

BYLAWS
of
SALEM SPRINGS HOMEOWNERS' ASSOCIATION, INC.

ARTICLE I
NAME AND LOCATION

The name of the corporation is SALEM SPRINGS HOMEOWNERS' ASSOCIATION, INC. (hereinafter referred to as the "Association"). The principal office of the Association shall be located at 2500 Neudorf Drive, Suite D, Clemmons, North Carolina 27012, but meetings of the Members and the Directors may be held at such places within the State of North Carolina as may be designated by the Board of Directors.

ARTICLE II
ASSOCIATION MEMBERS

Section 1. ANNUAL MEETING OF MEMBERS. The annual meeting of the Members of the Association shall be held at the principal office of the Association, at an hour to be fixed by the President, on the first Tuesday in April of each year for the purpose of electing directors and for the transaction of such other business as may be brought before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

Section 2. SUBSTITUTE ANNUAL MEETING. If the annual meeting shall not be held on the day designated in these Bylaws, a substitute annual meeting at the principal office of the Association may be called in accordance with the provisions of Section 3 of this Article I. A meeting so called shall be designated and treated for all purposes as the annual meeting.

Section 3. SPECIAL MEETINGS OF MEMBERS. Special meetings of the Members may be held in the principal office of the Association, or elsewhere, whenever called in writing by the President or any member of the Board of Directors of the Association or by Members representing twenty percent (20%) of the Membership entitled to vote.

Section 4. NOTICE OF MEETING. Written or printed notices stating the time and place of meeting shall be mailed or delivered by the Secretary to each Member of record at the Member's last known address. The notice of each meeting shall be mailed or delivered by the Secretary not less than ten days nor more than fifty days prior to the date set for such meeting, and as to special meetings, the Notice shall indicate the purpose or purposes thereof. The requirement for notice of meetings may be waived by unanimous written consent of the Members.

Section 5. QUORUM. At any meeting of the Members, Members holding a majority of the votes, present in person or represented by proxy, shall constitute a quorum of the Membership for all purposes. If a quorum is not present, the meeting may be recessed from time to time by announcement from the chair at the time such meeting was set and such shall be sufficient notice of the time and place of the recessed meeting. The Members present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 6. ORGANIZATION. The President, or, in his absence, the Vice President, shall preside over all meetings of Members and the Secretary of the Association shall act as Secretary at all meetings of the Members; provided, however, in the Secretary's absence the President may appoint a Secretary for the meeting of the Members.

Section 7. VOTING. Each Member of the Association shall be entitled to vote as set forth in the Declaration of Covenants, Conditions & Restrictions of Salem Springs Subdivision, as amended from time to time (the terms of which are incorporated herein by reference), encumbering the Salem Springs Subdivision owned by the Members (the "Declaration"), on each matter submitted to a vote at a meeting of Members. The majority vote of the Members at a meeting of Members at which a quorum is present shall be the act of the Members on that matter, unless the vote of a greater number is required by the Declaration, law or by the Articles of Incorporation of this Association. Cumulative voting shall not be allowed.

Section 8. VOTING BY PROXY. The vote allocated to a Member may be cast pursuant to a dated written proxy signed by the Member. A Member may not revoke a proxy except by written notice delivered to the person presiding over a meeting of the Association. A proxy terminates one year after its date, unless it specifies a shorter term.

ARTICLE III BOARD OF DIRECTORS

Section 1. NUMBER AND TERM OF OFFICE. Subject to Section 2 below, the affairs of the Association shall be managed by a Board of Directors of five (5) Members (or if there are fewer than three Members of the Association, a number of Directors equal to the number of Members), which shall be entitled to act on behalf of the Association in all routine, day to day operation of the Association. The term of office for each Board member shall be until the successors to such offices shall have been duly elected and qualified as hereinafter stated.

Section 2. INITIAL BOARD. The affairs of the Association shall be initially managed by an interim Board of one (1) Director who is not required to be a Member of the Association. The sole Director of the Initial Board of Directors until the selection of his successor is Rick Stanley, 2500 Neudorf Drive, Suite D, Clemmons, North Carolina 27012. The number of Directors shall remain at one (1) for so long as the Developer shall be a Class B

Member of the Association as defined in the Declaration. For so long as the Developer shall be a Class B Member of the Association, the Developer shall have the right to appoint the Directors and to fill any vacancy in the Board of Directors with such persons as the Developer shall, in its sole absolute discretion deem proper. From and after the date which Developer shall cease to be a Class B Member in the Association, the number of Directors of the Association shall be increased to five (5), said Directors to be elected by the Members of the Association. At the first meeting of the Members to elect the five (5) Directors, the Members shall elect one (1) Director to serve a term of one (1) year, two (2) Directors to each serve a term of two (2) years and two (2) Directors to each serve a term of three (3) years. At each annual meeting of the Association thereafter, the Members shall elect the number of Directors needed to fill the vacancy or vacancies created by the Directors whose terms expire, to serve for a term of three (3) years or in the case of the filling of a vacancies in which event the Director elected to fill the vacancy for the unexpired term of the Director whose vacancy is being filled. Each Director shall hold office until his successor is elected and qualified. Directors need not be Members of the Association.

