

**BY-LAWS
OF
CHENAL DOWNS PROPERTY OWNERS ASSOCIATION, INC.**

ARTICLE I

DEFINITIONS

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

Articles. The term "Articles" shall mean the Articles of Incorporation of Chenal Downs Property Owners Association, Inc. (the Association) 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 Association, together with such amendments to the Articles as may from time to time be properly made.

Association. The term "Association" shall mean Chenal Downs Property Owners Association, Inc.

Convent and Restrictions. The term "Covenant and Restrictions" shall mean the Declaration of Covenants and Restrictions of Chenal Downs and all subsequent amendments and supplements thereto, filed in the office of the Circuit Clerk of Pulaski County, Arkansas affecting Chenal Downs.

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

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, including roadway and streets, owned or maintained by the Association for the common use and enjoyment of the Owners.

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

Chenal Downs Property Owners Association. The term "Chenal Downs" shall mean all of the real estate described in Article II of this instrument, together with any

land and improvements added thereto and subject to the Declaration of Covenants and Restrictions of Chenal Downs filed in the office of the Circuit Clerk of Pulaski County as Instrument # _____.

Developer. The term "Developer" shall mean Deltic Timber Corporation, its successors and assigns.

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

Grantor. The term "Grantor" shall mean Deltic Timber Corporation.

Managing Agent. The term "Managing Agent" shall mean an individual or corporation hired by the Board to oversee the maintenance and management of Chenal Downs Property Owners Association, Inc. as the Board may direct.

Member. The term "Member" shall mean and refer to any Owner who by virtue of holding fee simple title to any Tract is a Member of the Association. If any Owner holds title to more than one five-acre tract, he shall be entitled to an additional membership for each additional five acres he owns. [The Developer may be a Member if it owns real property.]

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

Person. The term "Person" shall mean an individual or individuals, corporation, unincorporated association, 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, whether one or more persons or entities, of a fee simple title to any Tract 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 owned or maintained by the Association) which is subject to the Declaration of Covenants and Restrictions of Chenal Downs, and all amendments thereto.

Tract. The term "Tract" shall mean any 5-acre parcel within the Property which may be purchased by any Person or owned by the Grantor.

ARTICLE II

GENERAL

SECTION 1. The Property. The Property is located in Pulaski County, Arkansas. It is all that Property known as the Chenal Downs as defined in the Declaration of Covenants and Restrictions of Chenal Downs.

SECTION 2. The Association. The Association has been organized to perform the functions described herein except for those performed by others as set forth herein. The Association is charged with the duties and has the powers prescribed by law and set forth in the Articles, By-Laws and the Declaration of Covenants and Restrictions of Chenal Downs. Neither the Articles nor the By-Laws shall, for any reason be amended or otherwise changed or interpreted so as to be inconsistent with the Declaration of Covenants and Restrictions of Chenal Downs.

The Association is an organization owned by the Owners of Tracts in Chenal Downs and used by them to manage and regulate Chenal Downs. Each Owner of a Tract shall have the same proportion of interest in the Association as the number of Tracts in Chenal Downs except as provided in Article III.

Each Owner, for so long as he is such an Owner, shall be deemed a Member of the Association. Upon becoming a Member of the Association, the rights, duties, privileges, immunities and liabilities of being an Owner shall be those set forth in and shall be exercised in accordance with the Declaration of Covenants and Restrictions of Chenal Downs, the Articles, and these By-Laws and may be amended or adopted by the Association or by the Board, as provided therein.

Membership in the Association shall not be transferred, pledged or alienated in any way except upon transfer of title of a Tract, 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 Chenal Downs Property Owners Association, Inc.

SECTION 4. By-Laws Applicable to Present and Future Owners. All present and future Owners, mortgagees, lessees, and occupants of Tracts and their employees, and any other Person(s) who may use the Common Area facilities of Chenal Downs in any manner, are subject to these By-Laws, all covenants, agreements, restrictions, easements and declarations of record, and the Declaration of Covenants and Restrictions of Chenal Downs. The acceptance of a deed of conveyance or the entering into a lease or the act of occupancy of a Tract shall constitute an agreement

that all of the above documents, restrictions and conditions, as they may be amended from time to time, are accepted, ratified and will be complied with.

