

BY-LAWS
OF
THE VILLAGE AT FAIR OAKS
HOMEOWNERS ASSOCIATION, INC.
a corporation not for profit under the laws
of the State of North Carolina

1. IDENTITY. These are the By-Laws of The Village at Fair Oaks Homeowners Association, Inc., a non-profit corporation under the laws of the State of North Carolina and under the Articles of Incorporation of The Village at Fair Oaks Homeowners Association, Inc. which were filed in the Office of the Secretary of State (hereinafter "Association"). It has been organized for the purpose of administering the operation and management of a subdivision of single family lots established or to be established in accordance with the laws of the State of North Carolina upon the property situated, lying and being in Forsyth County, North Carolina, and described in the Declaration of Covenants, Conditions and Restrictions The Village at Fair Oaks (hereinafter "Declaration"), recorded in Book 2686, Page 3323, Forsyth County Registry.

A. The provisions of these By-Laws are applicable to the single family lots, and the terms and provisions hereof are expressly subject to the terms, provisions, conditions and authorization contained in the Articles of Incorporation and in the Declaration which is or will be recorded in the Forsyth County Public Registry, North Carolina, the terms and provisions of said Articles of Incorporation and Declaration to be controlling wherever they may be in conflict herewith.

B. All present or future owners, tenants, future tenants, or their employees, or any other person that might use a single family lot or any of the facilities thereof in any manner, are subject to the regulations set forth in these By-Laws, in said Articles of Incorporation, in the Declaration and in the Master Declaration of Covenants, Conditions and Restrictions for Fair Oaks recorded in Book 2672, Page 441, Forsyth County Registry (hereinafter "Master Declaration").

C. The office of the Association shall be at such place in Forsyth County, North Carolina, as the Board of Directors shall designate from time to time.

D. The fiscal year of the Association shall be the calendar year, except that in the initial year of operation of the single family lots, the fiscal year shall commence with the purchase of the first improved lot.

E. The Association shall be a Member of The Fair Oaks of Forsyth County Owners Master Association, Inc. (hereinafter "Master Association").

2. MEMBERSHIP, VOTING, QUORUM, PROXIES.

A. The qualification of members, the manner of their admission to membership and termination of such membership, and voting by members, shall be as set forth in Article VI of the Articles of Incorporation of the Association, the provisions of which said Article VI of the Articles of Incorporation are incorporated herein by reference.

B. The presence, in person or by proxy, of the Owners entitled to cast twenty-five percent (25%) of the votes of the entire membership shall constitute a quorum at all meetings of the Association. The members present at a duly called or held meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

C. The vote of the Owners of a single family lot owned by more than one person or by a corporation or other entity shall be cast by the one person named in a Certificate signed by all of the Owners of the single family lot and filed with Secretary of the Association, and such Certificate shall be valid until revoked by subsequent Certificate. If such a Certificate is not on file, the vote of such Owners shall not be considered for any purpose.

D. Votes may be cast in person or by proxy. Proxies shall be valid only for the particular meeting designated thereon and must be filed with the Secretary before the appointed date of the meeting.

E. Approval or disapproval of a Lot Owner upon any matter, whether or not the subject of an Association meeting, shall be by the same person who would cast the vote of such Owner if in an Association meeting.

F. Except where otherwise required under the provisions of the Articles of Incorporation of the Association, these By-Laws, the Declaration, or where the same may otherwise be required by law, the affirmative vote of the persons entitled to cast a majority of the votes at any duly called members' meeting at which a quorum is present shall be binding upon the members.

3. ANNUAL AND SPECIAL MEETING OF MEMBERSHIP.

A. The Annual Members' Meeting shall be held at a time and place designated by the Board of Directors, on a day in January or February of each year that is not

a legal holiday for the purpose of electing Directors and of transacting any other business authorized to be transacted by the members.

B. Special Members' Meetings shall be held whenever called by the President or Vice-President or by a majority of the Board of Directors and must be called by such Officers upon receipt of written request from members of the Association owning a majority of the single family lots.

