

BYLAWS
OF
VICTORIA BAY HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
OFFICE

The Association shall at all times maintain a registered office in the State of North Carolina and a registered agent at that address. The Association may also have such other offices as the Executive Board shall determine.

ARTICLE II
DEFINITIONS

Unless the context requires otherwise, the terms defined in the Declaration of Covenants and Restrictions for Victoria Bay, dated May 2, 2001, recorded in Mecklenburg County Public Registry in Deed Book 12203, Page 308 the "Declaration", the Declaration being incorporated herein in its entirety) shall have the same meanings for purposes of these Bylaws as are ascribed to them in the Declaration.

ARTICLE III
MEMBERS

Section 3.1. Membership. The Association shall have two classes of membership, Class A and Class B, which classes of membership shall have the rights conferred upon them by the Declaration and the Articles of Incorporation of the Association, and these Bylaws.

Section 3.2. Annual Meeting. A meeting of the members of the Association shall be held annually at such time and place on such date as the Directors shall determine from time to time.

Section 3.3. Special Meetings. Special meetings of the members may be called at any time by the President of the Association. Additionally, it shall be the duty of the President to call a special meeting of the members upon being presented with a written request to do so signed (i) by a majority of the members (directors) of the Executive Board, or (ii) by the members of the Association entitled to cast no less than ten percent (10%) of the total vote of the Association.

Section 3.4. Notice of Meetings. It shall be the duty of the Secretary to give a notice to each member of each meeting of the members within the time limits required by Sections 47F-3-108 and 55A-7-05 of the General Statutes of North Carolina. Each notice of a meeting shall state the purpose thereof as well as the time and place where it is to be held.

Section 3.5. Quorum. A quorum shall be deemed present throughout any meeting of the members until adjourned if members, in person or by proxy, entitled to cast more than ten percent (10%) of the votes of the Association are present at the beginning of such meeting.

Section 3.6. Voting. On all matters upon which the members are entitled to vote, each member shall be entitled to cast one (1) vote for each Lot in which he shall own of record a fee interest or an undivided fee interest. In no event, however, shall more than one vote be cast with respect to any Lot.

During any period in which a member shall be in default in the payment of any amount due and owing to the Association, the vote which is allocated to any Lot in which such member owns a fee interest shall not be counted for any purpose.

Section 3.7. Adjournments. Any meeting of the members, whether or not a quorum is present, may be adjourned by the holders of a majority of the votes represented at the meeting to reconvene at a specific time and place. It shall not be necessary to give any notice of the reconvened meeting, if the time and place of the reconvened meeting are announced at the meeting which was adjourned. At any such reconvened meeting at which a quorum is represented or present, any business may be transacted which could have been transacted at the meeting which was adjourned.

ARTICLE IV EXECUTIVE BOARD

Section 4.1. Number. The number of members of the Executive Board shall be three (3). From and after the election of the Executive Board to be elected by the Class A members, the Executive Board shall consist of five (5) members.

Section 4.2 Appointment and Election. Until the termination of the Class B membership, as provided in the Declaration and the Articles of Incorporation of the Association, the members of the Executive Board shall be elected annually by the Class B member.

From and after the termination of the Class B membership, as provided in the Declaration and the Articles of Incorporation of the Association, the members of the Executive Board (except for the members of the first Executive Board to be elected after the termination of the Class B membership) shall be elected at each annual meeting of the members of the Association and shall serve for a term of one year and until their successors are elected.

Each member entitled to vote shall be entitled to cast one (1) vote for each Lot owned by such member for each directorship to be filled on the Executive Board. Cumulative voting shall not be permitted. The candidates receiving the most votes shall be elected.

Section 4.3. Vacancies. Any vacancy occurring in the Executive Board may be filled by the affirmative vote of a majority of the remaining directors, though less than a quorum of the Executive Board.

Section 4.4 Quorum. A quorum shall be deemed present throughout any meeting of the Executive Board until adjourned if directors in person or by proxy, entitled to cast more than fifty percent (50%) of the votes of the Executive Board are present at the beginning of such meeting.