SECTION 5. Office of the Association. The Office of the Association and the Board shall be located in Pulaski County, Arkansas or such other locations in this State as may be selected from time to time by the Board which the Owners and listed mortgagees have been given written notice of.

SECTION 6. Documents Available for Review. Copies of these By-Laws, the Articles, the Declaration of Covenants and Restrictions of Chenal Downs, as they may be amended from time to time, and all books and records of the Association shall be made available for inspection by Members of the Association and their authorized agents during regular business hours.

ARTICLE III

MEMBERSHIP, VOTING RIGHTS, AND SHARES

SECTION 1. Membership. Every Person who is an Owner of record of a fee or undivided fee interest in any Tract which is subject by the Declaration of Covenants and Restrictions of Chenal Downs to assessments by the Association shall be a Member of the Association, 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 Association for any one Tract. If any Person is an Owner of more than five acres, then such Owner shall be entitled to an additional membership for each additional five acres he owns.

SECTION 2. Voting Rights. Every Member shall be entitled to one vote per Tract owned by it in the election of Directors for the Board. Where more than one membership is held by a Member, then such Member shall be entitled to one vote for each such membership in the election of Directors for the Board. For all other purposes, the Association shall have two classes of voting membership.

(a) Class A - Class A Members shall be all those Owners of Tracts with the exception of the Grantor. A Class A Member shall be entitled to one vote for each Tract in which he holds the interest required for membership as described in Section 1 above.

(b) Class B - Class B Members shall be the Grantor and shall be entitled to three votes for each Tract, whether built upon or not, in which the Grantor holds the fee, provided that the Class B membership shall cease and become converted to Class A membership on the happening of either of the following events, whichever occurs earlier:

(1) when Grantor has sold eighty percent (80%) of all Tracts and proposed Tracts in Chenal Downs, or

(2) forty years from the date the Association is organized.

From and after the happening of these events, whichever occurs earlier, the Class B Member shall be deemed to be a Class A Member entitled to one vote for each Tract, whether built upon or not, in which it holds the interest required for membership under Section 1 above.

SECTION 3. Shares. For purposes of dissolution, or distribution of assets only, Class A and B Members shall be deemed to hold one equal share of the assets of the Association for each Tract in which they hold the interest required for membership, provided that when more than one individual or entity shall hold such interest in any Tract, they shall determine among themselves the distribution of such shares, provided that there shall be no more than one share with respect to any Tract.

ARTICLE IV

BOARD OF DIRECTORS

SECTION 1. Directors. The number of Directors which shall constitute the whole Board shall be ~~{five (5)}~~ [three (3)]. Until succeeded by the Directors elected by the Members, the Directors need not be Owners. Upon expiration of the term of each Member of the first Board, the successors to such Member of the Board, elected by the Members of the Association, shall be an Owner. Except as provided in the Articles with respect to the first 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 Association, 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 first Board, at each Annual Meeting of the Association or at a Special Meeting called for this purpose, the Members shall elect Directors to fill such vacancies as may exist on the Board. There shall be no cumulative voting. Voting

by written proxy is permitted for Members. The candidates receiving the highest number of votes, up to the number of Directors to be elected shall be deemed elected. A quorum of the membership at an annual or special called meeting shall be twenty-five percent (25%) of the Members.

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 Association and may do all such acts and things, except for those things and matters which are by these By-Laws and by the Declaration of Covenants and Restrictions of Chenal Downs reserved to the Members of the Association acting at a properly called meeting. 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 of the Common Areas, and Tract open areas.

(b) Determination of the common expenses, including assessments for a maintenance reserve fund, required for the affairs of the Association including, subject to the limitations imposed by the Association or by the Declaration of Covenants and Restrictions of Chenal Downs, 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 these collections by methods described elsewhere in these By-Laws and the Declaration of Covenants and Restrictions of Chenal Downs.

(d) Opening of bank accounts on behalf of the Association 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 Tracts 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, etc.

(h) Making of repairs, additions, improvements to or alterations of the Property and Tracts in accordance with the other provisions of these By-Laws and as described in the Declaration of Covenants and Restrictions of Chenal Downs.

(i) Enforcement of obligations of the Owners.

(j) Adoption of Rules and Regulations relating to the use, upkeep or preservation of Chenal Downs.

SECTION 5. Employment of Managing Agent. The Board may employ for the Association, 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. The management agreement shall be terminable for cause or upon reasonable notice and run for a period of from one to three years, renewable by consent of the Association and the Managing Agent.

