

BY-LAWS

OF

TAYLOR'S RUN HOMEOWNERS ASSOCIATION, INC.

**ARTICLE I
NAME AND LOCATION**

1.1 The name of the corporation is TAYLOR'S RUN HOMEOWNERS ASSOCIATION, INC., hereinafter referred to as the "Association."

1.2 The principal office of the corporation shall be located in the City of Winston-Salem, Forsyth County, North Carolina, but meetings of members and directors may be held at such other places within Forsyth County in the State of North Carolina as may be designated by the Board of Directors.

**ARTICLE II
DEFINITIONS**

2.1 "Association" shall mean and refer to Taylor's Run Homeowners Association, Inc., its successors and assigns.

2.2 "Properties" shall mean and refer to that certain real property described in the Plat of Taylor's Run, Plat Book 46, Page(s) 63, 64 and 66; Forsyth County Registry.

2.3 "Common Area" shall mean all real property owned by the Association or subject to an easement for the common use and enjoyment of the Owners.

2.4 "Lot" shall mean and refer to any plot of land shown upon any recorded subdivision map of the Properties with the exception of the Common Area.

2.5 "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest as to be uncertain as to the bylaw's provisions.

2.6 "Declarant" shall mean and refer to Taylor's Run Development Company, Inc., a North Carolina corporation.

2.7 "Declaration" shall mean and refer to the Declaration of Restrictive Covenants of Taylor's Run, applicable to the Properties recorded in the Office of the Register of Deeds of Forsyth County.

2.8 "Membership" shall mean and refer to those persons entitled to membership as provided in the Declaration.

ARTICLE III MEETING OF MEMBERS

3.1 Annual Meeting. The first annual meeting of the members shall be held in the month of April, following the date of incorporation of the Association, and each subsequent regular annual meeting of the members shall be held during the same month as the first annual meeting, at a date and time to be fixed by the Board of Directors.

3.2 Special Meetings. Special meetings of the members may be called by the President or by any one of the Directors, or upon written request of three members who are entitled to vote.

3.3 Notice of Meetings. Written notice of any meeting of the members shall be given by, or at the direction of, the secretary or person authorized to call a meeting, by mailing a copy of such notice, postage prepaid, at least 10 but no more than 50 days before such meeting to each member entitled to vote thereat, addressed to the member's address last appearing on the books of the Association, or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and, in the case of a special meeting, the purpose of the meeting.

3.4 Quorum. The presence at the meeting of members entitled to cast, or of proxies entitled to cast, one-half (1/2) of the votes of the membership shall constitute a quorum for any action except as otherwise provided by law as in the Articles of Incorporation, the Declaration or these By-Laws. If, however, such quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented.

3.5 Proxies. At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and filed with the secretary. No proxy shall be valid after eleven months from its date. Every proxy shall automatically cease upon conveyance by the member of his Lot.

3.6 Voting.

a. At every meeting of members, each member shall be entitled to vote in person, or by proxy. Each Lot shall be assigned to one vote. If a person or entity shall own more than one Lot, such person or entity shall have one vote for each Lot owned. The vote for directors and, upon the demand of any member, the vote upon any question before the meeting, shall be by ballot. All elections shall be held and all questions decided by a majority of the votes cast by the members present in person or by proxy.

b. When any Lot is owned by more than one person or entity, as tenants by the entirety, or in joint tenancy, or tenancy in common, or any other manner of joint or common ownership by interest, such persons or entities, as Owners of a single Lot shall collectively be entitled to cast only one vote and if such persons or entities cannot jointly agree as to how such vote should be cast, no vote shall be allowed with respect to such Lot.

c. The Association's Board of Directors may make such regulations as it deems advisable for any meeting of members, in regard to proof of membership in the Association, evidence of right to vote, registration of members for voting purposes, and such other matters concerning the conduct of the meetings and voting as it shall deem fit.

d. The Board of Directors may issue rules specifying the method by which the Secretary shall be appraised of the names and addresses of all Owners and the number of votes to which each is entitled to cast at any meeting of the membership.

e. At each meeting of members a full, true and complete list in alphabetical order of all members entitled to vote in such meeting, certifying the number of votes each member is entitled to cast, shall be furnished by the Secretary.

f. So long as Declarant, its successors or assigns, shall own two or more Lots, within the period of three (3) years from the date of recording the Declaration, then and in such event, it shall have the right to designate one member of the Board of Directors.

