

BY-LAWS
OF
HURRICANE LAKE ESTATES PROPERTY OWNERS ASSOCIATION

ARTICLE I
DEFINITIONS

Unless the context otherwise specifies or requires, the terms defined in Article I hereof shall have the meaning specified herein for all purposes of these By-Laws.

Articles. The term "Articles" shall mean the Articles of Incorporation of Hurricane Lake Estates Property Owners Association, Inc. (the POA) and such amendments to the Articles as may from time to time be properly made which are filed in the office of the Secretary of the State of Arkansas, a true copy of which is on file at the principal office of the POA.

POA. The term "POA" shall mean Hurricane Lake Estates Property Owners Association, Inc.

Bill of Assurance. The term "Bill of Assurance" shall mean the Bill of Assurance of Hurricane Lake Estates Phase 1 & 2 and all subsequent amendments, supplements and additions thereto filed in the office of the Circuit Clerk of Saline County, Arkansas.

Board. The term "Board" shall mean the Board of Directors of the POA.

By-Laws. The term "By-Laws" shall mean this instrument as it may be amended from time to time pursuant to the provisions of this instrument.

Common Area. The term "Common Area" shall mean all real property and improvements thereon owned or maintained by the POA for the common use and enjoyment of the Owners, including property as described in the Bill of Assurance and any Plat for Hurricane Lake Estates filed with the Circuit Clerk of Saline County, Arkansas.

Common Charges. The term "common charge" or "common expense" shall be those common expenses incurred for the operation of the Common Area in Hurricane Lake Estates as set forth in Article VIII of this instrument.

Hurricane Lake Estates. The term "Hurricane Lake Estates" shall mean all of the real estate described in Article 11 of this instrument, together with any land and improvements and future additions added pursuant to the Bill of Assurance.

Developer. The term "Developer" shall mean Hurricane Lake Estates Development Co., its successors and assigns.

Dues. The term "Dues" shall mean the monthly charges of the POA to its Members for the repair, maintenance, additions or improvements to the common area and the operation of the POA.

Assessments. The term "Assessments" shall mean any monthly, annual or special charge levied by the POA to its Members in addition to Dues to fund any expense of the POA

Fees. The term "Fees" shall mean those charges made by the POA to an individual Member for use of certain POA facilities or as a charge for a privilege granted to an Owner which is not otherwise granted to all other Owners by the Bill of Assurance.

Fiscal Year. The term "fiscal year" shall mean the calendar year, unless changed or modified by the Board of Directors of the POA.

Grantor. The term "Grantor" shall mean Hurricane Lake Estates Development Co.

He. The term "He" or the use of the masculine gender in these By-Laws is intended to be gender neutral and shall be deemed to include the feminine and neuter gender.

Lot. The term "Lot" shall mean any platted lot, real estate within Hurricane Lake Estates as shown on the Plat.

Managing Agent. The term "Managing Agent" shall mean an individual or corporation employed by the Board to oversee the affairs of Hurricane Lake Estates Property Owners Association, Inc. and to manage and maintain the property of the POA.

Member. The term "Member" shall mean and refer to any Owner who by virtue of holding fee simple title to any Site or is the equitable owner of any Site is a member of the POA. If any Owner holds title to more than one Site, he shall be entitled to an additional membership for each additional Site he owns. The Developer is a Member by virtue of its ownership of Sites.

Membership. The term "Membership" shall mean the rights, duties and obligations of a Member of the POA. Each lot or Site shall be entitled to one Membership. A Membership shall be restricted to the Owner of record and the members of his immediate household.

Rules and Regulations. The term "Rules and Regulations" shall mean the rules and regulations as adopted by the Board pursuant to the Bill of Assurance and this instrument, as they may be amended from time to time.

Plat. The term "Plat" shall mean the filed survey of a registered land surveyor showing the boundaries and dimensions of the property and the subdivided lots, streets, easements and common areas.

Person. The term "Person" shall mean an individual or individuals, corporation, unincorporated POA, partnership, joint venture, trustee, conservator, administrator, or other legal

entity which has the right to hold title to real property.

Owner. The term "Owner" shall mean and refer to the record Owner or the Developer, whether one or more persons or entities, of a fee simple title to any Site or has an equitable interest in any Site which is a part of the Property, but excluding those having such interest merely as security for the performance of an obligation.

Property. The term "Property" shall mean the land, buildings, and all other improvements thereon, including the Common Areas, streets and easements, which are subject to the Bill of Assurance.

Site. The term "Site" shall mean any platted lot within the Property or any additional phase or any one-fifth acre of unplatted Property within Hurricane Lake Estates.

