

BY-LAWS

OF

VALLE CAY PROPERTY OWNERS ASSOCIATION, INC.

ARTICLE I - PLAN OF OWNERSHIP

SECTION 1. Lot Ownership. The property consists of those lots which have been submitted to the Declaration of Covenants, Conditions and Restrictions for Valle Cay recorded in Book of Records 84, Page 757, Watauga County, North Carolina, Public Registry.

SECTION 2. Formation of Association. Valle Cay Property Owners Association, Inc. (hereinafter called the "Association") is a North Carolina Non-Profit Corporation which has been formed for the purpose of promoting the health, safety and welfare of persons or firms who may purchase lots within said subdivision and more specifically for the purpose of maintaining the roads, the common areas and lakes through said subdivision in a manner consistent with timely care and upkeep.

SECTION 3. Applicability of By-Laws. The provisions of these By-Laws are applicable to all affairs of this Association and to the property of the subdivision, which shall include any property which may subsequently become subject to the Declaration of Restrictions for Valle Cay Subdivision recorded in Book of Records 84, Page 757, Watauga County, North Carolina, Public Registry. The term "property" shall include the roads and any other common area property which may be deeded to the Association and any easements, rights and appurtenances belonging to the property owners pursuant to the Restrictive Covenants recorded in Book of Records 84, Page 757, Watauga County, North Carolina, Public Registry. All present and future owners, mortgagees, lessees and occupants of all lots in the subdivision are subject to the Restrictive Covenants, the Articles of Incorporation of this Association, these By-Laws and rules and regulations made pursuant hereto and any amendment or amendments to any of said documents made from time to time hereafter. The acceptance of a deed or the entering into of a lease or the act of occupancy of any lot in the subdivision shall constitute an agreement that these By Laws and any rules and regulations made pursuant hereto and the provisions of the Restrictive Covenants and said Articles, as they may be amended from time to time, are accepted, ratified, and will be complied with.

ARTICLE II - MEETINGS AND VOTING

SECTION 1. Place of Meetings. All meetings of this Association shall be held at the property or at such other place either within the State of North Carolina, as shall be determined by the Board of Directors of this Association (hereinafter called the "Board").

SECTION 2. Organizational Meeting. The initial meeting of this Association to organize and elect the initial Board shall be held no later than June 15, 1996.

SECTION 3. Annual Meetings. Annual meetings of this Association shall be held at such times and places as may be designated by the Board and specified in the notice of such meeting, for the purpose of electing members of the Board and for transaction of such other business as may be properly brought before the meeting.

SECTION 4. Substitute Annual Meeting. If the annual meeting shall not be held on the day designated, a substitute annual meeting may be called in accordance with the provisions of SECTION 5 of this Article. A meeting so called shall be designated for all purposes as the annual meeting.

SECTION 5. Special Meeting. After the organizational meeting, special meetings of this Association may be called at any time by the Board or upon the written consent of Lot Owners owning in the aggregate no less than 50% of the Lots conveyed by the developer to third parties in Valle Cay Subdivision.

SECTION 6. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting shall be delivered or mailed not less than

twenty (20) days nor more than sixty (60) days before the date thereof, to each person entitled to vote at such meeting. In the case of an annual or substitute annual meeting, the notice of meeting need not specifically state the business to be transacted thereat. In the case of a special meeting the notice of meeting shall specifically state the purpose or purposes for which the meeting is called. When a meeting is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. When a meeting is adjourned for less than thirty (30) days in any one adjournment, it is not necessary to give any notice of the adjourned meeting other than by announcement at the meeting at which the adjournment is effective.

SECTION 7. Quorum. The presence in person or by proxy at any meeting of the voting members (as defined in SECTION 8 of this Article) having a majority of the total votes shall constitute a quorum. Unless otherwise expressly provided herein, any action may be taken at any meeting of this Association at which a quorum is present upon the affirmative vote of the voting members having a majority of the total votes present at such meeting. If there is no quorum at the opening of the meeting, such meeting may be adjourned from time to time by the vote of a majority of the voting members present, either in person or by proxy; and at any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the original meeting. The voting members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough voting members to leave less than a quorum.