Section 3. COMPENSATION. No Board member shall receive compensation for any service he may render to the Association. However, with the prior approval of the Board, any Board member may be reimbursed for actual expenses incurred in the performance of his duties.

Section 4. ACTION WITHOUT MEETING. The Board shall have the right to take any action in the absence of a meeting which they could take at a duly held meeting by obtaining the written consent of all of the Board Members to the action. Any action so approved shall be filed in the corporate books and records and shall have the same effect as though taken at a meeting of the Board.

Section 5. MEETINGS. Meetings of the Board shall be held annually without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Special meetings of the Board may be called by any member of the Board after not less than five (5) days notice to each Board member. Meetings may be held by conference telephone conversation in which each of the Board Members can hear and communicate with one another.

Section 6. QUORUM/VOTING. A majority of the Board Members shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority vote of the Board Members present at a duly held meeting shall be regarded as the act of the Board.

Section 7. POWERS AND AUTHORITY OF THE BOARD OF DIRECTORS. Subject to the provisions contained herein and applicable law, the Board shall have the power and authority to exercise all of the rights and powers of the Association, including, but not limited to, the following powers:

- (a) To adopt rules and regulations governing the common areas owned by the Association (the "Common Areas"), as set forth in the Declaration;
- (b) To suspend the voting rights of a Member during any period in which such Member shall be in default in the payment of any assessment levied by the Association;
- (c) To declare the office of a member of the Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Board;
- (d) To appoint the Officers of the Association;
- (e) To employ a manager, an independent contractor, or other employees as is deemed necessary, and prescribe their duties;
- (f) To procure, maintain, and pay premiums on, insurance policy(s);
- (g) To exercise all other powers that may be exercised in this state by legal entities of the same type as the Association;
- (h) To exercise any other powers necessary and proper for the governance and operation of the Association;
- (i) To have and to exercise any and all powers, rights and privileges which a corporation organized under the Non-Profit Corporation Law of the State of North Carolina by law may now or hereafter have or exercise; and
- (j) To have and to exercise any such further powers, and to take any such further actions, deemed necessary or expedient to carry out the duties set forth below.

Section 8. DUTIES OF THE BOARD OF DIRECTORS. It shall be the duty of the Board to do the following:

- (a) To cause the Common Areas owned by the Association to be maintained, repaired, and replaced as necessary, and to assess the Members to cover the anticipated cost of the maintenance and upkeep of the Common Areas;
- (b) To keep a complete record of all its acts and corporate affairs and present a statement thereof to the Members at the annual meeting, or at any special meeting when such statement is requested in writing by the vote of 25% of the Members;
- (c) To supervise all officers, agents and employees of the Association, and see that their duties are properly performed;

- (d) To fix the amount of the annual assessment at least thirty (30) days in advance of each annual assessment period based on the projected budget for the annual assessment period and pursuant to the provisions set forth in the Declaration;
- (e) To send written notice of each assessment to every Member at least thirty (30) days in advance of the due date for each annual assessment;
- (f) To foreclose any unpaid assessments and liens resulting therefrom against any property for which assessments are not paid within thirty (30) days after due date or to bring an action at law against the Member personally obligated to pay the same;
- (g) To issue, or have issued, for a reasonable charge, a certificate setting forth whether or not any assessment has been paid; provided, however, that if a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment as to all parties except the Member and Lot owner as of the date of the assessment;
- (h) To procure and maintain, at all times, adequate hazard insurance on the property owned by the Association and all property for which the Association has the duty to maintain, and sufficient liability insurance to adequately protect the Association as provided in the Declaration; and
- (i) To cause all officers or employees, including officers and employees of professional management, having fiscal responsibilities to be bonded, as it may deem appropriate.

Section 9. INDEMNIFICATION OF DIRECTORS. To the fullest extent permitted by applicable law, as it now exists or may hereafter be amended, the Association shall indemnify all persons serving as Directors or Officers of the Association against all liability and litigation expense, including but not limited to reasonable attorneys' fees, arising out of their status as such or their activities in the foregoing capacity, regardless of when such status existed or activity occurred and regardless of whether or not they are Directors or Officers of the Association at the time such indemnification is sought or obtained. Without limiting the generality of the foregoing indemnity, such persons may also recover from the Association all reasonable costs, expenses and attorneys' fees in connection with the enforcement of rights to indemnification granted by this Article. The provisions of this Article are in addition to and not in limitation of the power of the Association with respect to, and the rights of any director of the Association to receive the benefits of, any other or further indemnification, insurance, elimination of liability or other right or benefit which is either required by the NORTH CAROLINA NONPROFIT CORPORATION ACT or permitted thereby and duly adopted by the Association in accordance therewith.