ARTICLE II GENERAL

SECTION 1. The Property. The Property is located in Saline County, Arkansas. It is all that Property known as the Hurricane Lake Estates as defined in the Bill of Assurance, together with such additional property as may be dedicated by the Developer in the future pursuant to the provisions of this Bill of Assurance.

SECTION 2. The POA. The POA has been organized to perform the functions described herein except for those performed by others as set forth herein. The POA is charged with the duties and has the powers prescribed by law and set forth in the Articles, By-Laws and the Bill of Assurance.

The POA is an organization of the Owners of Sites in Hurricane Lake Estates and used by them to manage and regulate Hurricane Lake Estates. Each Owner of a Site shall have the same proportion of interest in the POA as the number of Sites in Hurricane Lake Estates, except as provided in this Article.

Each Owner shall be deemed a Member of the POA. Upon becoming a Member of the POA, the rights, duties, privileges, immunities and obligations of being an Owner shall be those set forth in and shall be exercised in accordance with the Bill of Assurance, the Articles, and these By-Laws.

Membership in the POA shall not be transferred, pledged or alienated in any way except upon transfer of title of a Site, and then only to the transferee of title, except in the instance of suspension as provided hereunder. Any attempt to make a prohibited transfer shall be null and void.

SECTION 3. Provisions of By-Laws Applicable. The provisions of these By-Laws are applicable to Hurricane Lake Estates Property Owners Association, Inc.

SECTION 4. By-Laws Applicable to Present and Future Owners. All present and future Owners, mortgagees, lessees, and occupants of Sites and any other Person(s) who may use the Common Area facilities of Hurricane Lake Estates in any manner, are subject to these By-Laws, all covenants, agreements, regulations, restrictions, easements and declarations of record, and any Bill of Assurance of Hurricane Lake Estates. The acceptance of a deed of conveyance or the entering into a lease or the act of occupancy of a Site shall constitute an agreement that all of the above documents, restrictions and conditions, as they may be amended, shall be binding and enforceable according to their respective terms.

SECTION 5. Office of the POA. The Office of the POA and the Board shall be located in Saline County, Arkansas or such other locations in this State as may be selected from time to time by the Board.

SECTION 6. Documents Available for Review. Copies of these By-Laws, the Articles, the Bill of Assurance, the Architectural Control Design Guidelines, the Plat, and all books and records of the POA shall be made available for inspection by Members of the POA and their authorized agents during regular business hours.

ARTICLE III MEMBERSHIP AND VOTING RIGHTS

SECTION 1. Development Control. Until ninety percent (90%) of all Sites in all Phases (Phase 1 & 2 and such additional properties as may be dedicated by the Developer) or until the year 2040, whichever last occurs, the control of the Hurricane Lake Estates Property Owners Association, Inc. shall be by the Developer as an administrator. The Developer may, at its option, relinquish its right and duty to act as an administrator at any time upon the filing of a written instrument recorded in the Office of the Recorder for Saline County, Arkansas. Upon the happening of any event described in this paragraph, the Developer shall delegate, convey and transfer to the POA all authority, rights, privileges and duties herein reserved by the Developer.

SECTION 2. Membership. Every Person who is an Owner of record of a fee or undivided fee interest or and equitable owner in any Site in any phase of Hurricane Lake Estates shall be a Member of the POA, provided that any such Person who holds such interest merely as a security for the performance of an obligation shall not be a Member. As herein defined, Person may be one or more and all such Persons or entities constituting one Person or Member shall vote their membership as they, among themselves, determine but in no event shall more than one membership be held in the POA for any one Site. If any Person is an Owner of more than one Site, then such Owner shall be entitled to an additional membership for each additional Site he owns.

SECTION 3. Voting Rights. Subject to the provisions of Section 1 of this Article, every Member shall be entitled to one vote per Site. Where more than one Site is held by a Member, then such Member shall be entitled to one vote for each such Site.

ARTICLE IV
BOARD OF DIRECTORS

SECTION 1. Directors. The initial Board of Directors of the POA shall be comprised of three (3) members appointed by the Developer. Until succeeded by Directors elected by the Members, the Directors need not be Owners. Upon expiration of the term of each Member of the initial Board, the successor to such Director of the Board shall be an Owner. Except as provided in the Articles with respect to the initial Board, Directors shall be elected on a staggered basis. In any event however, each Director shall hold office until such time as his successor has been elected. In the event that a corporation or other legal entity is a Member of the POA, it may designate one or more Persons who shall be eligible to serve as Director on its behalf.