ARTICLE IV

"Unless acting in bad faith, neither the Board as a body, nor any Director, Officer or Committee Member of the Homeowner Association, shall be personally liable to any Member for any action or lack of action arising out of the execution of his office. Each Lot Owner shall be bound by the good faith actions of the Board, Officers and Committee Members of the Homeowners Association, in the execution of the Duties of said Directors, officers and Committee Members."

ARTICLE V

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

5.1 Initial Board of Directors. Until 95% of the Lots in Taylor's Run have been sold by Declarant to parties other than home builders, the Board of Directors shall be appointed by Declarant. The Declarant may withdraw its right to designate the directors by writing at an earlier date. Directors appointed by Declarant need not be members of the Association.

5.2 Number. The affairs of this Association shall be managed by a Board of three (3) directors, who shall be members of the Association.

5.3 Term of Office. At the annual meeting following the transferal of the authority to elect directors pursuant to 5.1 above, the members shall elect one (1) director for a term of one year, one (1) director for a term of two years and one (1) director for a term of three years; and at each annual meeting thereafter the members shall elect one director for a term of three years.

5.4 Removal. Any director may be removed from the Board by a majority vote of the members of the Association at a regular or special meeting called for that purpose for conduct detrimental to the interests of the Association, for lack of sympathy with its objectives, or for refusal to render reasonable assistance in carrying out Association purposes. In the event of death, resignation or removal of a director, his successor shall be selected by the remaining members of the Board and shall serve for the unexpired term of his predecessor.

5.5 Compensation. No director shall receive compensation for any service he may render to the Association. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

5.6 Action Taken Without a Meeting. The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE VI NOMINATION AND ELECTION OF DIRECTORS

6.1 Nomination. Nomination for election to the Board of Directors shall be made by a Nominating Committee. Nominations may also be made from the floor at the annual meeting. The Nominating Committee shall consist of a Chairman who shall be a member of the Board of Directors, and two or more members of the Association. The Nominating Committee shall be appointed by the Board of Directors no less than three months prior to each annual meeting of the members, to serve until such annual meeting and such appointment shall be announced to all members. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may be made from among members or non-members.

6.2 Election. Election to the Board of Directors shall be by secret written ballot. At such election the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to exercise under the provisions of the Declaration. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

ARTICLE VII MEETINGS OF DIRECTORS

7.1 Organizational Meeting. Immediately after each annual election the newly elected directors shall meet for the purpose of organization, the election of officers, and the transaction of other business. No prior notice of such meeting shall be necessary if a quorum of the directors are present or if the time and place is fixed by written consent of all directors.

7.2 Regular Meetings. Regular meetings of the Board of Directors shall be held monthly without notice, at such place and hour as may be fixed from time to time by resolution of the Board. Should said meeting fall upon a legal holiday, that meeting shall be held at the same time on the next day which is not a legal holiday.

7.3 Special Meetings. Special Meetings of the Board of Directors shall be held when called by the President of the Association, or by any two directors, after not less than three (3) days' notice to each director.