SECTION 6. The First Board and Subsequent Boards. The first Board shall be appointed by the Grantor and shall consist of ~~{five (5)}~~ [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 Board shall be elected by the Members of the Association to serve for staggered terms, one Member of the Board having a term of one year from the first Annual Meeting, ~~{two Members}~~ [one Member] of the Board having a term of two years from the first Annual Meeting, and, ~~{two Members}~~ [one Member] of the Board having a term of three years from the first Annual Meeting. As a vacancy occurs in each of the Board positions, then the newly elected Board ~~{Members}~~ [Member] shall serve a term of three (3) years. Upon the vacancy occurring in each of these Board positions, the newly elected Board Member shall hold a three (3) year term. Each election shall result in staggered terms for the various Board Members in order that all Board Members will not be elected during one year in order to provide continuity of membership.

SECTION 7. Removal of Directors. Except for the Members of the initial Board, Directors may be removed for cause and a successor elected by an affirmative vote of the majority of the Members of the Association. However, removal of Members of the initial Board prior to the expiration of their respective terms shall require a majority vote of all Members and approval of the Developer.

SECTION 8. Vacancies in the Board. Vacancies in 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, which meeting shall be held promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum and each person so elected shall be a Director until the next Annual Meeting of the Association, or until a Special Meeting of the Association is duly called and held for the express purpose of electing a Director to fill the vacancy until the expiration of the term. Except for Members of the first

Board, no Director shall continue to serve as such if, during his term of office, he shall cease to be an Owner.

SECTION 9. Board Meeting Following First Annual Meeting. Following the first Annual Meeting of the Association, there shall be a meeting of the Board within thirty (30) days thereafter~~{, at such time and place as shall be fixed by the Members at the meeting at which such Board shall have been elected}~~.

SECTION 10. 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 11. 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 shall be called by the President or Secretary in like manner and on like notice on the written request of at least three (3) Directors.

SECTION 12. 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 13. Quorum. At all meetings of the Board, a majority of the Members thereof 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 14. Fidelity Bonds. Unless otherwise voted by the Association, the Board shall obtain adequate fidelity bonds for all officers and employees of the Association handling or responsible for the Association funds. The premium on such bonds shall constitute a common expense.

SECTION 15. Compensation of Board. No elected Member of the Board shall receive any compensation from the Association for acting as such, except for reimbursement of necessary and duly incurred expenses.

SECTION 16. Directors Not Liable. The Directors shall not be liable to the Members of the Association for any mistake of judgment, negligence, or otherwise, except for their own individual willful misconduct or bad faith. The Association 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 Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration of Covenants and Restrictions of Chenal Downs 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 Association. 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 Tracts owned by him bears to the total number of Tracts in Chenal Downs. Every agreement made by the Board or by the Managing Agent on behalf of the Association shall provide that the Directors or the Managing Agent as the case may be, are acting only as agents for the Association and shall have no personal liability thereunder (except as an Owner), and that each Owner's liability thereunder shall be limited to that proportion which the number of Tracts owned by him bears to the total number of Tracts in Chenal Downs.

SECTION 17. 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 Association.

SECTION 18. Annual Report. An annual report of the receipts and expenditures of the Association shall be made at the end of each fiscal year ~~{by an independent, disinterested, certified public accountant}~~. The Board shall cause this report to be made and a copy of said report shall be kept on file at the office of the Association and shall be made available for inspection by Members and their authorized agents during reasonable business hours.

ARTICLE V

ASSOCIATION MEMBERS' MEETINGS

SECTION 1. Annual Meetings; Election of Directors. Within two (2) years following the date the Association is organized, the Board shall call the first Annual Meeting of the Members. Thereafter, Annual Meetings shall be held on the anniversary date of such meeting, in each succeeding year; the date of the Annual Meeting may be changed by a proper amendment of these By-Laws. At such meeting, Directors shall be elected by ballot of the Members of the Association, in accordance with the requirements of Article IV of these By-Laws. The Association may also transact such other business as may properly come before it. For purposes of this

Article, the term Member shall include both Class A and Class B Members as defined in Article III hereof.

SECTION 2. Location of Annual Meetings. The Annual Meetings shall be held at the principal office of the Association, 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 as directed by the Board or upon petition signed by at least one-third of the Members, delivered to the Secretary.