Section 4.5. Duties and Powers. Except as specifically provided otherwise in the North Carolina Nonprofit Corporation Act, the North Carolina Planned Community Act, the Declaration, the Articles of Incorporation of the Association or these Bylaws, the powers inherent in or expressly granted to the Association may be exercised by the Executive Board, acting through the officers of the Association, without any further consent or action on the part of the members. The Executive Board shall also have the responsibility of discharging all of the duties imposed upon the Executive Board under the terms and provisions of the aforesaid instruments. The Executive Board may delegate any powers to any other person or managing agent as provided for in Section 47F-3-106(4) of the General Statutes of North Carolina.

Without limiting the generality of the provisions of this Section 4.5, the Executive Board shall have the following specific powers:

(a) To suspend the membership rights of any member of the Association, including the right to vote and use the Common Elements and the facilities located thereon, during the period of time such member shall be delinquent in the payment of any assessment, assessment installment, or any other amount or amounts as shall be due and payable to the Association, or shall fail to comply with or abide by any rule or regulation adopted by the Executive Board in regard to the Common Elements after a hearing as provided in Section 47F-3-107.1 of the General Statutes of North Carolina; and

(b) To enter into management agreements for the Association as provided in the General Statutes of North Carolina.

Section 4.6. Regular Meetings. Until such time as the Class B membership shall terminate, the Executive Board shall not be required to hold regular meetings and the Executive Board shall meet as often as the President of the Association shall determine. Thereafter, the Executive Board shall meet no less frequently than once every six months.

Section 4.7. Special Meetings. Special Meetings of the Executive Board may be called at any time by the President, or by any three directors, on two (2) days notice to each director, which notice shall specify the time and place of the meeting. Notice of any such meeting may be waived by an instrument in writing executed before or after the meeting. Attendance in person at any meeting shall constitute a waiver of notice thereof.

Section 4.8. Compensation. No fee or compensation shall be paid by the Association to directors for their services in said capacity unless such fee or compensation is approved by a

majority of the votes of the members cast at a duly convened meeting thereof, and in no event shall any director receive any compensation from the Association for serving as a director prior to the termination of the Class B membership. The directors of the Executive Board shall be entitled in all events, however, to reimbursement for reasonable expenses incurred by them in the performance of their duties.

ARTICLE V OFFICERS

Section 5.1. General Provisions. The officers of the Association shall consist of a President, a Vice President, a Secretary and a Treasurer. In addition, the Association shall have such other officers as the Executive Board shall deem to be desirable in connection with the administration of the affairs of the Association. Any two or more offices may be held by the same persons, except the offices of President and Secretary.

Section 5.2. Appointment. All of the officers of the Association shall be appointed by, and shall serve at the pleasure of, a majority of the members of the Executive Board.

Section 5.3. President. The President shall be the chief executive officer of the Association, and shall preside at all meetings of the members and of the Executive Board. The President shall manage, supervise and control all of the business and affairs of the Association, and shall have all of the powers and duties which are incident to the office of the president of a corporation organized under the North Carolina Nonprofit Corporation Act. Upon approval of any amendments to the Declaration as provided in the Declaration, the President shall prepare, execute, certify and record such amendments to the Declaration.

Section 5.4. Vice-President. The Vice President shall perform the duties of the President whenever the President shall be absent or unable to perform such duties. If neither the President nor the Vice-President shall be able to perform such duties, the Executive Board shall appoint one of their members to act in the place of the President on an interim basis. The Vice-President shall also perform such other duties as the President may delegate to him from time to time.

Section 5.5. Secretary. The Secretary (a) shall attend all meetings of the members and of the Executive Board and shall keep the minutes thereof, (b) shall be responsible for the preparation and giving of all notices which are required to be given by the Declaration and these Bylaws, (c) shall be the custodian of the books and records of the Association, (d) shall keep a register of the addresses of each member of the Association, and (e) shall perform such other duties as are incident to the office of the secretary of a corporation organized under the North Carolina Nonprofit Corporation Act.

Section 5.6. Treasurer. The Treasurer shall be charged with the management of the financial affairs of the Association, and shall keep full and accurate financial records and books of account showing all receipts and disbursements and of the Association, and shall prepare all required financial data. The Treasurer shall also perform all of the duties which are incident to

the office of the treasurer of a corporation organized under the North Carolina Nonprofit Corporation Act.