SECTION 8. Voting Rights. There shall be one person with respect to each Lot in the Subdivision who shall be entitled to vote at any meeting of the Association. Such person shall be known and hereafter referred to as a "voting member." Such voting member may be the owner or one or more of the group composed of all of the owners of a Lot, or may be some other person designated by such owner or owners to act as proxy on his or their behalf and who need not be an owner. Such designation shall be made in writing to the Board and shall be revocable at any time by actual notice to the Board of the death or judicially declared incompetence of any designator, or by written notice to the Board by the owner or owners.

Subject to the requirements set forth in Section 7, above, members authorized to vote for election of the Board of Directors may vote to do so in person, by proxy, or by absentee ballot. In addition, other matters coming before the membership for a vote may also be by absentee ballot if deemed appropriate by the Board of Directors.

With respect to those matters to be voted upon by absentee ballot, a member eligible to vote who elects to vote by absentee ballot will submit his/her ballot in a sealed envelope to the Secretary of the Association who will verify the eligibility of the member to vote. The Secretary will then submit the envelope containing the ballot to the tellers. The tellers will tabulate the votes and report the results to the Secretary. To be valid, absentee ballots must be in the hands of the Secretary at least 48 hours prior to the time of the membership meeting. The Secretary shall report at the meeting the number of absentee ballots received both valid and invalid.

SECTION 9. Waiver of Notice. Any Lot Owner at any time may waive notice of any meeting of this Association in writing, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a Lot Owner at any meeting of this Association shall constitute a waiver of notice by him of the time and place thereof, except where a Lot Owner attends a meeting and indicates immediately upon the meeting's being called to order that his sole purpose of attending is to object to the transaction of business because the meeting has not been lawfully called.

SECTION 10. Informal Action by Lot Owners. Any action which may be taken at a meeting of this Association, except removal of a member of the Board, may be taken without a meeting by written approval, signed by voting members having the voting power required to pass such action at a meeting. Such approval shall be filed with the Secretary of this Association and kept in the Minute Book of this Association.

ARTICLE III - BOARD OF DIRECTORS

SECTION 1. General Powers. The business and property of the Association shall be managed and directed by the Board or by such Executive Committees as the Board may establish pursuant to these By-Laws.

SECTION 2. Number, Term and Qualification. The number of Directors of this Association shall be five (5). The initial Board shall consist of three Directors, the members of which shall serve until their successors are duly elected and qualified. These directors shall be Francis Mignano, Thomas Barry, and Robert Wilson. The terms for the elected Directors shall be staggered, with two (2) Directors serving three (3) year terms, two (2) Directors serving two (2) year terms and one (1) Director serving a one (1) year term, or until his or her death, resignation, retirement, removal, disqualification, or his successor is elected and qualified. The Board may declare the office of a member absent from three consecutive meetings of the Board to be vacant. Each member of the Board shall be one of the owners or co-owners of a Lot or a spouse of an owner or co-owner; provided, however, that in the event an owner is a corporation, partnership, trust or other legal entity other than a natural person or persons, then any officer or director of such corporation, partner of such partnership, beneficiary of such trust or manager of such other legal entity, shall be eligible to serve as a member of the Board.

SECTION 3. Election of Directors. Except as otherwise provided in Sections 2 and 5 of this Article, the Directors shall be elected initially at the Organizational Meeting and thereafter at the Annual Meeting of this Association; and those persons who receive the highest number of votes shall be deemed to have been elected. The persons receiving the highest number of votes shall serve the longest terms as provided in Section 2, above.

