

**BY-LAWS
OF
BAY QUARTER SHORES, INCORPORATED**

Preface

These revised By-Laws provide for the regulation and management of the affairs of Bay Quarter Shores, Incorporated, and shall be binding on all Members effective 15 July 1995.

The Articles of Incorporation and the provisions of the Virginia Non-Stock Corporation Act and other applicable laws provide the corporate powers for this non-stock, non profit corporation.

These revised By-Laws rescind the By-Laws of the Corporation and Amendment thereto dated April 1972 and August 10, 1985 respectively. They do not impair the validity of the corporate Rules and Regulations affecting the conduct for the use and enjoyment of common property and amenities within the subdivision. Such Rules and Regulations shall remain in full force and effect until otherwise amended or rescinded in the future.

Statements relative to the amount of the annual assessment fee were made part of the original 1972 By-Laws to take precedence over inconsistent provisions in the Covenants. These amended By-Laws shall continue to control and be binding wherever they are inconsistent with the existing Covenants.

Article I - Declaration of Purpose

Section 1. These By-Laws (i) impose responsibility upon the Board of Directors and the Members for the orderly operation and development of Bay Quarter Shores, Incorporated, (ii) establish basic business operation, organization, policies and procedures for the Corporation, and (iii) implement and enforce the recorded restrictive covenants for the subdivision. The benefits derived therefrom shall inure to the benefit of all Members.

Section 2. The primary objective of these By-Laws is to provide the Membership a means of self management that will promote goodwill and cooperation among the Members as well as stimulate the development of a planned community.

Section 3. In conjunction with these By-Laws, the Board of Directors shall enact Rules and Regulations for the equitable use of the common properties of the Corporation. When required, the Board of Directors also shall revise the Amended Declaration of Covenants for the protection of the Regular Membership, subject to Membership approval.

Article II - Membership

There shall be two (2) classes of Memberships, namely Regular and Associate (hereinafter referred to as Members or Memberships).

Section 1. Regular Membership

- a. Regular Memberships shall be defined as those persons owning property in the incorporated area of Bay Quarter Shores, and are automatic with ownership. Regular Memberships whose annual fees are currently paid shall be deemed to be in good standing. Owners of lots are entitled to one Membership regardless of the number of lots owned or the number of persons involved in the ownership of each lot.
- b. Regular Members shall share in the ownership of the common property of Bay Quarter Shores, Inc.

Section 2. Associate Membership

- a. Associate Memberships shall be defined as and limited to responsible residents of the local community and friends and relatives of Regular Members whose applications have been approved by the Board of Directors and whose dues are currently paid.
- b. Associate Memberships shall not exceed sixty (60) at any one time. The Board of Directors shall have the privilege of granting not more than ten (10) Associate Memberships to persons who may be of special assistance to the Corporation.

Article III — Fees, Dues and Charges

Section 1. Regular Members of the Corporation shall pay annual assessment fees, which shall be due and payable on 1 September, which is the first day of each fiscal year. The amount of the annual fee shall be determined by the Board of Directors to reasonably operate, maintain and improve the common facilities and amenities of the Corporation. The Board of Directors may adjust the annual assessment fee to be generally consistent with adjustments of the Consumer Price Index. Adjustments greater than the Consumer Price Index adjustments must be in accordance with procedures outlined in Article V.

Section 2. Associate Members shall pay annual dues as set by the Board of Directors. These dues shall not exceed twice the Regular Member assessment fees. These dues are in lieu of property ownership in the Corporation.

Section 3. The Board of Directors shall have the authority to establish special assessment fees for the Regular Membership, activity fees, use fees, administrative and service fees, charges for violation of Covenants and Rules and Regulations and other fees as may be appropriate.

- a. Special assessment fees, when required in the best interests of the Corporation, shall be used primarily for administration, operation, maintenance and upkeep, including capital expenditures, of the common property. Procedures for establishing special assessment fees shall be in accordance with Article V.

- b. The nature and amount of charges against any Member for violation of covenants and rules and regulations shall be in accordance with applicable law and as described in Article IV.