SECTION 2. Election of Directors. Subject to the provisions of these By-Laws concerning the initial Board, at each Annual Meeting of the POA or at a Special Meeting called for that purpose, the Members shall elect Directors according to positions. There shall be no cumulative voting. Voting by written proxy is permitted for Members. The candidates receiving the highest number of votes for a Board position shall be deemed elected. A quorum of the membership at an annual or special called meeting shall be ten percent (10%) of the Memberships.

SECTION 3. Resignation. Any Director may resign at any time by giving written notice to the President or to the Secretary of the Board.

SECTION 4. Powers and Duties of the Board. The Board shall have the powers and duties necessary for the administration of the affairs of the POA and may do all such acts and things, except for those things and matters which are by these By-Laws and by the Bill of Assurance reserved to the Members of the POA. Such powers and duties of the Board shall include, but shall not be limited to the following:

(a) Provisions for the operation, care, upkeep and maintenance and use of the Common Areas.

(b) Determination of the common expenses, including assessments for a maintenance reserve fund, required for the affairs of the POA including, subject to the limitations imposed by the POA or by the Bill of Assurance, the operation and maintenance of the Property and the allocation of income and expenses.

(c) Collection of the common charges from the Owners, including the right to enforce those collections by methods described elsewhere in these By-Laws and the Bill of Assurance.

(d) Opening of bank accounts on behalf of the POA and designating the signatories required therefor.

(e) Leasing, managing and otherwise dealing with the Common Areas.

(f) Owning, conveying, encumbering, leasing and otherwise dealing with Sites conveyed to it or purchased by it as the result of enforcement of a lien for common expenses, or otherwise.

(g) Obtaining of insurance for the Common Areas.

(h) Making of repairs, additions, improvements to or alterations of the Property and Sites in accordance with the other provisions of these By-Laws and as described in the Bill of Assurance.

(i) Enforcement of obligations of the Owners.

(j) Adoption of Rules and Regulations relating to the use, upkeep or preservation of Hurricane Lake Estates.

SECTION 5. Employment of Managing Agent. The Board may employ for the POA, a Managing Agent at a compensation established by the Board, to perform such duties and services as the Board shall authorize, including, but not limited to all of the powers granted to the Board by these By-Laws.

SECTION 6. The Initial Board and Subsequent Boards. The initial Board shall be appointed by the Developer and shall consist of three (3) Members who shall serve until the first Annual Meeting held pursuant to Article V, Section 1 of these By-Laws. At the first Annual Meeting, the Members of the POA shall elect the Board of Directors by positions for staggered terms. Board position number one shall have an initial term of one year; Board position number two shall have an initial term of two years; and, Board position number three shall have an initial term of three years. Upon the expiration of the initial terms, each Board position shall serve for a term of three years. Board Members may succeed themselves for one additional term.

SECTION 7. Removal of Directors. Directors may be removed and a successor elected by an affirmative vote of the majority of the Members of the POA; provided however, Members of the initial Board shall be removed only by affirmative action of the Developer.

SECTION 8. Vacancies. Vacancies on the Board caused by any reason other than the removal of a Director under Section 7 of this Article, shall be filled by vote of a majority of the remaining Directors at a special meeting of the Board held for that purpose. Each person so elected shall serve as a Director until the next Annual Meeting of the POA, or until a Special Meeting of the POA is duly called and held for the express purpose of electing a Director to fill the vacancy for the remainder of the term. Except for Members of the initial Board, no Director shall continue to serve if, during his term of office, he shall cease to be an Owner.

SECTION 9. Expansion of the Board. The number of Directors may be increased to no more than seven (7) members by a majority vote of the Members at any Annual Meeting of the POA. Each

additional Director shall be elected by position for a term of three (3) years.

SECTION 10. Board Meeting Following First Annual Meeting. Following the first Annual Meeting of the POA, there shall be a meeting of the Board within thirty (30) days thereafter.

SECTION 11. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Members of the Board. Notice of regular meetings of the Board shall be given to each Director, by mail, at least five (5) business days prior to the day named for such meeting.

SECTION 12. Special Meetings. Special meetings of the Board may be called by the President on five (5) business days notice to each Director given by mail, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board may also be called upon written request of at least a majority of the Directors on like notice.

SECTION 13. Waiver of Notice of Meeting. Any Director may at any time waive notice of any meeting of the Board in writing and such waiver shall be deemed equivalent to the giving of such notice.

SECTION 14. Quorum. At all meetings of the Board, a majority of the Directors shall constitute a quorum for the transacting of business and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board. If at any meeting of the Board, there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time.