SECTION 4. Notice of Meetings. It shall be the duty of the Secretary to mail or deliver a notice of each annual or special meeting, stating the purpose thereof as well as the time and place where it is to be held, to each Member, at least ten (10) but not more than sixty (60) days prior to 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, is filed with the records of the meeting.

SECTION 5. Quorum. Except as otherwise provided in these By-Laws, the presence in person or by proxy of ten percent (10%) of the Members shall constitute a quorum at all meetings of the Association. If any meeting of the Association cannot be held because a quorum has not attended, a majority in interest of the Members 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 the original meeting was called for.

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 Grantor, if the Grantor shall then own one or more Tracts) shall be entitled to cast one vote at all meetings which vote shall be weighed by multiplying it by the number of Tracts, whether built upon or not, owned by each Member, and the vote of the Grantor shall be weighed by multiplying it by three times the total number of Tracts, whether built upon or not, owned by it, until such time as Class B membership is converted to Class A membership as provided in Article III, Section 2, of these By-Laws. The votes attributable to each Member must be voted as an entirety and if Owners of a Tract 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 Declaration of Covenants and Restrictions of Chenal Downs or these By-Laws.

ARTICLE VI

OFFICERS

SECTION 1. Principal Officers of the Corporation. The principal officers of the Association shall be the President, Vice-President, Secretary, and the Treasurer. The President and Vice-President shall be elected by and from the Board. ~~{Except as provided in the Articles with respect to the initial Treasurer and Secretary, the Treasurer and Secretary shall be chosen by the Board at the Annual Meeting.}~~ Any vacancies which may occur in ~~{these latter two}~~ [the] offices [of Secretary and Treasurer] shall be filled by the Board. The successors so chosen shall serve until the next Annual Meeting of the Association or until a Special Meeting properly and duly called for this purpose. The Secretary and Treasurer need not be Members of the Association. 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 Association 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 Association. He shall preside at all meetings of the Association and of the Board. 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 are appropriate to assist in the conduct of the affairs of the Association. He is elected by the Board.

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 is elected by the Board.

SECTION 6. Secretary. The Secretary shall keep the minutes of all meetings of the Association 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 or the Bill of Assurance. The Secretary is elected by the Members of the Board and need not be an Owner.

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 is elected by the Members of the Board and need not be an Owner. The Assistant Treasurer is appointed by the Board.

SECTION 8. Execution of Documents for the Board. All agreements, contracts, deeds, leases, checks, and other instruments of the Association may be executed by the 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 Association 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 under the provisions of the Declaration of Covenants and Restrictions of Chenal Downs or the By-Laws, notice is required to be given to the Board, any Managing Agent, or Member, it 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, such Managing Agent or Member, respectively, at such address as appears on the books of the Association. 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 Declaration of Covenants and Restrictions of Chenal Downs, 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. The Board shall from time to time and at least annually, prepare a budget for the Association and in connection therewith, determine the amount of common expenses of the Association and allocate and assess each common charge among the Owners according to their respective needs of various types of Tracts within Chenal Downs. The common expenses shall include among other things, the cost of all insurance premiums on all policies of insurance ~~{required to be, or which have been obtained by the Board pursuant to the provisions of these By-Laws. Other examples of common expenses include}~~ [] the amount charged for the operation, care, upkeep and maintenance of the entire Chenal Downs, including without limitation, any amount for working capital of the Association, for a general operating reserve for a reserve fund for replacements, 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, any Tract which is to be sold at foreclosure or other judicial sale, such purchase or lease to be in accordance with provisions of Article VIII of this instrument.

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 Association copies of each budget on which such charges are based. The Grantor will be required to pay common charges in full on any Tract owned by it.

No assessment may be used to maintain property in which the Association does not have an interest. However, the Association shall maintain, as necessary, all highway rights-of-ways that are adjacent to or adjoining the Property and all entrance ways into the property. This expense may be shared with other property owner associations.

SECTION 2. Payment of Common Charges. All Owners shall pay the common charges assessed by the Board pursuant to the provisions of these By-Laws, annually or in advance or at such other time that the Board shall determine.