Section 4. Annual assessment fees, special assessment fees, dues and other fees requiring written billings shall be mailed at least fourteen (14) days prior to the date due and shall be paid within two (2) months following the due date. When annual assessment fees and special assessment fees are overdue after the two (2) month grace period, a delinquent fee of one percent (1%) per month shall be assessed for each overdue month or portion thereof, including the grace period. Billing procedures for other fees and charges can vary depending on their requirements.

Section 5. Unpaid assessment fees and applicable delinquency fees, use fees and charges for violations are liens against the Membership s Bay Quarter Shores property. If court action is required, the Member will be subject to payment to the Corporation of court costs, unpaid fees and charges and reasonable attorney fees. Such fees and charges also are subject to collection by an independent organization, with all costs of collection the responsibility of the delinquent Member.

Article IV - Enforcement of Rules

Section 1. The Board of Directors shall enforce Corporate documents including the Covenants, By-Laws and duly adopted Rules and Regulations.

Section 2. Any and all Membership rights of Regular Members may be suspended by a unanimous vote of the entire Board of Directors, including the right to participate in Corporate affairs, to vote and to use the common properties and amenities of the Corporation. Grounds for suspension of rights shall include, but not be limited to, non-payment of assessments and other obligations, infraction of Corporate documents and conduct considered by the Board of Directors to be detrimental to the best interests of the Corporation and its Members.

Section 3. The Board of Directors, by a unanimous vote of the entire Board, may terminate Associate Memberships or suspend their use of common properties for similar reasons.

Section 4. Members having their rights suspended or their Membership terminated shall be furnished a notice of pending action. They may appeal the decision to the Board of Directors for reconsideration. The Board of Directors shall refer complex cases to the Compliance Committee for appropriate review and actions as outlined in Article X.

Section 5. The Board of Directors may assess charges against any Member for any violation of corporate documents for which the Member or his family Members, tenants, guests or other invitees are responsible. Before any such charges may be assessed, the Member shall be given an opportunity to be heard and to be represented by counsel before the Board of Directors or the Compliance Committee. Charges may be assessed against single offenses or offenses of a continuing nature up to sixty (60) days. Unpaid charges against Regular Members are liens against the Membership s Bay Quarter Shores property. If court action is

required, the Member will be subject to payment to the Corporation of court costs, unpaid charges and reasonable attorney fees.

Article V - Voting

Section 1. A majority vote of a quorum present at Board of Directors meetings shall be required for approval of any action (see exception Article IV). Five (5) Members present, one of which shall be the President or Vice President, shall constitute a quorum for meetings of the Board of Directors.

Section 2. Voting rights shall be determined on the basis of one vote for each Regular Membership in good standing in the Corporation. Members shall be entitled to vote on amendments to By-Laws and election of Directors. Voting on changes in annual assessment fees, special assessment fees, new or revised rules and regulations and other proper issues under applicable law shall be governed by Sections 3 and 4 below.

Section 3. The voting process shall be conducted under the direction of the Board of Directors, with a ballot provided by mail to all Regular Members. A majority of votes cast by written ballot received by mail, proxy and/or in person at meetings convened on the subject shall be required to determine the issues involved. Regular Membership voting is required to elect Members of the Board of Directors and to enact amendments to these By-Laws.

Section 4. The Board of Directors shall provide members with written notice of its decisions to impose annual assessment fees greater than Consumer Price Index adjustments, special assessment fees and rules and regulations for a period of forty-five (45) days prior to their implementation. If the Board of Directors receives a valid petition requesting a vote within that period signed by fifty (50) Regular Memberships in good standing, it shall postpone implementation of the action and conduct a vote of the Membership on the proposal in accordance with Section 3 above within ninety (90) days of the receipt of the petition.

Section 5. Regular Members may approve motions originated and made at general Membership meetings by a majority vote. Since such motions will reflect only the opinions of those present, the Board of Directors shall consider them as non-binding and advisory in subsequent deliberations.

Article VI — Elections

Section 1. Regular Members shall be elected to the Board of Directors at the annual fall Membership meeting each year to fill vacant positions. Candidates must agree to commit time and actively serve in the position if elected.

Section 2. A Nominating Committee to select a slate of candidates to be elected shall be appointed by the Board of Directors. Individual nominations of Members also may be made from the floor at the annual meeting. Nominating procedures shall be in accordance with Article X, Section 3.