C. Notice of all Members' Meetings, regular or special, shall be given by the President, Vice-President or Secretary of the Association, or other officer of the Association in absence of said Officers, to each member, unless notice is waived in writing, such notice to be written and to state the time and place and purpose for which the meeting is called. Such notice shall be given to each member not less than ten (10) days nor more than sixty (60) days prior to the date set for such meeting, which notice shall be mailed or delivered personally to each member within said time. If delivered personally, receipt of such notice shall be signed by the member, indicating the date on which such notice was received by him. If mailed, such notice shall be deemed to be properly given when deposited in the United States Mail addressed to the member at its Post Office Address as it appears on the Register of Owners of the Association as of the date of mailing such notice, the postage thereon prepaid. Proof of such mailing shall be given by the affidavit of the person giving the notice. Any member may, by signed written waiver of notice, waive such notice and, when filed in the records of the Association, whether before or after the holding of the meeting, such waiver shall be deemed equivalent to the giving of notice to the member. If any Members' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the membership required to constitute a quorum for particular purposes has not attended (wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or the Declaration) the members who are present, either in person or by proxy, may adjourn the meeting from time to time until a quorum, or the required percentage of attendance, if greater than a quorum, is present.

D. The order of business as far as practical at any Members' meetings, shall be:

1. Calling of the roll and certifying of proxies;
2. Proof of notice of meeting or waiver of notice;
3. Reading and disposal of any unapproved minutes;
4. Reports of Officers;
5. Reports of Committees;
6. Appointment of Inspectors of Election by Chairman;
7. Unfinished business;
8. New business; and

9. Adjournment.

E. At the Annual Members' Meeting of the Association, the Membership of the Association shall elect its representative to the Master Association. Said representative shall be entitled to cast the votes allocated to the Association in all Annual or Special Members' Meetings of the Master Association.

4. BOARD OF DIRECTORS.

A. The Board of Directors of the Association shall initially consist of three (3) persons. At least a majority of the Board of Directors shall be residents of The Village at Fair Oaks and shall be members of the Association; provided, however, no person and his or her spouse may serve on the Board at the same time. Notwithstanding the foregoing, so long as Fair Oaks Associates, LLC, or its successors and assigns, (hereinafter "Declarant") owns 25% of the single family lots in The Village at Fair Oaks, but in any event no longer than the earlier of the following events: (i) four months after the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership, or (ii) June 1, 2011, the Declarant shall have the right to select all of the persons who shall serve as members of such Board of Directors of the Association. Upon the earlier of the aforementioned two events, the membership of the Board of Directors shall increase to 5 members. Declarant shall have the right to designate and select one Director for so long as it holds at least one membership of the Corporation, whether Class A or Class B membership (such Class memberships being described in the Declaration). Any Directors selected by Declarant need not be a resident of Kinderton Single Family homes.

B. Election of Directors shall be conducted in the following manner:

1. Declarant shall, at the beginning of the election of the Board of Directors, select that number of the members of the Board of Directors which it shall be entitled to select in accordance with the provisions of these By-Laws, and upon such selection of Declarant by written instrument presented to the meeting at which such election is held, said individuals so selected by Declarant shall be considered Directors of the Association, and shall henceforth perform the offices and duties of such Directors until their successors shall have been elected in accordance with the provisions of these By-Laws.

2. The members of the Board of Directors whom Declarant shall not be entitled to select under the terms and provisions of these By-Laws shall be elected by a plurality of the votes cast at the Annual Meeting of the members of the Association immediately following the selection of the members of the Board of Directors whom Declarant shall be entitled to select.

3. Vacancies in the Board of Directors may be filled until the date of the next Annual Meeting by the remaining Directors, except that should any vacancy in the Board of Directors be created in any Directorship previously filled by any person selected by Declarant, such vacancy shall be filled by Declarant selecting, by written instrument delivered to any officer of the Association, the successor Director to fill the vacated Directorship for the unexpired term thereof.