Section 5.7. Compensation of Officers. The officers of the Association shall be entitled to the payment of such compensation as shall be approved by two-thirds (2/3) of the total members of the Executive Board; provided, however, that prior to the termination of the Class B membership, in no event shall any officer receive any compensation from the Association for serving in such capacity.

ARTICLE VII MISCELLANEOUS

Section 6.1. Fiscal Year. The fiscal year of the Association shall be the calendar year.

Section 6.2 Certain Notices. Any member who shall sell or lease any Lot in which he has a fee or undivided fee interest shall promptly give the Secretary a written notice of such sale or lease, which notice shall also set forth the name and address of such purchaser or lessee. The address so furnished for such purchaser or lessee shall be the address to which the Secretary shall send any notices to be sent to such purchaser or lessee, until such purchaser or lessee shall furnish the Secretary with another address for such purpose. In addition, the Secretary shall send any notices to the owner of such Lot to the address provided by such owner to the Secretary.

ARTICLE VII AMENDMENTS

These Bylaws may be amended only in accordance with the following procedure: the Executive Board shall first adopt a resolution proposing the amendment and recommending its adoption by the members. Such proposed amendment shall then be presented to the members at a meeting thereof duly called and held for the purpose of considering such proposed amendment. If such proposed amendment is approved by at least two-thirds (2/3) of the votes cast at such meeting, such amendment shall become effective; provided, however, that the U.S. Department of Veterans Affairs (if it is then guaranteeing any Mortgage secured by any Lot) and/or the U.S. Department of Housing and Urban Development (if it is then insuring any Mortgage secured by any Lot) shall have the right to veto material amendments to these Bylaws for as long as the Class B membership shall not have terminated.

ARTICLE VIII INDEMNIFICATION

Each person who is or was a director or officer of the Association shall be indemnified by the Association against those expenses (including attorneys' fees) judgments, fines and amounts paid in settlement which are allowed to be paid or reimbursed by the Association under the laws of the State of North Carolina and which are actually and reasonably incurred in connection with

any action, suit, or proceeding, pending or threatened, whether civil, criminal, administrative or investigative, in which such person may be involved by reason of his being or having been a director or officer of the Association. Such indemnification shall be made only in accordance with the laws of the State of North Carolina and subject to the conditions prescribed therein.

In any instance where the laws of the State of North Carolina permit indemnification to be provided to persons who are or have been an officer or director of the Association only on a determination that certain specified standards of conduct have been met, upon application for indemnification by any such person the Association shall promptly cause such determination to be made (i) by the Executive Board by majority vote of a quorum consisting of directors not at the time parties to the proceeding; (ii) if a quorum cannot be obtained by majority vote of a committee duly designated by the Executive Board (in which designation directors who are parties may participate), consisting solely of two or more directors not at the time parties to the proceeding; (iii) by special legal counsel selected by the Executive Board or its committee in the manner prescribed in (i) or (ii), or if a quorum of the Executive Board cannot be obtained under (i), and a committee cannot be designated under (ii), selected by majority vote of the full Executive Board (in which selection directors who are parties may participate); or (iv) by the members, but members who are also directors who are at the time parties to the proceeding may not vote on the determination.

As a condition to any such right of indemnification, the Association may require that it be permitted to participate in the defense of any such action or proceeding through legal counsel designated by the Association and at the expense of the Association.

The Association may purchase and maintain insurance on behalf of any such persons whether or not the Association would have the power to indemnify such officers and directors against any liability under the laws of the State of North Carolina. If any expenses or other amounts are paid by way of indemnification, other than by court order, action by the members or by an insurance carrier, the Association shall provide notice of such payment to the members in accordance with the provisions of the laws of the State of North Carolina.

The undersigned hereby certifies that the rules and covenants contained in the Bylaws of Victoria Bay Homeowners Association, Inc. were adopted on the 29th day of May, 2001.

VICTORIA BAY HOMEOWNERS
ASSOCIATION, INC.

By: R.D. McKenzie
Name: R.D. McKenzie
Title: Secretary