

BYLAWS
OF
SALEM GLEN
RESIDENTIAL ASSOCIATION

~~July 15, 1997~~
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OF
SALEM GLEN RESIDENTIAL ASSOCIATION

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B Y L A W S

O F

SALEM GLEN RESIDENTIAL ASSOCIATION
(A Nonprofit Corporation)

ARTICLE 1
NAME AND LOCATION

1.1 NAME. The name of the corporation is Salem Glen Residential Association, ("Association").

1.2 OFFICES. The principal office of the Association shall be located at 1000 Glen Day Drive, Clemmons, North Carolina 27012, but meetings of members and directors may be held at such places within the State of North Carolina, County of Forsyth or Davidson, as may be designated by the Board of Directors. The registered office required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office. The Association may have offices at such other places as the Board of Directors may from time to time determine or as the affairs of the Association may require.

ARTICLE 2
PURPOSES

The purposes for which this Corporation is formed are those set forth in its Articles of Incorporation, as from time to time amended. The Corporation may engage in any lawful act or activity which corporations may be organized under Chapter 55A of the General Statutes of the State of North Carolina. The Corporation is not formed for any pecuniary or financial gain and no part of the assets, income, or profits of the Corporation is distributable to, or inures to the benefit of, its Directors or officers except to the extent permitted under the Nonprofit Corporation Act of the State of North Carolina and under any provision of the United States Internal Revenue Code. No substantial part of the activities of the Corporation shall consist of the carrying on of propaganda or otherwise attempting to influence legislature and the Corporation shall not participate in or intervene at any political campaign on behalf of any candidate for public office.

ARTICLE 3
DEFINITIONS

3.1 ASSOCIATION. Association shall mean and refer to Salem Glen Residential Association, its successors and assigns.

3.2 PREMISES. Premises shall mean and refer to that certain real property described in the Declaration of Master Covenants, Conditions, Reservations and Restrictions for Salem Glen Country Club and Residential Villages, as amended.

3.3 COMMON AREA. Common area shall mean all real property (including the improvements thereon) included within the Premises but excluding that real property which is part of the fee simple title to any lots on the Premises and excluding any part of the Premises designated as a Phase and excluding the golf course.

3.4 LOT. Lot shall mean and refer to any plot of land shown upon the Master Plan of Developer or any numbered plot of land reflected on any recorded subdivision map of the Premises with the exception of the common area and dedicated streets.

3.5 OWNER. Owner shall mean the record Owner, whether one or more persons or entities, of the fee simple title to any of the Premises, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation or leasing of the Premises. Developer shall be an Owner until developer no longer owns a lot.

3.6 DEVELOPER. Developer shall mean and refer to Salem Glen Golf Club, LLC, its successors and assigns.

3.7 DECLARATION. Declaration shall mean and refer to the Declaration of Master Covenants, Conditions, Reservations and Restrictions for Salem Glen Country Club and Residential Villages, as amended, applicable to the Premises recorded in the Office of the Register of Deeds of Davidson County, North Carolina and in the Office of the Register of Deeds of Forsyth County, North Carolina.

3.8 MEMBER. Member shall mean and refer to those persons or entities entitled to membership with voting rights as provided in the Declaration and as provided herein.

3.9 BUILDER. Builder shall mean and refer to any owner of an undeveloped Lot who is in the process of construction of an approved dwelling for the purpose of resale.

ARTICLE 4
MEMBERSHIP AND PROPERTY RIGHTS

4.1 MEMBERSHIP. The Association shall have three classes of voting membership.

Class A. Class A Members shall be all Owners with exception of the Developer and Builder, and shall be entitled to one (1) vote for each Lot owned. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote or votes for any jointly owned Lot shall be exercised as the joint owners among themselves determine, but in no event shall more than one (1) vote be cast with respect to any Lot.

Class B. The Class B Member shall be the Developer and shall be entitled to three (3) votes for each Lot owned.