7.4 Quorum. A majority of the number of directors shall constitute a quorum for the transaction of business. Every act or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VIII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

8.1 Powers. The Board of Directors shall have the power to:

- (a) fix and collect annual and special assessments;
- (b) adopt and publish rules and regulations governing the use of the Common Area and facilities, and the personal conduct of the members and their guests thereon, and to establish penalties for the infraction thereof;
- (c) exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership by other provisions of these By-Laws, the Articles of Incorporation, of the Declaration;
- (d) 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. Such rights may also be suspended after notice and hearing for a period not to exceed sixty (60) days for infraction of the published rules and regulations;
- (e) to authorize the officers to enter into agreements with third parties in order to facilitate the efficient operation of the Properties. It shall be the primary purpose of such agreements to provide for the administration, management, repair and maintenance of the Properties, all improvements included therein and designated as Common Areas, the roofs and exterior walls of the **homes**, and the receipt and disbursements of funds as may be authorized by the Board of Directors. The term of these agreements shall be determined by the Board to be in the best interests of the Association and shall be subject in all respects to the Certificate of Incorporation, these By-Laws and the Declaration;

(f) procure and maintain adequate liability and hazard insurance. The Board of Directors shall, on an annual basis, review the amount of insurance coverage in order to assure that the Association and the Owners are protected.

8.2 Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members, or at any special meeting when such statement is requested in writing by one-third (1/3rd) of the members who are entitled to vote;

(b) supervise all officers, agents and employees of this Association, and to see that their duties are properly performed;

(c) as more fully provided in the Declaration, to:

(1) fix the amount of the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period;

(2) send written notice of each assessment to every Owner subject thereto at least thirty (30) days in advance of each annual assessment period; and

(3) foreclosure of the lien 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 Owner personally obligated to pay the same.

(d) issue, or to cause an appropriate officer to issue, upon demand by any person, a certificate setting forth whether or not any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

(f) cause all officers or employees having fiscal responsibilities to be bonded, as it may deem appropriate;

(g) cause the Common Area to be maintained;

(h) cause the roofs and the exterior of the dwellings to be maintained.

ARTICLE IX OFFICERS AND THEIR DUTIES

9.1 Enumeration of Officers. The officers of this Association shall be a president and vice-president, who shall at all times be members of the Board of Directors, a secretary, and a treasurer, and such other officers as the Board may from time to time by resolution create.

9.2 Multiple Offices. The offices of secretary and treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of special offices created pursuant to Section 5 of this Article.

9.3 Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

9.4 Term. The officers of this Association shall be elected annually by the Board and each shall hold office for one (1) year unless he shall sooner resign, or shall be removed, or otherwise disqualified to serve.

9.5 Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

9.6 Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the president or the secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein the acceptance of such resignation shall not be necessary to make it effective.

9.7 Vacancies. A vacancy in any office may be filled by appointment by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

9.8 Duties. The duties of the officers are as follows:

President

(a) The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall have and exercise general charge and supervision of the affairs of the Association.

Vice President

(b) The vice president shall act in place and stead of the president in the event of his absence, inability or refusal to act, and shall exercise and discharge such other duties as may be required of him by the Board.

Secretary

(c) The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members; keep the corporate seal of the Association and affix it on all papers requiring said seal; serve notice of meetings of the Board and of the members; keep appropriate current records showing the members of the Association together with their addresses, and shall perform such other duties as required by the Board.

Treasurer

(d) The treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by resolution of the Board of Directors; shall sign all checks and promissory notes for the Association; keep proper books of account; cause an annual audit of the Association books to be made by a public accountant at the completion of each fiscal year; and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting, and deliver a copy of each to the members.

ARTICLE X ADVISORY COMMITTEE

10.1 The Board of Directors may appoint from their number, or from among such persons as the Board may see fit, one or more advisory committees, and at any time may appoint additional members thereto. The members of any such committee shall serve during the pleasure of the Board of Directors. Such advisory committees shall advise with and aid the officers of the Association in all matters designated by the Board of Directors. Each such committee may, subject to the approval of the Board of Directors, prescribe rules and regulations for the call and conduct of meetings of the committee and other matters relating to its procedure.

10.2 The members of any advisory committee shall not receive any stated salary for their services as such. The Board of Directors shall have power in its discretion to contract for and to pay to any member of any advisory committee, rendering unusual or exceptional services to the Association, special compensation appropriate to the value of such services.