SECTION 15. Fidelity Bonds. The Board may elect to obtain adequate fidelity bonds or insurance policies for all officers and employees of the POA handling or responsible for the POA funds. The premium on such bonds or insurance policies shall constitute a common expense.

SECTION 16. Compensation of Board. No elected Member of the Board shall receive any compensation from the POA for acting as such, except for reimbursement of necessary and duly incurred expenses.

SECTION 17. Directors Not Liable. The Directors shall not be liable to the Members of the POA for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The POA shall and does indemnify and hold harmless each Director against all contractual liability to others arising out of contract made by the Board on behalf of the POA unless any such contract shall have been made in bad faith or contrary to the provisions of the Bill of Assurance or contrary to these By-Laws. It is intended that the Directors shall have no personal liability with respect to any contract made by them on behalf of the POA. It is also intended that the liability of any Owner arising out of any contract made by the Board out of the aforesaid indemnity in favor of the Directors shall be limited to such proportion of the total liability thereunder as the number of Sites owned by him bears to the total number of Sites in Hurricane Lake Estates. Every agreement made by the Board or by the Managing Agent on behalf of the POA shall provide that the Directors or

the Managing Agent as the case may be, are acting only as agents for the POA and shall have no personal liability. Any liability of a Director may be further subject to such indemnification as provided in Article IX of these By-Laws.

SECTION 18. Records. The Board shall cause to be kept detailed records of the actions of the Board and of the Managing Agent, if any, minutes of the meetings of the Board, minutes of the meetings of the Members and financial records and books of account of the POA.

SECTION 19. Annual Report. An annual report of the receipts and expenditures of the POA shall be made at the end of each fiscal year. The Board shall cause this report to be furnished to the Members at the Annual Meeting of the POA. A copy of said report shall be kept on file at the office of the POA and shall be made available for inspection by Members and their authorized agents during reasonable business hours.

ARTICLE V POA MEMBERS' MEETINGS

SECTION 1. Annual Meetings: Election of Directors. At the Annual Meeting of the Members, the Directors shall be elected by ballot of the Members of the POA, in accordance with the requirements of Article IV of these By-Laws. The POA may also transact such other business as may properly come before it.

SECTION 2. Location of Annual Meetings. The Annual Meetings shall be held at the principal office of the POA, or at such suitable place convenient to the Members as may be designated by the Board.

SECTION 3. Special Meetings. It shall be the duty of the President to call a special meeting of the Members upon resolution of a majority of the Board or upon petition signed by at least one-third of the Members and delivered to the Secretary of the POA.

SECTION 4. Notice of Meetings. It shall be the duty of the Secretary to mail or deliver to each Member a notice of each annual or special meeting, stating the purpose thereof and the time and place where it is to be held. The notice shall be given at least ten (10) but not more than sixty (60) days prior to the date of such meeting. The mailing or delivery of a notice in the manner provided in these By-Laws shall be considered notice served. Notice of a meeting need not be given to a Member if a written waiver thereof executed before, during or after the meeting by such Member or his duly authorized attorney or agent.

SECTION 5. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of ten percent (10%) of the Membership shall constitute a quorum at all meetings of the POA. If any meeting of the POA cannot be held because a quorum has not attended, a majority in interest of the Membership who are present at such meeting, either in person or by proxy, shall adjourn the meeting to a time not less than forty-eight (48) hours from the time of the original meeting.

SECTION 6. Voting. The Member(s), or some person designated by such Member(s) to act as proxy on his or their behalf, who need not be an Owner, shall be entitled to cast their vote(s) at any meeting. The designation of any proxy shall be made in writing to the Secretary and shall be revocable at any time upon written notice to the Secretary. Any or all Members may be present at any meeting and may vote or take any other action as a Member either in person or by proxy. Each Member (including the Developer, if the Developer shall then own one or more Sites) shall be entitled to cast one vote at all meetings which vote shall be weighed by multiplying it by the number of Sites, whether built upon or not, owned by each Member. The votes attributable to each Member must be voted as an entirety and if Owners of a Site shall be unable to agree on the vote to be cast on any issue their right to vote on that issue shall be deemed to have been waived.

SECTION 7. Majority Defined. As used in these By-Laws, the term "majority of Members" shall mean those Members having more than fifty percent (50%) of the total authorized votes of all Members present in person or by proxy and voting at any meeting determined in accordance with the provisions of Section 6 of this Article. The vote of the majority of Members present at a meeting at which a quorum shall be present shall be binding upon all Members for all purposes except when a higher percentage vote is required by law, the Bill of Assurance or these By-Laws.