Class C. A Class C Member shall be a Builder who shall purchase a Lot for the purpose of construction of a residence on the Lot. A Builder shall be entitled to one (1) vote for each Lot owned. The Class C membership as to each lot shall cease and be converted to Class A membership on the transfer of the Lot with constructed dwelling to a Class A member. Class C membership terminates when the last lot is transferred to a Class A member.

4.2 MEMBERSHIP RIGHTS. Each Member shall be entitled to the use and enjoyment of the facilities as provided in the Declaration and as provided herein. Any member may delegate his rights of enjoyment of the Premises and facilities to the members of his family, his tenants, or contract purchasers who reside on the Premises. Such Member shall notify the Secretary of the Association in writing of the name of the delegate. The rights and privileges of such delegates are subject to suspension to the same extent as those of the Member.

4.3 MEMBERSHIP DUTIES. Each Member covenants and agrees that it will perform all acts necessary to remain in good and current standing as a member of the Association, that it shall be subject to the rules and regulations of the Association, and that any unpaid assessments or dues, whether general or special, levied by the Association in accordance with the Articles of Incorporation, these Bylaws or the Declaration shall be a lien upon the lot upon which such assessment was levied, and shall be a personal obligation of the owner of the lot at the time the assessment came due. Assessments and dues shall be established within the sole discretion of the Board of Directors based upon class of membership. Class B and Class C members shall not be required to pay assessments or dues.

4.4 CERTIFICATES. The Association shall not issue certificates evidencing membership.

4.5 TERMINATION OF MEMBERSHIP. Membership shall terminate at the time a Member no longer owns any lot.

4.6 RIGHTS UPON TERMINATION OF MEMBERSHIP. A member shall not be entitled to any distributive share of the Association's assets at the time of termination of membership.

ARTICLE 5 MEETINGS OF MEMBERS

5.1 ANNUAL MEETINGS. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held at such place and time as determined within the sole discretion of the Board of Directors.

5.2 SPECIAL MEETINGS. Special meetings of the Members may be called at any time by the President or by the Board of Directors or upon written request of the Members who are entitled to one-fourth (1/4) of all of the votes of the membership.

5.3 NOTICE OF MEETING. Written notice of each meeting of the Members shall be given by or at the direction of, the Secretary or person authorized to call the meeting, by mailing a copy of such Notice, postage prepaid, or by hand-delivery no less than fifteen (15) days and no more than forty-five (45) days before such meeting to each Member entitled to vote, 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. In the case of a special meeting, such notice shall also specify the purpose of the meeting.

5.4 QUORUM. A majority of the members entitled to vote represented in person or by proxy shall constitute a quorum. The vote of a majority of the votes entitled to be cast by the members present or represented by proxy at a meeting at which a quorum is present shall be necessary for the adoption of any matter voted upon by the members, unless a greater proportion is required by the Nonprofit Corporation Act, the charter or the bylaws.

5.5 PROXIES. In all meetings of the Members, each Member may vote in person or by proxy. All proxies shall be in writing by the Member and filed with the Secretary. Every proxy shall be

revocable and shall automatically cease upon conveyance by the Member of his lot. No proxy shall be valid after eleven (11) months from the date of its execution, unless otherwise provided in the proxy.

5.6 INFORMAL ACTION BY MEMBERS. Any action which may be taken at a meeting of the Members may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Members entitled to vote with respect to the subject matter thereof and filed with the minutes of the Corporation as part of the corporate records, whether done before or after the action taken.

ARTICLE 6 DIRECTORS

6.1 GENERAL POWERS. The business and affairs of the Association shall be managed under the direction of the Board of Directors or by such executive committees as the Board may establish pursuant to these By-Laws, and all powers of the Association shall be exercised by or under the authority of the Board of Directors.

6.2 NUMBER OF DIRECTORS. The number of Directors of the Association shall be from two (2) to seven (7) as determined by the Members, and shall initially be two (2).