4. The initial Board of Directors will consist of the three members whose names are set forth in the Articles of Incorporation. From and after the date of the first annual meeting of members, there shall be three (3) Directors until the Board increases to 5 members as set forth in Article 4.A. above. The initial Board shall serve until their successors at the first Annual Meeting of members are elected and qualify. At the first annual meeting where three Directors are to be elected, the members shall elect one director for a term of one year, one director for a term of two years, and one director for a term of three years; and at the first annual meeting where five Directors are to be elected, the members shall elect one director for a term of one year, two directors for a term of two years, and two directors for a term of three years. At each annual meeting thereafter the members shall fill the expiring term on the Board by electing a director for a term of three years. It is the intention that the Board of Directors have its terms staggered and that once all directors have been elected to three year terms that each director hold office for a term of three years or until a Director's death, resignation, retirement, removal, disqualification, or until a Director's successor is elected and qualified.

5. In the election of Directors, there shall be appurtenant to each single family lot one vote for the election of each Director. Notwithstanding the fact that Declarant may be entitled to select one (1) of the members of the Board of Directors, the Declarant shall still be entitled to cast the vote for each single family lot owned by it in the elections of other Directors; provided, however, that the other Directors elected are persons other than officers or employees of Declarant, or spouses and relatives of any said persons.

6. In the event that Declarant, in accordance with the rights herein established, selects any person to serve on any Board of Directors of the Association, Declarant shall have the absolute right at any time, in its sole discretion, to replace such person with another person to serve on any Board of Directors. Replacement of any person designated by Declarant to serve on any Board of Directors of the Association shall be made by written instrument delivered to any officer of the Association, which instrument shall specify the name of the person to be replaced and the name of the person designated as successor to the person so removed from the Board of Directors. The removal of any Director and designation of a successor shall be effective

immediately upon delivery of such written instrument by Declarant to any officer of the Association.

C. The organizational meeting of each newly elected Board of Directors shall be held within ten (10) days of their election, at such time and at such place as shall be fixed by the Directors at the meeting at which they were elected, and no further notice of the organizational meeting shall be necessary, provided a quorum shall be present.

D. Regular meetings of the Board of Directors may be held at such time and place as shall be determined from time to time by a majority of the Directors, but at least one (1) meeting shall be held during each fiscal year. Notice of regular meetings shall be given to each Director, personally or by mail, telephone or telegram, at least three (3) days prior to the day named for such meeting, unless notice is waived.

E. Special meetings of the Directors may be called by the President, or by the request of any three (3) Directors. Not less than three (3) days' notice of a meeting shall be given to each Director, personally or by mail, telephone or telegram, which notice shall state the time, place and purpose of the meeting.

F. Any Director may waive notice of a meeting before or after the meeting, and such waiver shall be deemed equivalent to the giving of notice.

G. A quorum at a Directors' meeting shall consist of the Directors entitled to cast a majority of the votes of the entire Board. The acts of the Board approved by a majority of the votes cast at a meeting at which a quorum is present shall constitute the acts of the Board of Directors, except as specifically otherwise provided in the Articles of Incorporation, or these By-Laws or the Declaration. If any Directors' meeting cannot be organized because a quorum has not attended, or because the greater percentage of the Directors required to constitute a quorum for particular purposes has not attended, wherever the latter percentage of attendance may be required as set forth in the Articles of Incorporation, these By-Laws or Declaration, the Directors who are present may adjourn the meeting from time to time until a quorum, or the required percentage of attendance if greater than a quorum, is present. At any adjourned meeting, any business that might have been transacted at the meeting as originally called may be transacted without further notice. The joinder of a Director in the action of a meeting by signing and concurring in the minutes thereof shall constitute the presence of such Director for the purpose of determining a quorum.

H. The Presiding Officer of a Directors' meeting shall be the President of the Association. In the absence of the Presiding Officer, the Directors shall designate one of their number to preside.