ARTICLE VI OFFICERS

SECTION 1. Principal Officers of the Corporation. The principal officers of the POA shall be the President, Vice-President, Secretary, and Treasurer and shall be elected by the Board. The President and Vice-President must also be members of the Board. Any vacancies which may occur in the offices of Secretary and Treasurer shall be filled by the Board. The Secretary and Treasurer need not be Members of the POA. The Board may appoint an Assistant Treasurer, an Assistant Secretary, and such other officers as in its judgment may be necessary.

SECTION 2. Officers Chosen by Board. Those officers of the POA to be chosen by the Board shall be elected annually at a meeting of the Board described in Article IV, Section 6 of these By-Laws, and shall hold office at the pleasure of the Board and until their successors are elected.

SECTION 3. Removal of Officers Chosen by Board. Upon the affirmative vote of the majority of the Board at a regular or special meeting called for that purpose, any officer chosen by the Board may be removed, either with or without cause, and his successor elected.

SECTION 4. President. The President shall be the chief executive officer of the POA. He shall preside at all meetings of the POA. He shall have all of the general powers and duties which are incidental to the office of President, including but not limited to the power to appoint committees from among the Owners from time to time, as he may in his discretion decide as are

appropriate to assist in the conduct of the affairs of the POA. The President shall be elected by the Board and shall serve for a term of one (1) year and shall have the right of succession.

SECTION 5. Vice-President. The Vice-President shall take the place of the President, and shall perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice-President is able to act, the Board shall appoint some other Member of the Board to act in place of the President on an interim basis. The Vice-President shall also perform such other duties as shall from time to time be imposed upon him by the Board or by the President. The Vice-President shall be elected by the Board.

SECTION 6. Secretary. The Secretary shall keep the minutes of all meetings of the POA and of the Board; shall have charge of such books and papers as the Board may direct; and shall perform all the duties incidental to the office of Secretary, and as described elsewhere in these By-Laws. The Secretary shall be elected by the Members of the Board but need not be an Owner. The Secretary may also serve as Treasurer.

SECTION 7. Treasurer. The Treasurer shall have the responsibility for all funds and securities and shall be responsible for keeping full and accurate financial and books of account showing all receipts and disbursements and for the preparation of required financial data. He shall be responsible for the deposit of all monies and other valuable effects in the name of the Board or the Managing Agent in such depositories as may from time to time be designated by the Board and he shall perform all duties incidental to the office of Treasurer. No payment voucher shall be paid unless and until approved by the Treasurer, or in his absence the Assistant Treasurer. The Treasurer shall be elected by the Board but need not be an Owner. The Assistant Treasurer, if any, may be appointed by the Board.

SECTION 8. Execution of Documents for the Board. All agreements, contracts, deeds, leases, checks, and other instruments of the POA may be executed by the President, Vice-President or by such other person(s) as may be authorized by the Board.

SECTION 9. Compensation of Officers. No elected officer shall receive any compensation from the POA for acting as such, except for reimbursement of necessary and duly incurred expenses.

SECTION 10. Resignation. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein. Unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

ARTICLE VII NOTICES

SECTION 1. Notice Procedure. Whenever these By-Laws or the Bill of Assurance require notice be given to the Board, any Managing Agent, or Member, notice shall not be construed to mean personal notice but such notice may be given in writing, either by mail by depositing the same in a post office or letter box in a postpaid sealed wrapper, addressed to the Board, or such Managing Agent or Member, respectively, at such address as appears in the records of the POA or by personal delivery. Notice shall be deemed given as of the date of mailing or by delivery to such person's address, provided that such mailing is made in the State of Arkansas.

SECTION 2. Waiver of Notice. Whenever any notice is required to be given under the provisions of the Bill of Assurance, the law, or these By-Laws, a waiver thereof, in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed the equivalent thereof.

ARTICLE VIII OPERATION OF THE PROPERTY

SECTION 1. Budget. Subject to other provisions contained in this Article, the Board shall from time to time and at least annually, prepare a budget for the POA. In connection therewith, the Board shall determine the amount of common expenses of the POA and allocate and assess each common charge among the Owners according to the respective needs of various types of Sites within Hurricane Lake Estates. The common expenses shall include among other things, the cost of all insurance premiums on all policies of insurance, the amount charged for the operation, care, upkeep and maintenance of the Common Area, any amount for working capital of the POA, any amount for a general operating reserve and a reserve fund for replacements and assessments necessary to make up any deficit in the common expenses of any prior year. The common expenses may also include such amounts as may be required for the purchase or lease by the Board on behalf of all Owners of any Site which is to be sold at foreclosure or other judicial sale.