ARTICLE XI BOOKS AND RECORDS

The books, records and papers of the Association shall at all times, during the reasonable business hours, be subject to inspection by any member. The Declaration, the Articles of Incorporation and the By-Laws 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 XII ASSESSMENTS

As more fully provided in the Declaration, each member is obligated to pay to the Association annual and special assessments which are secured by a continuing lien upon the property against which the assessment is made. Any assessments which are not paid when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the legal rate of interest, and the Association may bring an action at law against the Owner personally obligated to pay the same or foreclose the lien against the property, the interest, costs, and reasonable attorney's 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 XIII
FISCAL YEAR

The fiscal year of the Association shall commence on January 1st of each year and end on December 31st.

ARTICLE XIV
PROHIBITION AGAINST SHARING IN CORPORATE EARNINGS

No member, director, officer, or employee of, or person connected with the Association, or any other private individual shall receive at any time of the net earnings or pecuniary profit from the operations of the Association; provided that this shall not prevent the payment to any such person such reasonable compensation for services rendered to or for the Association in effecting any of its purposes or as shall be entitled to share in the distribution of any of the Association assets upon the dissolution of the Association.

XV
EXEMPT ACTIVITIES

Notwithstanding any other provision of these By-Laws, no member, director, officer, employee or representative of this Association shall take any action or carry on any activity by or on behalf of the Association not permitted to be taken or carried on by a Non-Profit Corporation organized under the laws of North Carolina as they now exist or as they may hereafter be amended.

ARTICLE XVI
INDEMNIFICATION

To the extent permitted by law, the Association shall indemnify and demand any person made a party to any proceeding by reason of the fact that he is, or was, a director or officer of the Association against any loss and expense incurred by him by reason of such proceeding, including the settlement thereof, except in relation to matters which such person is adjudicated to be liable for gross misconduct in the performance of his duties.

ARTICLE XVII CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Taylor's Run Homeowners Association, Inc.

ARTICLE XVIII AMENDMENTS

These By-Laws may be amended, at a regular or special meeting of the members, by a vote of a majority of a quorum of members present in person or by proxy.

ARTICLE XIX DISSOLUTION

Subject to the restrictions contained herein, and in the Declaration, the Association may be dissolved by action of the members at any meeting of members of the Association by an affirmative vote of the members, represented either in person or by proxy, in the percentage required for termination of the Declaration, provided that the proposed action is inserted in the notice of such meeting, except that no action to dissolve this Association may be taken within the period of three years from the date of recording the Declaration, without the express written consent of Declarant, its successors or assigns.

ARTICLE XX MISCELLANEOUS

20.1 Controlling Terms. In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control; and in the case of any conflict between the Declaration and these By-Laws, the Declaration shall control.

20.2 Severability. Should any of the covenants, terms or provisions herein imposed be void or be or become unenforceable at law or in equity, the remaining provisions of these By-Laws shall, nevertheless, be and remain in full force and effect.

20.3 Construction. Wherever the masculine singular form of the pronoun is used in these By-Laws, it shall be construed to mean the masculine, feminine, or neuter; singular or plural; wherever the context requires.

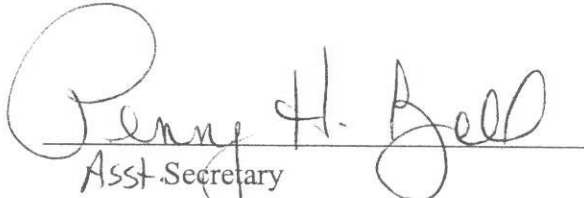
CERTIFICATION

I, the undersigned, do hereby certify:

That I am the duly elected acting Taylor's Run Homeowners Association, Inc., a North Carolina corporation; and

That the foregoing By-Laws of said Association, as duly adopted at a meeting of the Board of Directors thereof, held on the 10th day of December, 2003.

IN WITNESS WHEREOF, I have hereunto subscribed my name and affixed the seal of said Association this the 10th day of December, 2003.


Asst. Secretary

[CORPORATE SEAL]