

**BY-LAWS  
OF  
THE BRIDGES BAY RESORT HOMEOWNER'S ASSOCIATION  
(A Non-Profit Corporation)**

The Bridges Bay Resort Homeowner's Association, a non-profit corporation, hereinafter referred to as "Association", hereby adopts the following By-Laws:

1. The registered office and principal office of Association shall be located at 708 Lake Street, Spirit Lake, Iowa or at such other place as may be established by resolution of the Board of Directors of Association.

2. The corporation shall be governed by a board of three (3) directors until BBR, L.L.C. and Bridges Bay Resort, L.L.C., hereinafter Developer, either surrender or lose the right to appoint directors under Article VIII B of the Articles of Incorporation, then the board shall consist of five (5) directors. Whenever there are three (3) directors, at least two (2) directors must be present to constitute a quorum. Whenever there are five (5) directors, at least three (3) directors must be present to constitute a quorum. Action may be taken at any Board of Directors meeting upon majority vote of those present. The initial directors and subsequent directors shall be appointed by Developer until such time as Developer surrenders, voluntarily or otherwise, its right to appoint under Article VIII B of the Articles of Incorporation, whereupon all directors shall be elected by vote of the membership as described below. Upon the death, resignation or removal of any director, that director's position shall be filled by an appointment made by the remaining directors, except that in the case of a director appointed by Developer and not yet elected by the membership, Developer shall fill any vacancy by appointment. Any directors appointed by the Board or Developer pursuant to the preceding sentence shall serve for the remainder of the term of the previous director.

3. The Board of Directors shall have the power to call meetings of the members, to appoint and remove all officers and employees of Association, and to direct the action of said officers and employees.

4. Association Meetings.

A. There shall be annual meetings of Association on the second Saturday of July in each year at 10:00 o'clock a.m. for the purpose of electing a President, Vice President and Secretary-Treasurer and after Developer surrenders or loses the right to appoint, two (2) Directors shall be appointed by the owner of the commercial units, subject to Developer's reserved rights and shall constitute the Board of Directors, and for transacting any other business authorized to be transacted by Association.

B. The annual meeting and all other meetings of Association shall be held at the corporation office or such other suitable place convenient to the directors and members as may be designated by the Board. No notice need be given of Association's annual meeting nor the Board's annual meeting.

C. Special meetings of Association may be called by the Board by majority vote or upon the written request of a majority of the voting membership. Notice of any special meetings shall be given to all voting members by ordinary mail addressed to their last known address not less than ten (10) days nor more than thirty (30) days prior to the date set for such meeting. The notice shall state the time and place of such meeting and the purpose thereof. No business may be conducted at such meeting other than as stated in the written notice unless all voting members are personally in attendance (not including proxies).

D. Notice of a meeting may be waived in writing. Attendance by a voting member at any meeting of Association shall constitute a waiver of notice.

E. A quorum at Association meetings shall consist of twenty-five percent (25%) of the voting membership. Action approved by a majority of those present at a meeting at which a quorum is present shall be valid except where approval by a greater number of voting members is required by these By-Laws or the Master Covenants. The joinder of a voting member in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of a member for the purpose of determining a quorum.

F. Votes may be cast in person or by proxy. Proxies must be in writing and filed with the Secretary-Treasurer before the time of the meeting. A proxy so filed shall constitute that owner's presence at the meeting except as stated in Paragraph 4.C above.

G. If any Association meeting cannot be held because a quorum is not in attendance, the voting members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum is present.

H. The order of business at all annual meetings of Association shall be as follows:

1. Roll call and certification of proxies;
2. Proof of notice of meeting and waivers of notice;
3. Reading the minutes of the preceding meeting;
4. Report of officers;
5. Report of committees;
6. Election of officers;
7. Unfinished business;
8. New business;
9. Adjournment.

I. The latest edition of Roberts Rules of Order shall govern meetings unless specifically provided otherwise.

5. The board of administration of this Association shall be the Executive Board or Board of Directors established as follows.

A. The Executive Board shall be in charge of the administration of this Association. Until such time as Developer surrenders or loses its right to appoint Directors under Article VIII B of the Articles of Incorporation, the Board shall consist of three (3) persons who shall collectively serve as President, Vice President and Secretary-Treasurer as appointed by Developer. After Developer surrenders or loses the right to appoint Directors under Article VIII B of the Articles of Incorporation, the President, Vice President, Secretary-Treasurer shall be elected by the voting members at Association's annual meeting and two (2) Directors appointed by the Owner of the commercial units and the Board shall then consist of five (5) members. In all cases, Directors shall serve for a period of one (1) year and until their successors are appointed or elected, unless otherwise removed.