The assessment for common charges shall not increase during any one fiscal year of the Association more than ~~{fifteen}~~ [twenty-five] percent ~~{(15%)}~~ [(25%)] or by the percentage increase of the consumer price index over the prior fiscal year, whichever is ~~{lesser}~~ [greater], unless seventy-five percent (75%) of the Members of the Association vote the assessments a greater amount.

No Owner shall be liable for the payment of any part of the common charges assessed against his Tract subsequent to the transfer of a conveyance by him recorded in the records of the Circuit Clerk's office of Pulaski County, including conveyance to the Board made in accordance with the provisions of Article VIII of these By-Laws. A purchaser of a Tract shall be liable for the payment of the common charges assessed and unpaid against such Tract prior to the acquisition by him of such Tract, and a mortgagee or other purchaser of a Tract and at a foreclosure sale of such Tract 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 Association, [or the Owner being in violation of any Bylaw or Rule of the Association,] the Board shall have the power to suspend the Owner's membership in the Association, and such suspension shall remain in effect only until such amounts as are owed are paid [and until Owner is in compliance with the Bylaws and Rules of the Association].

SECTION 4. Foreclosure. In any action brought by the Board to foreclose a lien on a Tract because of unpaid common charges, the Owner shall be required to pay a reasonable rental for the use of his Tract, if such 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 Tract at the foreclosure sale and to acquire, hold, lease, convey, mortgage (but not to vote the share(s) 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 Pulaski County, Arkansas shall operate to discharge the Tract from any other sums not included in such statement then unpaid, at least as to bonafide third parties relying on such statement.

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

SECTION 6. Maintenance. All maintenance, repair, and replacements to the Common Areas as defined in the Declaration of Covenants and Restrictions of Chenal Downs or in the covenants or to those areas concerning which easements have been conveyed to the Association, and the painting and decorating of the exterior of the Tract shall be done by the Board or its appointee and shall be included as a common expense of the Association.

SECTION 7. Cost Allotment of Improvements.

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

(b) If seventy-five percent (75%) or more of the Members agree to make an improvement to the Common Areas or to areas concerning which an easement has been granted to the Association, the cost of such improvement shall be borne by all Members 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 Tract and the Common Areas shall be subject to rules and regulations from time to time adopted by the Board and to rules and regulations from time to time adopted by the Association; copies of

said rules and regulations shall be made available at the office of the Association to each Owner prior to their effective date.

ARTICLE IX

INDEMNIFICATION OF OFFICERS AND DIRECTORS

SECTION 1. Mandatory Indemnification. In accordance with Ark. Code Ann. §§ 4-33 ~~(-)~~1852 and 4 ~~(-)~~133 ~~(-)~~1856, 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 2. Permissible Indemnification. Pursuant to Ark. Code Ann. § 4 ~~(-)~~133 ~~(-)~~1851, and except as provided in Section 3 below, the Corporation may indemnify an 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 opposed to the best interests of the Corporation.

SECTION 3. 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 4. Procedure for Authorizing Indemnification of Directors. Before the Corporation may indemnify any director pursuant to Section 2 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 2 of this Article V. 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 ~~(-)~~133 ~~(-)~~1855(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 § 4 ~~(-)~~33 ~~(-)~~853.

SECTION 5. Insurance. The Corporation may purchase and maintain insurance on behalf of its officers and directors to insure against liabilities inserted 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 V.

SECTION 6. Definitions. The following definitions apply to the indemnification provisions of this Article V:

(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 V is limited to reasonable expenses, including attorneys' fees, incurred in connection with a proceeding.

ARTICLE X

INSURANCE

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

(a) Amounts - As to real property, for an amount equal to not less than the agreed amount of its replacement cost; as to personal property, for an amount equal to its actual cash value. Prior to obtaining any insurance on real property under this section, and at least annually thereafter, the Board ~~{shall}~~ [may] obtain an

appraisal from a qualified appraiser for the purpose of determining the replacement cost of such real property.

