be voluntarily dissolved by election of the members. The Board will schedule an election regarding dissolution if a written petition signed by thirty (30%) percent or more of the eligible members is delivered to the Secretary of the Board. The election must be through written ballot sent to all eligible members. The Club may only be dissolved by an affirmative vote of eighty (80%) or more of eligible members at the time that the ballots are sent.

Section 2. Notice. The Board shall send a notice to the eligible members sixty (60) days prior to any vote regarding dissolution. The notice shall state clearly that the purpose of the vote is to dissolve the Club, shall set forth the effect of dissolution upon the membership, and shall set forth a plan for the payment of creditors and the distribution of the property of the Club.

Section 3. Distribution of Property upon Dissolution. Upon filing the Articles of Dissolution with the Secretary of State, the assets and property of the Club shall be used to pay any outstanding debts and claims. Once all creditors have been satisfied, the remaining assets and property shall be distributed to a nonprofit entity which will function to benefit the members of the Club. The assets and property shall not be distributed to the members, and shall not be distributed to any state, county, or municipal government, public or quasi-public corporation, or any subdivision thereof.

Section 4. Sale of Assets. For the purpose of this Article, the sale or transfer of all, or substantially all, of the assets and property of the Club shall be considered a 'dissolution.' Such sale or transfer is only effective upon compliance with the terms and conditions of this Article. The addition of this Article was necessary to protect the members and the assets of the members of the Community Club from hostile action that would be detrimental to the Club and the community.

ARTICLE XVI MISCELLANEOUS PROVISIONS

Section 1. Corporate Seal. The Club may adopt a corporate seal by majority vote of the Board. If adopted, the seal shall contain the name and words "Corporate Seal" - "Fairfield Bay Community Club, Inc.". This seal may be used on all documents requiring it, and may be used by impressing or fixing thereon.

Section 2. Fiscal Year. The fiscal year of the Club shall be January 1 through December 31, or such date as the Board may determine.

Section 3. Checks, Drafts, Notes. All checks, drafts or other orders for payment, and notes or other evidence of indebtedness issued in the name of the Club shall be signed by such Board Officer or Officers or agents of the Club as shall be determined by resolution of the Board. The Board shall protect the Club's funds and require that all persons dispensing funds of the club by use of their signature be bonded.

Section 4. Membership Privileges. Club Membership privileges shall be afforded only to persons whose names appear on the deed and to all children of the immediate family with a maximum of two families per Lot, Living Unit or Interval Ownership. This assumes the Member is "in good standing" and has no delinquencies owing the Club.

Section 5. Amendment of Bylaws. The bylaws may be amended from time to time by the affirmative vote of the majority of the eligible members voting. Notice of change to bylaws shall follow the rules of announcement for all elections as stated herein.

Additionally, the bylaws may be amended from time to time by the Board of Directors by the affirmative vote of greater than 70% of all of the Board of Directors.

The requirement that an amendment to the bylaws by the Board of Directors be approved by greater than 70% of all of the Board of Directors, may not be amended or changed without the affirmative vote of the majority of the members voting at an annual meeting or in a special election.

Section 6. The Board may not enter into any agreement with any corporation, business, person or persons that would constitute a conflict or would attempt to circumvent any provisions of the Declaration, Protective Covenants or these By-Laws.

CERTIFICATION OF ADOPTION

The foregoing Bylaws of the Corporation have been duly adopted this _____ day of _____, 2008, by action of the Board of Directors of the Corporation pursuant to the laws of this State.

IN TESTIMONY THEREOF, witness the hand of the undersigned as Secretary of the Corporation on such date.

(SEAL)

Secretary

APPROVED:

President