To the fullest extent permitted by applicable law, as it now exists or may hereafter be amended, no Director of the Association shall have any personal liability arising out of any action, whether by or in the right of the Association or otherwise, for monetary damages for breach of his or her duty as a Director. This Section shall not impair any right to receive indemnity or insurance from the Association or any third party which any Director may now or hereafter have. Any repeal or modification of this Section shall not impair or otherwise adversely affect any limitation on, or elimination of, the personal liability of a Director effected hereby with respect to acts or omissions occurring prior to such repeal or modification.

ARTICLE IV OFFICERS

Section 1. OFFICERS. The Executive officers of this Association shall be a President, Vice President, and Secretary/Treasurer, and shall be appointed by the Board of Directors.

Section 2. POWERS AND DUTIES OF THE EXECUTIVE OFFICERS.

- (a) The President shall preside at all meetings of the Board; he shall see that orders and resolutions of the Board are carried out; he shall sign all leases, mortgages, deeds and other written instruments; and he shall co-sign all checks and promissory notes.
- (b) The Vice President shall act in the place of the President in the event of his absence, or his inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.
- (c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the Members; he shall keep the Association seal and affix it on all papers requiring said seal; he shall serve notice of meetings of the Board and of the Members; he shall keep appropriate current records showing the Members of the Association together with their addresses; he shall prepare, execute, certify, and record duly approved amendments to the Declaration on behalf of the Association; and he shall perform such other duties as required by the Board.
- (d) The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and disburse such funds as directed by the Board; he shall sign all checks and promissory notes (such checks and promissory notes to be co-signed by the President) of the Association; he shall keep proper books of account; he shall cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and he shall prepare an annual

budget and a statement of income and expenditures to be presented to the Membership at its annual meeting, and deliver a copy to each Member.

Section 3. REMOVAL. Any Executive Officer may be removed at the discretion of the Board of Directors, with or without cause.

ARTICLE V
BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during reasonable business hours, be subject to inspection by any Member or a mortgagee of any Member. The Articles of Incorporation, the Declaration, and the Bylaws of the Association shall be available for inspection by any Member at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE VI
FORMS OF PROXY AND WAIVER

Section 1. FORMS OF PROXY. The following form of proxy shall be deemed sufficient, but any other form may be used which is sufficient in law:

Salem Springs Homeowners' Association, Inc.

Know all men by these presents that the undersigned Member of Salem Springs Homeowners' Association, Inc. hereby constitutes and appoints _____ the attorney and proxy of the undersigned to attend annual and special meetings of the Members of the Salem Springs Homeowners' Association, at which I am not present, until the Secretary of the Association receives from me a letter revoking this proxy and for and on behalf of the undersigned to vote as the undersigned would be entitled to vote if personally present, hereby ratifying and confirming all that said attorney and proxy shall do in the premises, and giving and granting unto said attorney and proxy full power of substitution and revocation.

Dated: _____

Signed: _____
Member

Witness: _____

**ARTICLE VII
ASSESSMENTS**

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual and special assessments for each Lot, which assessments are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid within thirty (30) days after the due date, shall bear interest at the rate of ten (10%) percent per annum, and the Association may bring an action at law against the Owner personally obligated to pay the same or may foreclose the lien against the property, and interest, costs and reasonable attorney fees of any such action shall be added to the amount of such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his Lot.

**ARTICLE VIII
GENERAL PROVISIONS**

Section 1. AMENDMENTS. Except as otherwise provided herein or in the Declaration, these Bylaws may be amended or repealed and new bylaws may be adopted by the affirmative vote of a majority of the Board then holding office at any regular or special meeting of the Board; or at a regular or special meeting of the Members at which a quorum is present, by a vote of the majority of the Members.

Section 2. ASSOCIATION SEAL. A seal in a form adopted by the Board shall be the common corporate seal of the Association and shall be in the custody of the secretary.

CERTIFICATION

I, the undersigned, do hereby certify: That I am the duly elected and acting Secretary of the Salem Springs Homeowners' Association Inc., a North Carolina non-profit corporation; and that the foregoing Bylaws constitute the original Bylaws of said Association, as duly adopted by the Board of Directors on the ___ day of _____, 2002.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this _____ day of _____, 2002.



ASST. Secretary