I. Directors may be compensated for out-of-pocket expenses.

J. All of the powers and duties of the Association shall be exercised by the Board of Directors, including those existing under the common law and statutes, the Articles of Incorporation of the Association, these By-Laws and the Declaration. Such powers and duties shall be exercised in accordance with said Articles of Incorporation, these By-Laws and the Declaration, and shall include, without limiting the generality of the foregoing, the following:

1. To make, levy and collect assessments against members and members' single family lots to defray the costs of the Association as provided for in Article V of the Declaration which Article is herein incorporated by reference, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association;

2. To maintain, repair, replace, operate and manage the Common Areas whenever the same is required to be done and accomplished by the Association for the benefit of its members; and further to approve any expenditure made or to be made for such purposes;

3. To reconstruct any part of the Common Areas after casualty, and to make further improvement to the Common Areas, real and personal, and to make and to enter into any and all contracts, necessary or desirable to accomplish said purposes;

4. To make, amend and enforce regulations governing the use of the Common Areas and single family lots, so long as such regulations or amendments thereto do not conflict with the restrictions and limitations which may be placed upon the use of such property under the terms of the Articles of Incorporation and Declaration; and to establish homeowners committees to assist the Board in carrying out its duties;

5. To acquire, operate, lease, manage, and otherwise trade and deal with property, real and personal, including single family lots in The Village at Fair Oaks homes as may be necessary or convenient in the operation and management of the development, and in accomplishing the purposes set forth in the Declaration, provided that the acquisition of real property other than single family lots shall require the approval of the Association;

6. To acquire now or at any time hereafter, and to enter into leases and agreements whereby the Association acquires leaseholds, memberships, and other possessory or use interests in lands or facilities including, but not limited to, swimming pools, tennis courts, walking trails, and other recreational facilities whether or not

contiguous to the lands of the development to provide enjoyment, recreation or other use or benefit to the Owners of single family lots;

7. To contract for the management of the Association and to designate to such contractor all of the powers and duties of the Association, except those which may be required by the Declaration to have approval of the Board of Directors or membership of the Association; said contract shall provide for termination after ninety (90) days notice and may be terminated with or without cause;

8. To enforce by legal means or proceedings the provisions of the Articles of Incorporation and By-Laws of the Association, the Declaration and the regulations hereinafter promulgated governing use of the Common Areas in The Village at Fair Oaks;

9. To pay all taxes and assessments which are or may become liens against any part of The Village at Fair Oaks, other than single family lots and the appurtenances thereto, and to assess the same against the members and their respective single family lots subject to such liens;

10. To purchase insurance for the protection of the members and the Association against casualty and liability in accordance with Article VIII of the Declaration;

11. To pay all costs of power, natural gas, water, sewer, and other utility services rendered to the Association and not billed to the Owners of the separate single family lots, including but not limited to operation of the decorative street lighting whether or not the lighting is located on the Common Area; and

12. To designate and remove personnel necessary for the management, maintenance, repair, replacement and operation of the Association, including the Common Areas.

K. The initial Board of Directors of the Association shall be comprised of the three (3) persons designated to serve as Directors in the Articles of Incorporation, which persons shall serve until their successors are elected at the first Annual Meeting of the members of the Association called after the Declaration has been recorded in the Forsyth County Public Registry, North Carolina. Should any member of the initial Board of Directors be unable to serve for any reason, Declarant shall have the right to designate a party to serve as a Director for the unexpired term.

L. The undertakings and contracts authorized by the initial Board of Directors shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Board of Directors duly elected by the membership after the Declaration has been recorded, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Board of Directors of the Association in accordance with all applicable Association documents, and so long as such undertakings or contracts (including a management contract) contain a right of termination, without cause, which is exercisable without penalty at any time after transfer of control by the initial Board of Directors to the Association, upon not more than ninety (90) days' notice to the other party.

M. Any one or more of the members of the Board of Directors may be removed, either with or without cause, at any time by a vote of the members owning a majority of the single family lots in The Village at Fair Oaks, at any Special Meeting called for that purpose, or at the Annual Meeting. Provided, however, that only the Declarant shall have the right to remove a Director appointed by him.

N. Any action to be taken at a meeting of the Directors or any action that may be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors.