Section 3. All Regular Memberships in good standing may cast a written ballot pursuant to Article V. The nominees receiving the highest number of votes shall be elected to fill vacant positions. In the event of a tie, which would cause the number of nominees to exceed the number of vacancies to be filled, further balloting of the Regular Membership in good standing present at the meeting shall be required until the vacancies are filled.

Section 4. The Board of Directors shall meet and elect officers and certain committee chairpersons by majority vote from among its Members on the same day following the annual meeting. Officers shall serve for the ensuing year. Committee chairpersons shall serve in accordance with procedures prescribed in Article X.

Article VII —Amendments to the By-Laws

Section 1. Amendments to the By-Laws shall be initiated by the Board of Directors or by a petition signed by fifty (50) Regular Memberships in good standing. The Board of Directors shall submit them to the Regular Membership for vote within ninety (90) days from the date that the amendment was submitted to the Board of Directors. A majority vote of votes cast for adoption shall be required to enact amendments to the By-Laws in accordance with Article V.

Section 2. All proposed amendments shall include rationale for change. The Board of Directors shall offer its opinion with the ballot as to the merits of the proposed amendment.

Article VIII - Meetings

Section 1. Regular meetings of the Board of Directors shall be at such time, place and date as the Members of the Board decide. The number of meetings shall depend on the workload but shall be no less than six (6) per year. Special meetings for specific purposes shall be held by the Board of Directors as necessary. Fifty (50) Memberships, by signed petition stating its purpose, may request the Board of Directors for a special meeting. This meeting will be held within ninety (90) days of the date of the receipt of the petition.

Section 2. Meetings of the Board of Directors shall be open to all Members of the Corporation. Minutes shall be recorded, shall be posted on the clubhouse bulletin board when approved and made available upon request. Closed session meetings may be convened to discuss personnel matters, consult with legal counsel, consider contracts, litigations and violations, and to consider other matters allowed by law. Actions agreed to in closed sessions shall become effective when they have been reasonably summarized and adopted at open meetings.

Section 3. Regular meetings of the Membership of the Corporation shall be held at the clubhouse on Saturday or Sunday of the Memorial Day and Labor Day weekends. The meeting on the Labor Day weekend shall be the annual meeting of each year. Special meetings of the Membership shall be held for specific purposes as called by the Board of

Directors. Notices of special meetings, including their purpose, shall be mailed to the Membership at least fifteen (15) days prior to the meeting date.

Section 4. All meetings shall be governed by the latest edition of Robert's Rules of Order.

Article IX - Board of Directors

Section 1. The Board of Directors shall be composed of nine (9) Members in good standing who shall be elected for three (3) year terms on a staggered basis of three (3) directors being elected at the annual fall meeting each year. The Board of Directors by unanimous vote of the remaining directors may remove a director from office for malfeasance or nonfeasance with the unexpired term to be filled at the next annual election. The unexplained absence of a director from three regular meetings of the Board of Directors, during a term year, may be deemed a resignation after notice and opportunity to be heard. In case of a vacancy occurring on the Board of Directors, the remaining directors by a majority vote may elect a new director to fill the position until the next annual election.

Section 2. The Board of Directors shall manage the business affairs of the Corporation in accordance with the powers authorized and directed by the Virginia Non-Stock Corporation Act and other applicable law, and with the provisions of the Covenants, the Articles of Incorporation and these By Laws.

Section 3. The Board of Directors shall include the officers of the Corporation consisting of the President, Vice President, Vice President for Maintenance, Secretary and Treasurer and shall also include the Chairpersons of the Building Control Committee and the Compliance Committee. The remaining directors may be given other assignments by majority vote of the directors to serve such terms as may be designated. The Board of Directors shall establish written guidelines and policy in signing documents and expenditure of funds. The Board of Directors shall approve all personnel actions. The officers may sign documents and expend budgeted funds, within these guidelines, in the discharge of their responsibilities unless otherwise specified by the Board of Directors. The duties of the officers shall be as follows:

a. President

The President shall be the chief executive officer and spokesperson for the Corporation and shall have direct supervision over the business of the corporation. The President shall preside at all meetings of the Board of Directors and the Membership. The President shall, along with other approved directors, sign documents on behalf of the Corporation whenever an official signature is required. Unless otherwise set forth in corporate documents, the appointment of Members to committees shall be the responsibility of the President subject to ratification of the Board of Directors. The President shall be an ex-officio Member of all committees except the Nominating, Building Control, Compliance and Audit Committees. The President or his/her representative shall represent the Corporation at meetings of other organizations. The President shall ensure that all orders and resolutions of the Board of Directors are carried out and shall perform such duties as may evolve upon his/her office.