SECTION 4. Removal. Directors may be removed from office with or without cause by affirmative vote of the Lot Owners having a majority of the total votes entitled to vote at an election of directors. However, unless the entire Board is removed, an individual director may not be removed if the number of Lot Owners voting against the removal would be sufficient to elect a director if such Lot Owners voted cumulatively at an annual election. If any directors are so removed, new directors may be elected at the same meeting.

SECTION 5. Vacancies. A vacancy occurring in the Board of Directors, including directorships not filled by the Lot Owners, may be filled by a majority of the remaining directors, though less than a quorum, or by the sole remaining director; but a vacancy created by an increase in the authorized number of Directors shall be filled only by election at an annual meeting or a special meeting of this Association called for that purpose. Voting members may elect a Director at any time to fill any vacancy not filled by the Directors.

SECTION 6. Compensation. Directors shall receive no compensation for their services unless expressly allowed by the Board at the direction of the Lot Owners having two-thirds (2/3) of the total votes.

SECTION 7. Executive Committees. The Board may by resolution designate three or more directors to constitute an Executive Committee, which committee to the extent provided in such resolution shall have and may exercise all of the authority of the Board in the management of the Association.

SECTION 8. Powers and Duties. 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 such acts as by law or by the Restrictive Covenants or by these By-Laws may not be delegated to the Board. Such powers and duties of the Board shall include, but shall not be limited to, the following:

(a) Operation, care, upkeep and maintenance of the subdivision roads, common areas and lakes through the subdivision.

(b) Preparation of a Budget and determination of the common expenses required for the affairs of the Association, including, without limitation, the maintenance of roads and contracting for collection of garbage, for fire and

security protection or for any other services or facilities that the members of the Association shall deem in the best interest of the Association.

(c) Collection of annual and special assessments from the Lot Owners.

(d) Employment and dismissal of the personnel necessary for the maintenance and operation of the common areas and facilities.

(e) With the approval of the Lot Owners having the majority of the total votes, the adoption and amendment of such reasonable Rules and Regulations as it may deem advisable for the maintenance, conservation, and beautification of the subdivision, and for the health, comfort, safety, and general welfare of the owners and occupants of the subdivision. Written notice of such rules and regulations shall be given to all owners and occupants and the entire subdivision shall at all times be maintained subject to such Rules and Regulations.

(f) Opening of bank accounts on behalf of the Association and designating the signatories required thereon.

(g) Doing all things necessary in order to carry out the purpose and intent of the Restrictive Covenants recorded in Book of Records R4, Page 757, Watauga County, North Carolina, Public Registry.

ARTICLE IV - MEETINGS OF DIRECTORS

SECTION 1. Organizational Meeting. The first meeting of the members of the Board shall immediately follow the Organizational Meeting of this Association (as provided in Section 2 of Article II). No notice shall be necessary to the newly elected members of the Board in order to legally constitute such meeting, providing a quorum shall be present.

SECTION 2. Regular Meetings. A regular meeting of the Board shall be held immediately after, and at the same place as the Annual Meeting or substitute annual meeting of this Association. In addition, the Board may provide by resolution the time and place for the holding of a regular meeting of the Board, which meeting shall be held in Watauga County, North Carolina.

SECTION 3. Special Meetings. Special meetings of the Board may be called by or with the request of the President or by a majority of the Directors. Such meetings shall be in Watauga County, North Carolina.

SECTION 4. Notice of Meetings. Regular meetings of the Board may be held without notice. The person or persons calling a special meeting of the Board shall, at least two days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called.

SECTION 5. Waiver of Notice. Any member of the Board 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. Attendance by a member of the Board at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof, except where a director attends the meeting and announces immediately upon the meeting's being called to order that he is attending for the sole purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all of the members of the Board are present at any meeting of the Board, and no objection is made, no notice shall be required and any business may be transacted at such meeting.

SECTION 6. Quorum. A majority of the number of Directors fixed by these By-Laws shall be required for and shall constitute a quorum for the transaction of business at any meeting of the Board.