The Board shall advise all Owners promptly and in writing of the amount of the common charges payable by each of them as determined by the Board, and shall make available at the office of the POA copies of each budget on which such charges are based. Assessment for each type of development within Hurricane Lake Estates may differ in amount. The Developer shall not be assessed or charged dues or special assessments as a consequence of its ownership of a Site.

The POA is empowered to borrow money and pledge the income of assessment as security for the obligation.

No assessment may be used to maintain property in which the POA does not have an interest; provided however, the POA shall maintain, as necessary, all highway rights-of-ways that are adjacent to or adjoining the Property and all entranceways into the Property. This expense may be shared with other persons or entities which own or have an interest in said rights-of-ways.

In no event shall the annual POA dues per membership be less than \$26.00 per month. Dues shall commence on January 1, 2000. The dues of the POA shall automatically increase annually by the percentage increase of the most recent published consumer price index. The dues may also be increased by the Board subject to the limitations provided in Section 2 of this Article.

SECTION 2. Payment of Common Charges. All Owners other than the Developer shall pay the common charges assessed by the Board either monthly, annually or in advance or at such other times or methods that the Board shall determine.

The assessment for common charges shall not increase during any one fiscal year of the POA more than twenty-five percent (25%), unless a greater amount is voted for by seventy-five percent (75%) majority of the total authorized votes of all Members present in person or by proxy and voting at any meeting duly called and noticed.

No Owner shall be liable for the payment of any part of the common charges assessed against his Site subsequent to the transfer of a conveyance by him recorded in the records of the Circuit Clerk's office of Saline County, including conveyance to the Board made in accordance with the provisions of Article VIII of these By-Laws. A purchaser of a Site shall be liable for the payment of the common charges assessed and unpaid against such Site prior to the acquisition by him of such Site, and a mortgagee or other purchaser of a Site at a foreclosure sale of such Site shall be subject to and liable for a lien for the payment of common charges assessed both prior to and subsequent to the foreclosure sale.

SECTION 3. Power to Suspend Membership. In the event of default by any Owner in the payment of the common charges, or any other amounts owed the POA, or the Owner being in violation of any Bylaw or Rule of the POA, the Board shall have the power to suspend the Owner's membership in the POA, and such suspension shall remain in effect only until such amounts as are owed are paid and until the Owner is in compliance with the Bylaws and Rules of the POA.

SECTION 4. Foreclosure. In any action brought by the Board to foreclose a lien on a Site because of unpaid common charges, the Owner shall be required to pay a reasonable rental for the use of his Site, if such use continues after the foreclosure, and the plaintiff in such foreclosure action shall be entitled to the appointment of a receiver to collect the same. The Board acting on behalf of the Owners, shall have the power to bid upon such Site at the foreclosure sale and to acquire, hold, lease, convey, mortgage (but not to vote the Membership appurtenant thereto), or otherwise deal with the same. A suit to recover a money judgment for unpaid common charges shall be maintainable without foreclosing or without waiving the lien securing same.

SECTION 5. Statement of Unpaid Common Charges. The Board shall promptly provide any Owner requesting same in writing with a written statement of all unpaid common charges due from such Owner in a form suitable for recording and the same when recorded in the Circuit Clerk's office of Saline County, Arkansas shall as to bona fide third parties relying on such statement operate to discharge the Site from any other sums not included in such statement then unpaid.

In all events the lien for assessments created herein shall be subject to and subordinate to the lien of any recorded first mortgage or first deed of trust.

SECTION 6. Maintenance. All maintenance, repair, and replacements to the Common Areas as defined in the Bill of Assurance or in the covenants to those areas concerning which easements have been conveyed to the POA, and the painting and decorating of the exterior of the improvements thereon shall be done by the Board or its appointee and shall be included as a common expense of the POA.

SECTION 7. Cost Allotment of Improvements. For improvements not otherwise approved and undertaken by the Board of Directors, then:

(a) If fifty percent (50%) or more but less than seventy-five percent (75%) of the Members of a particular phase of development agree to make an improvement to the Common Areas or to areas which an easement has been granted to the POA within that phase, the cost of such improvement shall be borne by the Members so agreeing.

(b) If seventy-five percent (75%) or more of the Members of a particular phase of development agree to make an improvement to the Common Areas or to areas which an easement has been granted to the POA within that phase, the cost of such improvement shall be borne by all Members of such phase as a common expense.

(c) All improvements undertaken pursuant to this Section 7 shall be subject to the written approval of the Board.