5. OFFICERS.

A. The executive officers of the Association shall be a President, who shall be a Director, a Vice-President, a Treasurer, and a Secretary, all of whom shall be elected annually by the Board of Directors at any meeting. Any person may hold two or more offices, except that the President shall not also be Vice-President or Secretary. The Board of Directors shall from time to time elect such other officers and designate their powers and duties as the Board shall find to be required to manage the affairs of the Association.

B. The President shall be the chief executive officer of the Association. The President shall have all of the powers and duties which are usually vested in the office of the president of any association, including the power to appoint committees from among the members as the President may determine appropriate to assist in the conduct of the affairs of the Association, and shall preside over all meetings of the members.

C. The Vice-President shall, in the absence or disability of the President, exercise the powers and perform the duties of President. The Vice-President shall also generally assist the President and exercise such other powers and perform such other duties as shall be prescribed by the Directors.

D. The Secretary shall keep the minutes of all proceedings of the Directors and the members. The Secretary shall attend to the giving and serving of all notices to the members and Directors, and such other notices required by law. The Secretary shall have custody of the seal of the Association and see that the seal, or a facsimile thereof is impressed or affixed to all documents, the execution of which on behalf of the Association under its seal is duly authorized; and shall perform all other duties incident to the office of secretary of an association and as may be required by the Directors or the President.

E. The Treasurer shall have custody of all of the property of the Association, including funds, securities and evidences of indebtedness. The Treasurer shall keep, or supervise the keeping of, detailed, accurate records in chronological order of the receipts and expenditures affecting the common areas and facilities, specifying and identifying the maintenance and repair expenses of the common areas and facilities and any other expenses incurred.

F. The compensation of all officers and employees of the Association shall be fixed by the Directors. This provision shall not preclude the Board of Directors from employing a Director as an employee of the Association, nor preclude the contracting with a Director for the management of the Association.

G. All Officers shall serve at the pleasure of the Board of Directors, and any Officer may be removed from office at any time, with or without cause, by a majority vote of the Board of Directors.

6. FISCAL MANAGEMENT. The provisions for fiscal management of the Association set forth in the Declaration and Articles of Incorporation shall be supplemented by the following provisions:

A. The assessment roll shall be maintained in a set of accounting books in which there shall be an account for each single family lot. Such account shall designate the name and address of the Lot Owner or Owners, the amount of each assessment against the Owners, the dates and amounts in which assessments come due, the amounts paid upon the account and the balance due upon assessments.

B. The Board of Directors shall adopt a budget for each calendar year which shall contain estimates of the cost of performing the functions of the Association, including, but not limited to the following:

1. Common Expense budget, which may include, without limiting the generality of the foregoing, the membership dues that the Association owes to the Master Association, the estimated amounts necessary for maintenance and operation of and

capital improvements to the Common Areas including landscaping, street and walkways, office expense, utility services, casualty insurance, liability insurance, administration and reserves (operating and Capital Improvement Replacement), management fees and costs of maintaining leaseholds, memberships and other possessory or use interests in lands or facilities whether or not contiguous to the lands of The Village at Fair Oaks, to provide enjoyment, recreation or other use or benefit to the Lot Owners; and

2. Proposed assessments against each Member and the Member's Lot.

Copies of the proposed budget and proposed assessments shall be transmitted to each member prior to January 1 of the year for which the budget is made. If the budget is subsequently amended before the assessments are made, a copy of the amended budget shall be furnished each member concerned. Delivery of a copy of any budget or amended budget to each member shall not affect the liability of any member for any such assessment, nor shall delivery of a copy of such budget or amended budget be considered as a condition precedent to the effectiveness of said budget and assessments levied pursuant thereto and nothing herein contained shall be construed as restricting the right of the Board of Directors, at any time in their sole discretion, to levy any additional assessments in the event that the budget originally adopted shall appear to be insufficient to pay costs and expenses of operation and management, or in the event of emergencies.