B. The powers and duties of the executive board shall include all of the powers and duties existing under Chapter 504 of the 2005 Code of Iowa. These powers and duties shall include but not be limited to the following, subject however to the provisions of the Articles of Incorporation and these By-Laws:

1. To make and collect assessments against members to pay the costs and expenses of Bridges Bay Resort;
2. To use the proceeds of assessments in the exercise of the powers and duties of the Board;
3. To maintain, repair, furnish, replace and operate the common areas owned or maintained by Association;
4. To purchase insurance upon the property and insurance for the operation of Association and its members, including but not necessarily limited to casualty and liability insurance;
5. To reconstruct improvements after casualty and to further improve the property;
6. To make and amend reasonable regulations, standards and rules of conduct regarding the use and occupancy of the property;
7. To enforce by legal means, if necessary, the provisions of law, the Master Covenants, Articles of Incorporation and regulations, standards and rules of conduct properly adopted;
8. To contract for the management of the regime and to delegate to a manager such powers and duties of Association and Board as it may deem appropriate and to terminate such management. The Board shall also have the power to employ

attorneys, accountants and such other professional persons as necessary to assist in said management;

9. The designation and removal of personnel necessary for the maintenance, repair, replacement and operation of the common areas and facilities.

C. The officers of this Association shall have the following duties and responsibilities:

1. The President shall be the chief executive officer of the Board and Association. He or she shall have all the general duties and powers which are usually vested in the office of President, including, but not limited to, the power to appoint committees from among the voting members from time to time, as he or she decides is appropriate to assist in the conduct of the affairs of Association or Board;

2. The Vice President shall, in the absence of the President, perform the President's duties. The Vice President shall also perform such other duties and provide assistance to the President as shall be imposed by Association, Board or President;

3. Secretary-Treasurer. The Secretary-Treasurer shall have the minute book wherein resolutions and other business of Association shall be recorded, shall have charge of such books and papers as Association or Board may direct, shall give all notice to members and directors or other notices required by law or these By-Laws and shall in general perform all duties incident to the office of the Secretary-Treasurer. He or she shall also have the responsibility for Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements of Association and of the Board in books belonging to Association or to the Board. No expenditure above \$1,000.00 may be made without approval of the Board unless this provision is amended by resolution of the Board. In general, the Secretary-Treasurer shall keep the books in accordance with good accounting practices and perform all other duties incident to the office of Secretary-Treasurer;

4. All officers shall be voting members, spouses of voting members or officers or agents of corporate or fiduciary voting members, but this shall not preclude the appointment and employment of nonvoting members as assistant secretary or assistant treasurer;

5. Compensation of all directors and officers including assistant secretary and assistant treasurer shall be fixed by Association.

D. The annual meeting of the Board of Directors shall be held in each year immediately following the adjournment of the annual meeting of Association. At such meeting, the Board shall determine what time, if any, shall be established for periodic board meetings.

E. The qualifications for voting membership and the method of voting shall be governed by Articles VI and VII of Association's Articles of Incorporation.

F. Special meetings of the Board may be called by the President and shall be called by the President if requested by two other board members. Notice of special meetings of the board shall state the time and place of any such meeting and the purpose thereof and shall be mailed by ordinary mail to each board member at least three (3) days but not more than fifteen (15) days prior to such meeting. Such special meeting shall not consider business other than that set out in the notice unless all board members are in attendance.

G. Board members may waive notice of the meeting in writing and their attendance at a meeting shall constitute a waiver of said notice.

H. There shall be no proxies for Board meetings. A majority of those present shall be necessary for Board action.

I. Ordinary business and decisions and resolutions of the Board may be conducted and put into effect without a formal meeting of the Board provided the full particulars of the item are reduced to writing and signed by all Board members and filed with the Secretary who shall keep said written document with the minutes of the meeting of the Board.

J. If desired by Association or by the Board, a Blanket Fidelity Bond may be secured to cover anyone who may handle Association funds. The premium on such bonds shall be paid from Association funds.

K. After Developer has relinquished or lost its right to appoint Directors under Article VIII B of the Articles of Incorporation, upon an affirmative vote of the majority of the voting members any Board member may be removed either with or without cause and a successor elected at a regular or special meeting of Association. Assistant officers may be removed upon an affirmative vote of the majority of the members of the Board present at a meeting either with or without cause and successors may be elected at any meeting, regular or special.