6.3 ELECTION OF DIRECTORS. Except as provided in Section 6 of this Article or as otherwise provided in the Articles of Incorporation, the Directors shall be elected by the Members at the annual meeting by plurality of the votes cast, those persons receiving the highest number of votes shall be deemed to have been elected. There shall be no cumulative voting.

6.4 TERM OF DIRECTORS. At the first annual meeting, the number of Directors shall be increased to three (3). The Members shall elect two (2) Directors for a term of two (2) years and one (1) Director for a term of one (1) year; and at each annual meeting thereafter, Members shall elect Directors for a term of two (2) years to replace those Directors whose terms have expired. Each initial Director shall hold office until the first Members meeting at which Directors are elected, or until such Director's death, resignation or removal. Despite the expiration of a Director's term, such Director shall continue to serve until a successor shall be elected and qualified or until there is a decrease in the number of Directors.

6.5 REMOVAL. Any Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association.

6.6 VACANCIES. A vacancy occurring on the Board of Directors, including, without limitation, a vacancy resulting from an increase in the number of Directors or from failure by the Members to elect who will authorize number of Directors, may be filled by the Board of Directors. If the Directors remaining in office do not constitute a quorum, the Directors may fill the vacancy by the affirmative vote of the majority of the remaining Directors.

6.7 COMPENSATION. Directors may not be compensated for their services as such. However, Directors may receive reimbursement or payment for all expenses incurred by said Director in connection with such services.

6.8 CHAIRMAN. There may be a Chairman of the Board of Directors elected by the Directors from their number at any meeting of the Board. The Chairman shall preside at all meetings of the Board of Directors and perform such other duties as may be directed by the Board of Directors.

6.9 EXECUTIVE COMMITTEE. The Board of Directors may, by resolution adopted by a majority of the number of Directors fixed by these Bylaws, designate two or more Directors to constitute an Executive Committee, which committee to the extent provided in such resolution, shall have and may exercise all of the authority of the Board of Directors in the management of the Corporation.

6.10 OTHER COMMITTEES. The Board of Directors, by resolution adopted by a majority of the number of Directors then in office, may designate one or more committees each of which shall consist of two or more Directors, which committees, to the extent provided in such resolution shall have and exercise the authority of the Board of Directors.

ARTICLE 7 MEETING OF DIRECTORS

7.1 REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of the Members. In addition, the Board of Directors may provide, by resolution, the time and place for the holding of additional regular meetings. The Director shall have the right to take any action in the absence of a meeting which they

could take at the meeting by obtaining the written approval of all Directors. Any action so approved shall have the same effect as though taken at a meeting of the Directors.

7.2 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the President or twenty percent (20%) of the Directors then in office.

7.3 NOTICE OF MEETINGS. Regular meetings of the Board of Directors may be held without notice. The person or persons calling the special meeting of the Board of Directors shall, at least five (5) days before the meeting, give notice thereof by any usual means of communication. Such notice need not specify the purpose for which the meeting is called. Any duly convened regular or special meeting may be adjourned by the Directors to a later time without further notice.

7.4 WAIVER OF NOTICE. Any Director may waive notice of any meeting before or after the meeting. The waiver must be in writing, signed by the Director entitled to the notice, and delivered to the Corporation for inclusion in the minutes or filing with the corporate records. A Director's attendance at or participation in a meeting waives any required notice of such meeting unless the Director, at the beginning of the meeting or promptly upon arrival, objects to holding the meeting or to transacting business at the meeting and does not thereafter vote for or send to action taken at the meeting.

7.5 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.

7.6 PRESUMPTION OF ASSENT. A Director who is present at a meeting of the Board of Directors or a committee of the Board of Directors when action is taken is deemed to have assented to the action taken unless (a) he objects at the beginning of the meeting, or promptly upon his arrival, to holding it or to transacting business at the meeting, or (b) his dissent or abstention from the action taken is entered in the minutes of the meeting, or (c) he files written notice of his dissent or abstention with the presiding officer of the meeting before its adjournment or with the Association immediately after the adjournment of the meeting. Such right of dissent or abstention is not available to a Director who votes in favor on the action taken.