SECTION 8. Rules and Regulations. The use of the Common Areas shall be subject to rules and regulations from time to time adopted by the Board and/or to other such rules and regulations adopted by the POA. Copies of said rules and regulations shall be made available to each Owner at the office of the POA.

ARTICLE IX INDEMNIFICATION OF OFFICERS AND DIRECTORS

SECTION 1. Definitions. The following definitions apply to the indemnification provisions of this Article IX:

(a) Proceeding. "Proceeding" means any threatened, pending or completed civil action, suit or proceeding, whether judicial, administrative, or investigative, and whether formal or informal.

(b) Liability. "Liability" means the obligation to pay a judgment, settlement, penalty, fine (including an excise regarding an employee benefit plan), or reasonable expenses actually incurred with respect to a proceeding.

(c) Expenses. Indemnification against expenses which is mandated or permitted under this Article IX is limited to reasonable expenses, including attorneys' fees, incurred in connection with a proceeding.

SECTION 2. Mandatory Indemnification. In accordance with Ark. Code Ann. § 4-33-852 and § 4-33-856, the Corporation shall indemnify any director or officer and his or her estate or personal representative who is wholly successful, on the merits or otherwise, in the defense of any Proceeding to which the officer or director is a party by virtue of his or her status as an officer or director of the Corporation.

SECTION 3. Permissible Indemnification. Pursuant to Ark. Code Ann. § 4-33-851, and except as provided in Section 4 below, the Corporation may indemnify any officer or director made a party to a Proceeding by virtue of his or her status as an officer or director, against Liability incurred in the proceeding if the following conditions are met: (1) the officer or director conducted himself or herself in good faith; (2) with respect to conduct in his or her official capacity, the officer or director had reason to believe that his or her conduct was in the best interests of the corporation; and (3) in cases of conduct not in his or her official capacity, the officer or director had reason to believe that his or her conduct was at least not contrary to the best interests of the Corporation.

SECTION 4. Prohibition of Indemnification in Certain Cases. The Corporation shall not indemnify an officer or director in connection with any Proceeding by or in the right of the Corporation in which the officer or director was adjudged liable to the Corporation, or in connection with any other Proceeding charging improper personal benefit to the officer or director, whether or not involving action in his or her official capacity, in which the officer or director was adjudged liable on the basis that personal benefit was improperly received by the officer or director.

SECTION 5. Procedure for Authorizing Indemnification of Directors. Before the Corporation may indemnify any director pursuant to Section 3 above, a determination must be made that indemnification of a director is permissible because the director has met the standards of conducts set forth in Section 3 of this Article IX. The Board of Directors shall make that determination by a majority vote of a quorum consisting of directors who are not at the time parties to the Proceeding; provided, however, that if such a quorum cannot be obtained, then the determination shall be made either by a committee designated by the Board of Directors or by special legal counsel in accordance with Ark. Code Ann. § 4-33-855(b)(2) and (3). Furthermore, the Corporation may not indemnify a director until twenty (20) days after the effective date of the written notice of the proposed indemnification to the Attorney General of the State of Arkansas. The Corporation may pay for or reimburse the reasonable expenses incurred by an officer or director who is a party to a proceeding in advance of final disposition of the Proceeding upon authorization made in accordance with Ark. Code Ann. § 4-33-855 and upon satisfaction of all the conditions prescribed in Ark. Code Ann. § 4-33-853.

SECTION 6. Insurance. The Corporation may purchase and maintain insurance on behalf of its officers and directors to insure against liabilities asserted against or incurred by the Corporation's officers and directors in that capacity or arising from their status as officers and directors, whether or not the Corporation would have the power to indemnify them against the same liability under the

preceding sections of this Article IX.

ARTICLE X INSURANCE

SECTION 1. Physical Damage. All buildings and improvements owned by the POA, and all of the personal property owned by the POA, may be insured against risk for physical damage for the benefit of the POA, the Owners and mortgagees of a Site, as their interest may appear, as follows:

(a) Amounts - As to improved real property, for an amount not less than the agreed amount of its replacement cost; as to personal property, for an amount equal to its actual cash value. The Board may, at its discretion, obtain an appraisal from a qualified appraiser for the purpose of determining the replacement cost of the real property improvements.

(b) Risks Insured Against - The insurance shall afford protection against loss or damage by reason of:

(1) fire and other perils normally covered by extended coverage;

(2) vandalism and malicious mischief;

(3) such other risk of physical damage as from time to time may be customarily covered with respect to buildings and improvements similar in construction, location and use as those on the Property, including without limitation, builder's risk coverage for improvements under construction; and

(4) such other risks of physical damage as the Board may from time to time deem appropriate.