SECTION 7. Manner of Acting. Except as otherwise provided in this Section, the act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board.

A vote of a majority of the number of Directors fixed by the By-laws shall be required to adopt a resolution establishing an Executive Committee.

SECTION 8. Organization. Each meeting of the Board shall be presided over by the President of the Board, and in the absence of the President, by any person selected to preside by vote of the majority of the Directors present. The Secretary, or in his absence, an Assistant Secretary, or in the absence of both the Secretary and the Assistant Secretary any person designated by the Chairman of the meetings, shall act as Secretary of the meeting.

SECTION 9. Informal Action of Directors. Action taken by a majority of the Directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the Directors and filed with the minutes of the proceedings of the Board, whether done before or after the action so taken.

SECTION 10. Minutes. The Board shall keep minutes of its proceedings.

SECTION 11. Liability of the Board. The members of the Board shall not be liable to the Lot Owners for any mistake of judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. The Lot Owners shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association unless any such contract shall have been made in bad faith or knowingly contrary to the provisions of the Declaration or these By-Laws. Said indemnity obligation, and all costs reasonably incurred in enforcing it, including reasonable attorneys' fees, shall be secured by a lien in favor of the Board and each of its members individually identical to that provided in connection with the annual assessed fees. It is intended that the members of the Board shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent they are Lot Owner(s). It is also intended that the liability of any Lot Owner arising out of any contract made by the Board or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportion of the total liability thereunder as his part of the annual assessed fees bears to the total annual assessed fees of all of the Lot Owners. Every agreement made by the Board or by the managing agent on behalf of the Association shall provide that the members of the Board, or the managing agent, as the case may be, are acting only as agents for the Lot Owners and shall have no personal liability thereunder (except as Lot Owners), and that each Lot Owner's liability thereunder shall be limited to such proportion of the total liability thereunder as his part of the annual assessed fees bears to the total annual assessed fees of all Lot Owners.

ARTICLE V - OFFICERS

SECTION 1. Number. The principal officers of the Association shall consist of a President, a Secretary, a Treasurer and such Vice Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board may from time to time elect. Any two or more offices may be held by the same person except the offices of President and Secretary.

SECTION 2. Election and Term. The officers of the Association shall be elected by and from among the Board. Such elections may be held at the regular annual meeting of the Board.

Each officer shall hold office for a period of one year or until his death, resignation, retirement, removal, disqualification, or his successor is elected and qualified.

SECTION 3. Removal. Any officer or agent elected or appointed by the Board may be removed by the Board with or without cause; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

SECTION 4. Compensation. No officer shall receive any compensation from the Association for acting as such.

SECTION 5. President. The President shall be the principal executive officer of the Association and, subject to the control of the Board, shall supervise and control the management of the Association. The President shall when present preside at all meetings of the Board and of this Association and shall, in general, perform all duties incident to the

office of President and such other duties as may be prescribed from time to time by the Board.

SECTION 6. Vice President. The Vice President and if there be more than one, the Vice Presidents designated by the Board shall, in the absence or disability of the President, have the powers and perform the duties of said office. In addition, each Vice President shall perform such other duties and have such other powers as shall be prescribed by the President.

SECTION 7. Secretary. The secretary shall keep accurate records of the acts and proceedings of all meetings of this Association and its Directors. He shall give, or cause to be given, all notices required by law and by these By-Laws. He shall have general charge of the minute books and records of both this Association and the Board. He shall sign such instruments as may require his signature, and shall, in general, perform all duties incident to the Office of the Secretary and such other duties as may be assigned him from time to time by the President or by the Board.