b. Vice President

The Vice President shall be the principle assistant to the President and shall assume the responsibilities of the President in his/her absence. The Vice President shall be responsible for the supervision of employees specifically authorized by the Board of Directors. The Vice President shall be responsible for the operation and use of designated facilities including but not limited to the pool, clubhouse area, boat docks and ramps, outdoor storage and all parking and recreational facilities.

c. Vice President for Maintenance

The Vice President for Maintenance shall be responsible for planning and supervising the maintenance of all common properties and amenities of the Corporation, including the annual preparation of three year projections of maintenance and improvement requirements. The Vice President for Maintenance shall provide liaison with public utilities and other agencies in the discharge of his/her responsibility. The Vice President for Maintenance shall supervise maintenance employees and maintenance volunteers.

d. Secretary

The Secretary shall be responsible for the maintenance of minutes of all meetings of the Board of Directors and the Membership and for the maintenance of all corporate records, communications and correspondence. The Secretary shall be responsible for the counting and publishing of all votes taken. The Secretary shall be responsible for mailing of notices of meetings and for such other duties as assigned.

e. Treasurer

The Treasurer shall be responsible for supervision of all finances of the Corporation and shall be certain that an accurate record is maintained thereof. The Treasurer shall be responsible for the collection and maintenance of Corporate funds and for the disbursement and accounting thereof. The Treasurer shall ensure preparation of an estimated annual budget and three year projections of financial needs prior to the start of each fiscal year, including revisions thereof during the year for approval of the Board of Directors. The Treasurer shall provide financial statements to the Membership at least annually in the Newsletter and at Membership meetings. The Treasurer shall be responsible for the preparation and timely filing of all tax returns and related documents of the Corporation. The Treasurer shall supervise personnel involved in bookkeeping or other areas specifically authorized by the Board of Directors.

Article X - Committees

Various committees shall be used to support the Board of Directors in the conduct of its business affairs. The structure and operation of certain committees are described below.

Section 1. Building Control Committee

The Building Control Committee shall have as its purpose (1) the review of applications from lot owners and issuance of Bay Quarter Shores permits to Members in good standing for the erection and use of structures in the subdivision, (ii) approval of all plans and specifications and uses in compliance with covenants of record and submission of those plans and

specifications and uses not in compliance for disapproval or approval of appropriate waivers by the Board of Directors, (iii) inspection during construction to determine compliance with covenants of record and approved plans, (iv) liaison with lot owners during construction to resolve any problems of compliance with covenants and approved plans, and referral to the Compliance Committee for appropriate action on problems that cannot be resolved, (v) maintenance of building control records and written minutes of actions taken by lot number for historical reference and use, and (vi) development and maintenance of appropriate written procedures and rules consistent with covenants of record and By-Laws and approved by the Board of Directors.

The Committee shall be activated at the first Board of Directors meeting of each fiscal year to provide annual continuity. The Committee, consisting of a minimum of three (3) lot owners in good standing, shall report to the Board of Directors. The Chairperson of the Committee shall be a Member of the Board of Directors and shall be elected annually by the Board of Directors. The other two Members shall be appointed by the Board of Directors after giving due consideration to the recommendations of the Chairperson of the Committee.

Section 2. Compliance Committee

The non-compliance by Members with corporate documents often involves action to resolve complaints against Members, guests or other personnel. When such complaints occur and cannot be corrected through routine negotiations, the Compliance Committee shall be used to resolve the problem in a more official manner.