7.7 INFORMAL ACTION BY DIRECTORS: Action taken by a majority of the Directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all of the Directors and filed with the Minutes of the proceedings of the Board of Directors, whether done before or after the action is taken.

ARTICLE 8
POWER AND DUTIES OF DIRECTORS

8.1 POWERS. The Board of Directors shall have the power to

- (a) Adopt and publish rules and regulations governing the use of the common areas and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) Suspend the voting rights of the 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 published Rules and Regulations;
- (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, or the Declarations;
- (d) Declare the office of a member of the Board of Directors to be vacant in the event such Member shall be absent for three (3) consecutive regular meetings of the Board of Directors;
- (e) Employ a manger, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties;
- (f) Employ attorneys to represent the Association when deemed necessary.

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 of the annual meeting of the members, or at any special meeting with such statement as requested in writing of one-fourth (1/4) 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, too:
 - (1) Fix the amount of the annual assessment against each lot at least fifteen (15) days in advance of each such annual assessment period;
 - (2) Provide notice of each assessment to every owner subject thereto at least fifteen (15) days in advance of each annual assessment period;
- (d) Foreclose the lien against any property for which assessments are not paid within ninety (90) days after becoming due or to bring an action at law against the owner personally obligated to pay the same;
- (e) Issue or to cause an appropriate officer to issue upon demand by any person, a certificate setting forth whether any assessment has been paid. A reasonable charge may be made by the Board for the issuance of these certificates. If the certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment;
- (f) Procure and maintain adequate liability insurance covering the Association, as directors, officers, agents and employees, and to procure and maintain adequate hazard insurance on the real and personal property owned by the Association;
- (g) Cause all officers or employees having physical responsibilities to be bonded, as it may deem appropriate;
- (h) Cause the common area to be maintained.

ARTICLE 9
OFFICERS

9.1 DUTIES. The officers of the Corporation shall consist of a President, a Secretary, a Treasurer, and such Vice-Presidents, Assistant Secretaries, Assistant Treasurers and other officers as the Board of Directors may from time to time elect or as otherwise provided herein. Any two or more offices may be held by the same person, except the offices of President and Secretary.

9.2 ELECTION AND TERM. The officers of the Corporation shall be elected by the Board of Directors. Such elections may be held at any regular or special meeting of the Board of Directors. Each officer shall hold office until death, resignation, retirement, removal, disqualification, or until such officer's successor is elected and qualified.

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

9.4 COMPENSATION. The compensation, if any, of any officer of the Corporation shall be fixed by the Board of Directors.

9.5 PRESIDENT. The President shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall supervise and control the management of the Corporation in accordance with these Bylaws. The President shall sign, with any other proper officer, any deeds, mortgages, bonds, contracts, or other instruments which may be lawfully executed on behalf of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be delegated by the Board of Directors to some other officer or agent; and, in general, shall perform all duties incident to the office of President, and such other duties as may be prescribed by the Board of Directors from time to time.

9.6 VICE-PRESIDENTS: The Vice-Presidents, in the order of their election, unless otherwise determined by the Board of Directors shall, in the absence or disability of the President, perform the duties and exercise the powers of that office. In addition, they shall perform such other duties and have such other powers as the Board of Directors shall prescribe.

9.7 SECRETARY. The Secretary shall keep accurate records of the acts and proceedings of all meetings of the Directors and Executive Committees, if any. The Secretary shall: give all notices required by law and by these Bylaws; have general charge of the corporate books and records and of the corporate seal, and shall affix the corporate seal to any lawfully executed instrument requiring it; shall sign such instruments as may require the signature of the Secretary, and, in general, shall perform all duties incident to the office of Secretary and such other duties as may be prescribed from time to time by the President or by the Board of Directors.