SECTION 2. Liability Insurance. The Board may obtain and maintain public Liability insurance for bodily injury and property damage in such limits as the Board may from time to time determine, insuring the POA, the Board, the Managing Agent (at the discretion of the Board), with respect to their liability arising from operation, maintenance or repair of the Common Areas, including, without limitation, liability arising from construction operations, and Common Area maintenance, and also insuring each Owner including the Developer with respect to its liability arising from ownership of the said Common Area. Such liability insurance may also cover cross-liability claims among Owners and the POA. The Board shall review such limits at least annually. The insurance provided under this section shall include, without limitation, the following provisions:

(a) The insurance shall not be affected or diminished by any act or neglect of any Owner or any occupants or Owners of any improvements when such act or neglect is not within the control of the POA;

(b) The insurance shall not be affected or diminished by failure of any improvements to comply with any warranty or condition when such failure to comply is not within the control of the POA; and

(c) Waivers by the insurer of rights of subrogation against the POA or the Owners, other than those based on fraud or criminal acts.

ARTICLE XI DAMAGE TO OR DESTRUCTION OF PROPERTY

SECTION 1. Duty to Repair or Restore. Any portion of Hurricane Lake Estates owned by the POA that is damaged or destroyed may be repaired or restored promptly by the POA, as provided in this Article. The Board may waive this requirement.

SECTION 2. Estimate of Cost. Promptly after damage to or destruction of some portion of any improvement, and thereafter as it deems advisable, the Board shall obtain reliable and detailed estimates of the cost of repair or restoration. If the cost in the opinion of the Board may exceed \$10,000.00, the Board may retain the services of an architect or engineer or construction consultant to assist in the determination of such estimate and in the supervision of repair and restoration.

SECTION 3. Collection of Construction Funds. Construction funds may consist of insurance proceeds, condemnation awards, proceeds of assessments of Owners, payments by Owners for damage to or destruction of lots or improvements thereto, and other funds received on account of or arising out of injury or damage to the buildings and improvements.

(a) Insurance Proceeds - The Board shall adjust losses under physical damage insurance policies of the POA.

(b) Assessments of Owners - Notwithstanding the limitations of Article VIII, Section 2, if the insurance proceeds are insufficient to effect the necessary repair or restoration of the Common Areas, such deficiency shall be charged to all Owners as a common expense. The proceeds of assessments for such common expenses shall be paid by the Board directly to the Vendor making the repairs and restoration.

(c) Payments by Others - Any other funds received on account of or arising out of injury or damage to the buildings and improvements shall be administered by the Board.

ARTICLE XII AMENDMENTS TO BY-LAWS

These Bylaws may be altered, amended or repealed and new Bylaws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors or by action taken unanimously by the Board of Directors without a meeting; provided, however, unless notice

is waived, the Secretary shall provide seven (7) days written notice to the directors that the amendment will be voted upon at the meeting, and the notice must state that the purpose, or one of the purposes, of the meeting is to consider the proposed amendment of the Bylaws, and the notice shall also contain or be accompanied by a copy or a summary of the amendment or state the general nature of the amendment. Any amendment must be approved by a majority of the Directors.

ARTICLE XIII CONFLICTS

In case any of these By-Laws are in conflict with the provisions of any statute, the Articles or the Bill of Assurance as may be, the statutes, Articles, Bill of Assurance shall control.

ARTICLE XIV MISCELLANEOUS

SECTION 1. Invalidity. The invalidity of any part of these By-Laws shall not impair or affect in any manner the validity, enforceability or effect of the remainder of these By-Laws.

SECTION 2. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these By-Laws or the intent of any provisions thereof.

SECTION 3. Gender. The use of the masculine gender in these By-Laws shall be deemed to include the feminine and neuter gender, and the use of the singular shall be deemed to include the plural, whenever the context so requires.

SECTION 4. Waiver. No restriction, condition, obligation, or provisions contained in these By-Laws shall be deemed to have been abrogated or waived by reason of any failure to enforce the same, irrespective of the number of violations or breaches thereof which occur.

SECTION 5. Attorney Fee. In any legal or equitable proceeding for the enforcement or to restrain the violation of this instrument or any provisions thereof, by reference or otherwise, the prevailing party or parties shall be entitled to attorney fees in such amount as the court finds reasonable. All remedies provided for herein, or at law or equity, shall be cumulative and not exclusive.

ADOPTED this _____ day of May, 1999.

5/17/99