The Compliance Committee shall have as its purpose (i) the review and enforcement of corporate Rules and Regulations and of the restrictive covenants of record when authorized by the Board of Directors, (ii) the receipt of written complaints related to violations thereof by a Member, family Members, guests or tenants, (iii) written notice to the Member of the violation and discussion to resolve the problem without a formal hearing, (iv) the conduct of open hearings when required with the accused violator given the opportunity to be heard, to be represented by legal counsel, and to present a defense against the accusation, (v) the determination of the validity of the accusation and of sanctions to be imposed, including suspension of rights to the use of the common facilities and services, monetary charges and restoration of damaged property, and (vi) the adoption of procedures with Board of Directors approval to accomplish the intent of the Committee and the preparation of written minutes of all proceedings and hearings.

Determinations of the Committee may be appealed to the Board of Directors whose findings shall be final. At such hearings, the Board of Directors may uphold, reverse or modify the recommendations of the Committee, but not adjudge additional violations or impose greater sanctions. Amounts of charges shall be in accordance with law and shall be treated as an assessment against the Membership and a lien on the Membership's Bay Quarter Shores property.

The Committee shall be activated at the first Board of Directors meeting of each fiscal year to provide annual continuity. The Committee, consisting of three (3) to five (5) Members in good standing, shall report to the Board of Directors. The Chairperson shall be a Member of the Board of Directors and elected annually by the Board of Directors at its first meeting. The other Members shall be lot owners appointed to the Committee by the Board of Directors. Terms of office generally shall be a minimum of one year. Termination of Membership on

the Board or in the Corporation shall automatically terminate Membership on the Committee. In the case of a vacancy, the Board of Directors may appoint a Member to fill the position.

Section 3. Nominating Committee

The Nominating Committee shall have as its purpose (i) the selection of candidates to be elected to the Board of Directors, (ii) the conduct of the nominating and election processes associated therewith, (iii) the preparation of directions and ballots for Membership voting through the Newsletter, and (iv) submission of a written report of actions and accomplishments to the Board of Directors.

The Committee consisting of at least three (3) non-Board Member lot owners in good standing shall be appointed by the Board of Directors before 1 March each year.

The Nominating Committee shall give serious consideration to qualifications of individuals for nomination as set forth in Bay Quarter Shores Organization Guidelines. The nominated candidates shall be Regular Members in good standing. Regular Members in good standing may not be refused the right to run for office. Appropriate ballots and election instructions shall be provided before mid-June each year for Newsletter mailing. The Newsletter shall be mailed at least thirty (30) days prior to the annual fall Membership meeting.

Individual nominations of Regular Members for election may be made from the floor at the annual meeting subject to the nominee being present at the meeting and being a Member in good standing.

All Regular Memberships in good standing may cast a written ballot either in person or in absentia. The nominees receiving the highest number of votes shall be elected to fill vacancies. In the event of a tie, which would cause the number of nominees to exceed the number of vacancies to be filled, further balloting of the Regular Memberships in good standing present at the meeting shall be required until vacancies are filled.

Section 4. Other Committees

The Board of Directors is authorized to establish additional committees as required to conduct specific affairs of the Association. These committees shall be established within two (2) months of the new fiscal year or when considered necessary in the case of new committees. Generally, each committee shall have a minimum of three (3) Members in good standing, one of whom may be a Member of the Board of Directors. The chairperson and Members shall be appointed by the Board of Directors. Written guidelines or descriptions of work assignments shall be provided each committee.

Each committee shall keep records and provide periodic written reports of actions and accomplishments to the Board of Directors. Estimated funds required to support committee activities shall be submitted to the Board of Directors for budget approval prior to expenditure.

The following committees generally are required to conduct annual affairs of the Association: Finance, Associate Membership, Camping, Hunting, Newsletter, Neighborhood Watch, Social Activities, Pool and Recognition. A non-Board Member Audit Committee also is required annually to review the financial records of the Association if an outside firm is not employed to perform the work. The following committees may be activated when required: Grounds, Buildings, Waterfront, Rules, and Long Range Planning. Names and functions of

committees may be changed and new committees may be established when required to satisfy specific purposes.

Article XI - Finances and Audits

Section 1. The fiscal year of the Corporation shall be 1 September through 31 August of the following year.