SECTION 8. Treasurer. The Treasurer shall have custody of all Association funds and securities and shall receive, deposit or disburse the same under the direction of the Board. He shall keep full and accurate accounts of the finances of the Association and shall prepare a statement of the Association's assets and liabilities as of the close of each fiscal year, and of the results of its operations and of changes in surplus for such fiscal year, all in reasonable detail, to be prepared and distributed to all Lot Owners and members of the Board on or before the 15th day of the third month following the close of each fiscal year. The statement so filed shall be kept available for inspection by any Lot Owner for a period of three (3) years. The Treasurer shall also file all reports and returns required by Federal, State or local law and shall generally perform all other duties as may be assigned to him from time to time by the President or the Board.

SECTION 9. Assistant Secretaries and Treasurers. The Assistant Secretaries and Assistant Treasurers, if any, shall, in the absence or disability of the Secretary or the Treasurer, respectively, have all of the powers and perform all of the duties of those officers, and they shall in general perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President.

ARTICLE VI - COMMON CHARGES

As more fully described in the Restrictive Covenants, each member is obligated to pay to the Board annual and special assessments which are secured by a lien upon the Lot or Lots owned by said member. Any assessments not paid when due shall be delinquent. If the assessments are not paid within thirty (30) days after the due date, the assessments shall bear interest from the date of delinquency at the highest rate of interest allowed by North Carolina law, and in no case less than seven percent (7%) per annum, and the Board may bring an action at law against the Lot Owner personally obligated to pay the same or foreclose the lien against the property, and interest, and costs, and reasonable attorneys' fees of any such action shall be added to the amount of such assessments. No Lot Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of his Lot.

ARTICLE VII - RECORDS, AUDITS, REPORTS AND NOTICES

The Board shall keep detailed records of the actions of the Board, minutes of the meetings of the Board, minutes of the meetings of the Membership, and financial records and books of account of the Association. Any decisions made by the Board affecting lot owners shall be published for the benefit of all lot owners.

ARTICLE VIII - AMENDMENT

These By-Laws may be amended by the affirmative vote of the owners representing 2/3 of the ownership of lots in the subdivision. All Lot Owners shall be bound to abide by any amendment upon the same being passed.

In the case of conflict between the Articles of Incorporation and the By-Laws, the Articles shall control; and in the case of any conflict between the Restrictive Covenants and these By-Laws, the Restrictive Covenants shall control.

IN WITNESS WHEREOF, we, being all of the initial Directors of VALLE CAY PROPERTY OWNERS ASSOCIATION, INC. have hereunto set our hands, this 15th day of June, 1996.

Francis Mignano
Francis Mignano, Director

Thomas Barry
Thomas Barry, Director

Robert Wilson
Robert Wilson, Director

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting _____ Secretary of the VALLE CAY PROPERTY OWNERS ASSOCIATION, INC., a North Carolina Corporation; and

THAT the foregoing By-Laws constitute the original By-Laws of said Association, as duly adopted at a meeting of the initial Board of Directors thereof, held on the 15th day of June, 1996.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 15th day of June, 1996.

Thomas Barry
Secretary

Amendments to Valle Cay POA By-Laws

Amendment I – Valle Cay POA By-Laws

Adopted: June 21, 1997

To be added to the end of Article III, Section 2: "As provided for at the June 21st, 1997 annual meeting, the Property Owners Association, by a majority vote of members present, voted to create the office of "Alternate" whose authority will be considered as that of Director in the absence of an Elected Director at a regularly scheduled meeting of the Board. The term of office for an Alternate will be one year."

To be added to the end of Article IV, Section 8: "If an elected Director is absent for a meeting, the Elected Alternative will have the power to vote and in all respects be considered a Director for the duration of that meeting."

AMENDMENT III – Valle Cay POA By-Laws

Adopted: December 9, 1999

Modification of the third sentence of Article VI – COMMON CHARGES to read: "If the assessments are not paid within thirty (30) days after the due date, the assessments shall bear a late-payment charge of \$20.00 for each delinquent month and the Board may bring an action at law against the Lot Owner personally obligated to pay the same or foreclose the lien against the property, and interest, and costs, and reasonable attorney's fees of any such action shall be added to the amount of such assessments."