L. Payment vouchers exceeding the amount established by paragraph 5.C.3. above shall be approved by a majority of the Board with such approval noted in the minutes.

M. The joinder of any director in the action of a meeting of the Board by signing and concurring in the minutes thereof shall constitute the presence of such director for the purpose of determining a quorum.

6. The fiscal management of this Association shall be subject to the following.

A. For each calendar year, the Board of Directors shall adopt an annual budget which shall include the following accounts:

1. Current expense, which shall include all funds and expenditures to be made within the year for which the funds are budgeted, including a reasonable amount for contingencies and working funds. Any balance in this fund at the end of each year may be applied to reduce the assessments for current expense for the succeeding year;

2. Reserve for deferred maintenance, which shall include funds for maintenance items which occur less frequently than annually;

3. Reserve for replacement, which shall include funds for repair or replacement required because of damage, depreciation or obsolescence;

4. The budgets for 2. and 3. above may be zero as determined by the Board.

B. Since the commercial units and garage units cannot be used for residential purposes, they will not be assessed for the portions of the common expenses with regard to budget items related primarily to residential use of units or which otherwise primarily inure to the residential units (for example, by way of qualification and not limitation, costs associated with the indoor water park and docks). The commercial units and garage units will be assessed on the basis of the total square feet of those units as it relates to the total square feet of all buildings within Bridges Bay Resort. The balance shall be assessed to all residential units within Bridges Bay Resort on an equitable basis, based on the total budget for that calendar year divided by the number of residential units. A copy of the annual budget shall be mailed to each member and shall state the fraction of the budget assessed against that member. Said statement shall be prepared and mailed to each owner prior to the December 1st preceding the year for which the budget is made. If no budget is prepared and no annual assessment made, the assessment shall be presumed to continue at the same amount as the previous year. In the event the annual assessment proves to be insufficient, the budget and assessments may be amended at any time by the Board, but only at a special meeting after notice of said intention to amend the budget is given to all voting members.

C. The Board shall have the discretion to determine whether the assessments for any given year shall be due monthly, quarterly, semi-annually, in a lump sum payment by a given date, or pursuant to any other format arrived at by the Board. In all cases, the format for payment shall be specifically stated in the notice mailed to each member prior to the December 1st preceding the year for which the budget is made.

D. Assessments for non-emergency major improvements shall require the affirmative vote of 60% of the members eligible to vote. Major improvements shall be defined as those costing more than \$10,000.00; this figure shall be adjusted annually by reference to the Consumer Price Index for All Urban Consumers on the U. S. City Average for all items.

E. If as a result of emergencies the annual assessments for common expenses are inadequate, additional assessments for common expenses may be made, but only after notice of the need thereof to all voting members. After such notice and upon approval by a simple majority of the voting members, the assessment shall become effective and shall be due within thirty (30) days of notice thereof.

F. Non-payment of any assessment when due subjects the non-payor to an interest charge to be established by the Board. Every assessment and any attendant interest are the personal obligation of the owner of the property assessed. Any non-paid and past due assessment shall constitute a lien against all property subject to said assessment as of the time said assessment is past due. Such assessment lien may be foreclosed by Association as permitted by law and Association shall be entitled to recover from the property owner the assessment, interest and all costs including reasonable attorney's fees.

G. An accounting shall be made of all Association accounts at least annually and a copy provided to each unit owner. A majority of the voting members, or of the Board, may require an audit by an independent party.

7. In a voluntary conveyance of a unit the grantee shall be jointly and severally liable with the grantor for all unpaid assessments against the latter for the grantor's share of the common expenses up to the time of the grant or conveyance, without prejudice to the grantee's right to recover from the grantor the amounts paid by the grantee therefore. However, any such grantee shall be entitled to a statement from Association, setting forth the amount of the unpaid assessments against the grantor and such grantee shall not be liable for, nor shall the unit conveyed be subject to a lien for, any unpaid assessments against the grantor in excess of the amount therein set forth.

8. Upon authorization of the Executive Board any two officers may execute an instrument affecting an interest in real estate.

9. No modification of or amendment to the By-Laws shall be valid unless set forth in writing and duly recorded. These By-laws may be amended by Association at a meeting duly called for such purpose. No amendment shall take effect unless approved by the voting members representing 60% of the units. However, Section 6B may not be amended unless consented to by all of the owners of the commercial units and garage units.