Section 2. The Board of Directors shall approve the bank in which to maintain the current operating funds in a checking account. Other funds of the Corporation shall be maintained in interest bearing deposits or may be invested upon action of the Board of Directors.

Section 3. Financial records shall be kept of all transactions involving funds of the Corporation, including donations or other funds collected on behalf of Bay Quarter Shores, Inc., to ensure an adequate audit trail. All goods and services requiring disbursements of Corporate funds shall be by check signed by the Treasurer or personnel approved by the Board of Directors.

Section 4. The Treasurer shall be bonded at the expense of the Corporation.

Section 5. The Board of Directors shall have the authority to borrow funds based on the ability of the Corporation to repay the funds.

Section 6. Annually, the Board of Directors shall adopt and periodically revise a fiscal year budget under which all sources of funds are to be received by the Corporation and expenditures made thereby. Annual assessment fees and other income shall be used as the basis for the budget. The estimated budget expenditures shall be for only such sum as is necessary for the operation of the Corporation. The budget shall give the Treasurer and other designated officers authority to spend money for those purposes and those amounts approved.

Section 7. The Board of Directors shall maintain permanent reserve funds. These funds shall be built incrementally from annual receipts of Corporate funds for catastrophic, emergency or long range planning purposes to cover all or part of capital improvements, major repairs, and replacement of existing facilities, which are high cost projects. The amount of these funds will vary with needs, but the Board of Directors shall maintain a goal equal to or more than the annual Corporate income.

Section 8. An audit shall be conducted of the financial records of the Corporation after the end of each fiscal year. A formal audit shall be conducted by an independent certified public accountant at least every three years. A written report of the findings of the audit shall be submitted to the Board of Directors for appropriate action.

Article XII - Tenants of Property

Section 1. Tenants who occupy or use property owned by Members have rights to the use of Bay Quarter Shores facilities and amenities only when they own lots in Bay Quarter Shores or have been approved for Associate Membership and are Members in good standing.

Section 2. The Board of Directors shall not recognize, as valid, leasing and rental agreements in which the landlord transfers his rights to the tenant for the use of common facilities and amenities, in which the tenant is required to pay assessment fees or in which the tenant is considered a guest and is allowed to use common property and amenities unaccompanied by the landlord.

Section 3. Members shall be responsible for advising tenants of the Covenants, By-Laws and Rules and Regulations for Bay Quarter Shores, Inc. Both shall be responsible for their compliance. Violations by tenants shall be the subject of disciplinary action as outlined in Article IV.

Article XXII - Parental Responsibility

In cases of vandalism and malicious mischief and other illegal acts involving minors, the parents of such minors shall be responsible and accountable for the acts of their minors and shall pay for any damages caused thereby.

Article XIV - Indemnification

Section 1. Each person who acts as a Director or Officer of the Corporation or who is elected by the Membership to a committee shall be indemnified by the Corporation for expenses, costs and judgements actually incurred in connection with any action, suit or proceeding brought against said person by reason of his/her being or having been an elected official of the Corporation. Indemnification shall not apply in relation to matters in which he/she shall be adjudged in such action, suit or proceeding to be liable for gross negligence, willful misconduct or illegal acts.

Section 2. The right to indemnification provided herein shall inure to each elected official of the Corporation, whether or not he/she is an official at the time such costs, judgements or expenses are imposed. In the event of his/her death, the right to indemnification also shall extend to his/her legal representative.

Article XV - Dissolution

The Corporation may be dissolved only with the assent of two-thirds (2/3) of its Regular Membership in good standing by means of a written ballot mailed to all Regular Memberships at least ninety (90) days prior to the date of anticipated dissolution. The disposition of the common properties of the Corporation shall be as decided by the Board of Directors at the time of dissolution, based on polled advice of the Membership.

Certification:

The above revision to the By-Laws was adopted on 15 July 1995 by the Board of Directors of Bay Quarter Shores, Inc. after a majority vote cast in writing was obtained in its favor from the regular membership. Voting of the membership was conducted in accordance with Article VII, Section 3, Amendments to the By-Laws of the original By-Laws dated April 1972.

Anthony P Rabalais

President

Bay Quarter Shores, Inc.