9.8 TREASURER. The Treasurer shall have custody of funds and securities of the Corporation and shall receive, deposit or disburse the same under the direction of the Board of Directors. The Treasurer shall: keep full and accurate accounts of the finances of the Corporation in books especially provided for that purpose; and shall cause a true statement of its assets and liabilities as of the close of each fiscal year and of the results of its operation and of changes in surplus for such fiscal year, all in reasonable detail, to be made and filed at the registered or principal office of the Corporation within four months after the end of such fiscal year. The statement so filed shall be kept available for inspection by any interested party or Director for a period of ten years; and the Treasurer shall, in general perform all duties incident to the office and such other duties as may be assigned from time to time by the President or by the Board of Directors.

9.9 ASSISTANT SECRETARIES AND TREASURERS. The Assistant Secretaries and Assistant Treasurers shall, in the absence or disability of the Secretary or the Treasurer, respectively, perform the duties and exercise the powers of those offices, and they shall, in general, perform such other duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President or the Board of Directors.

9.10 BONDS. The Board of Directors may by resolution require any or all officers, agents and employees of the Corporation to give bond to the Corporation, with sufficient sureties, conditioned on the faithful performance of the duties of their respective offices or positions, and to comply with such other conditions as may from time to time be required by the Board of Directors.

ARTICLE 10
GENERAL PROVISIONS

10.1 CONTRACTS. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or executed and deliver any instrument on behalf of the Association, and such authority may be general or confined to specific instances.

10.2 LOANS. No loan shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued unless authorized by a majority of the members.

10.3 CHECKS AND DRAFTS. All checks, drafts or other orders for payment of money issued in the name of the Association shall be signed by such officer or officers, agent or agents of the Association and in such a manner as shall from time to time be determined by resolution of the Board of Directors.

10.4 DEPOSITS. All funds of the Association not otherwise employed shall be deposited from time to time in such depositories as the Board of Directions shall direct.

10.5 SEAL. The corporate seal of the Association shall consist of two concentric circles between which is the name of the Association and in the center of which is inscribed "Seal." Such seal is hereby adopted and it may be altered and any facsimile of it or any other reproduction of it shall constitute the corporate seal of the Association.

10.6 FISCAL YEAR. Unless otherwise designated by the Board of Directors, the fiscal year of the Association shall be from July 1 until June 30 of every year, except that the first fiscal year shall begin on the date of incorporation.

10.7 AMENDMENTS. Except as otherwise provided herein, the Articles of Incorporation, or by law these By-Laws may be amended or repealed and new By-Laws must be approved by the Board of Directors or in lieu thereof in writing by the number or proportion of members entitled to call a special meeting, by the members by a majority of the votes entitled to be cast on the amendment, and in writing by any person or persons whose approval is required by the Articles of Incorporation. The members entitled to vote thereon may condition the amendment's adoption on its receipt of a higher percentage of affirmative votes or any other basis.

10.8 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. 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 a reasonable cost.

10.9 INDEMNIFICATION OF OFFICERS AND DIRECTORS. The Corporation may, in the discretion of the Board of Directors, indemnify any Director or officer or former Director or officer of the Corporation or any person who may have served at its request as a Director or officer of another corporation, partnership, joint venture, trust or other enterprise against liabilities and reasonable litigation expenses, including attorneys' fees, incurred by such Director or officer in connection with any action, suit or proceeding in which he/she is made or threatened to be made a party by reason of being or having been such Director or officer, except in relation to matters as to which he/she shall be adjudged in such action, suit or proceeding to have acted in bad faith or to have been liable or guilty by reason of willful misconduct in the performance of their duty. The indemnification authorized by this section shall be in addition to that permitted by N.C.G.S. §55A-17.2 and §55A-17.3 which are incorporated herein by reference.