(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 shall 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 Association, the Board, the Managing Agent (at the discretion of the Board), with respect to their liability arising from operation, maintenance or repair of Chenal Downs, which is the responsibility of the Association including, without limitation, liability arising from construction operations, and Common Area maintenance, and also insuring each Owner including the Grantor with respect to its liability arising from ownership of the said Tract. Such liability insurance ~~{shall}~~ [may] also cover cross-liability claims among Owners and the Association. The Board shall review such limits at least annually. The insurance provided under this section shall include, without limitation, the following provisions:

(a) That 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 Association;

(b) That 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 Association; and

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

ARTICLE XI

DAMAGE TO OR DESTRUCTION OF PROPERTY

SECTION 1. Duty to Repair or Restore. Any portion of Chenal Downs owned by the Association which is damaged or destroyed ~~shall~~ **[may]** be repaired or restored promptly by the Association, as provided in this Article. The Architectural Control Committee as established by the Declaration of Covenants and Restrictions of Chenal Downs (the "Architectural Control Committee") ~~and~~ **[or]** the Board may waive this requirement.

SECTION 2. Estimate of Cost. Promptly after damage to or destruction of some portion of the buildings, 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 \$5,000, 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 against Owner, 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, etc.

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

(b) Assessments against Owners - ~~if~~ **[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 against 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, etc. shall be administered directly 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; provided, however, that unless the amendments are unanimously adopted by action without a meeting pursuant to Section 8 of Article III hereof or unless notice is waived, the Corporation 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 in office at the time the amendment is adopted.

ARTICLE XIII

CONFLICTS

In case any of these By-Laws are in conflict with the provisions of any statutes, the Articles or the Declaration of Covenants and Restrictions of Chenal Downs as the case may be, the statutes, Articles, Declaration of Covenants and Restrictions of Chenal Downs 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 balance 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.

**AMENDMENT TO BYLAWS OF
CHENAL DOWNS PROPERTY ASSOCIATION, INC.,
DATED MARCH 3, 2009:**


**ARTICLE VIII, SECTION 2 WAS DELETED AND THE
FOLLOWING LANGUAGE INSERTED:**

“SECTION 2. Payment of Common Charges. All Owners shall pay the common charges assessed by the Board pursuant to the provisions of these By-Laws, annually or in advance or at such other time that the Board shall determine.

The assessment for common charges shall not increase during any one fiscal year of the Association more than fifteen percent (15%) or by the percentage increase of the consumer price index over the prior fiscal year, whichever is greater, unless seventy-five percent (75%) of the Members of the Association vote the assessments a greater amount.

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

DATED THIS MARCH 3, 2009
BOARD OF DIRECTORS:



Drew Kelso, President




Doug Stroud, Vice-President



Carol Pait, Treasurer



Grant Bray, Secretary



Lesli Hugg

**AMENDMENT TO BYLAWS OF
CHENAL DOWNS PROPERTY ASSOCIATION, INC.,
DATED SEPTEMBER 10, 2009:**

SECTION 7 OF THE BYLAWS REGARDING COST ALLOTMENT OF IMPROVEMENTS SHALL BE STRICKEN IN ITS ENTIRETY AND THE NEW SECTION 7 SHALL READ AS FOLLOWS:

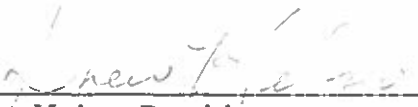
“SECTION 7. Special Assessments.

(a) The Board or the Members may impose Special Assessments as outlined herein. For purposes of these By-laws, a Special Assessment is an annual assessment for common charges which is imposed by the Board or the Members for a specified purpose or purposes and for a specified period of time, not to exceed three (3) years in duration. No more than one Special Assessment may be in effect at any time. A Special Assessment is separate and distinct from the assessment for annual common charges provided for in this Article VIII, Sections 1 and 2.

(b) A Special Assessment may be levied by a majority of the Board at any duly called meeting of the Board in an amount not to exceed five percent (5%) of the then existing annual common charges and this may be done without consent of the Members. A Special Assessment may also be initiated and passed by the Members at any Special or Annual Meeting as outlined below.

(c) Any Special Assessment in excess of five percent (5%) of the then existing annual common charges and any Special Assessment initiated and passed by the Members must be approved by seventy-five percent (75%) of a quorum of Members in attendance in person or by proxy at a duly called Special or Annual Meeting of the Members. For purposes of this Article VIII, Section 7, a quorum shall constitute twenty-five percent (25%) of the Members. Any Special Assessment initiated and passed by the Members must be approved in writing by a majority of the Board.”


DATED THIS SEPTEMBER 10, 2009
BOARD OF DIRECTORS:




Drey Kelso, President



Doug Stroud, Vice-President



Carol Pait, Treasurer



Grant Bray, Secretary

Lesli Hugg