C. The depository of the Association shall be such federally insured bank or banks as shall be designated from time to time by the Directors and in which the funds of the Association shall be deposited. Withdrawal of funds from such accounts shall be only by checks signed by such persons as are authorized by the Directors.

D. The books and all supporting documentation shall be available for examination by all Lot Owners and their Lenders or their agents during normal business hours.

E. A financial statement of the accounts of the Association shall be made annually by a Certified Public Accountant, and a copy of the report shall be furnished to each member not later than April 1 of the year following the year for which the report is made.

F. Fidelity bonds may be required by the Board of Directors, for all officers and employees of the Association and for any contractor who either handles or is responsible for Association funds, whether or not such person receives compensation for such services. All bonds should name the Association as an obligee. The premiums of said bonds shall be paid as a common expense by the Association. The amount of such bonds shall be in the amounts required by the Board of Directors. Said bonds must include a provision that calls for ten (10) days written notice to the Association before a cancellation or substantial modification.

7. PARLIAMENTARY RULES. Roberts Rules of Order (latest edition) shall govern the conduct of corporate proceedings when not in conflict with the Articles of Incorporation and these By-Laws or with the Statutes of the State of North Carolina.

8. AMENDMENTS TO BY-LAWS. Amendments to these By-Laws shall be proposed and adopted in the following manner:

A. Amendments to these By-Laws may be proposed by the Board of Directors of the Association acting upon a vote of the majority of the Directors, or by members of the Association owning a majority of the single family lots in The Village at Fair Oaks, whether meeting as members or by instrument in writing signed by them.

B. Upon any amendment to these By-Laws being proposed by said Board of Directors or members, such proposed amendment shall be transmitted to the President of the Association, or other Officer of the Association in the absence of the President, who shall thereupon call a Special Joint Meeting of the members of the Board of Directors of the Association and the membership for a date not sooner than ten (10) days nor later than sixty (60) days from receipt by such Officers of the proposed amendment, and it shall be the duty of the Secretary to give to each member written notice of such meeting in the same form and in the same manner as notice of the call of a Special Meeting of the members is required as herein set forth.

C. In order for such amendment to become effective, it must be approved by an affirmative vote of a majority of the entire membership of the Board of Directors and by an affirmative vote of seventy percent (70%) of the members of the Association during the first thirty (30) year period and of at least sixty percent (60%) of the members thereafter. Thereupon, such amendment or amendments to these By-Laws shall be transcribed and certified by the President and Secretary of the Association.

D. Upon the approval and proper certification of any amendment, it shall become binding upon all Lot Owners.

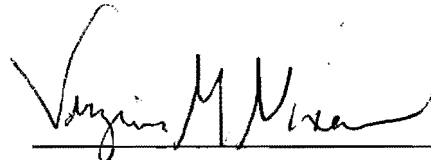
E. At any meeting held to consider any amendment to the By-Laws, the written vote of any member of the Association shall be recognized if such member is not in attendance at such meeting or represented thereat by proxy, provided such written vote is delivered to the Secretary of the Association at or prior to such meeting.

F. Notwithstanding the foregoing provisions of this Article 8, no amendment to these By-Laws which shall abridge, amend or alter the right of the Declarant to designate and select members of each Board of Directors of the Association, as provided in Article 4 hereof, may be adopted or become effective without the prior written consent of the Declarant.

9. RULES OF CONDUCT. The Board of Directors shall formulate, adopt and publish a set of Rules and Regulations governing conduct on and the use of the Common Area, and in particular, rules and regulations governing the use and activities permitted on or around any lakes located on or designated as Common Area.

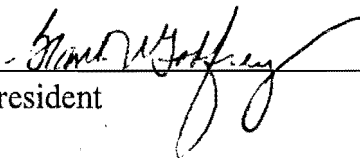
10. TERMINOLOGY. Where referred to herein, any masculine terms such as "he," "his" and "him" shall be construed to include both male and female, where applicable.

The foregoing were adopted as the By-Laws of The Village at Fair Oaks Homeowners Association, Inc. at the first meeting of the Board of Directors on August 17, 2006, 2006.



Secretary

APPROVED:



President