

**BYLAWS
OF
FRIENDLY ACRES TOWNHOMES HOMEOWNERS ASSOCIATION, INC.**

ARTICLE I

NAME AND LOCATION

The name of the corporation is **FRIENDLY ACRES TOWNHOMES HOMEOWNERS ASSOCIATION, INC.** The principal office of the corporation shall be located at 600 Green Valley Road, Suite 300, Greensboro, North Carolina 27408, but meetings of members and directors may be held at such places within the County of Guilford and State of North Carolina, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Friendly Acres Townhomes Homeowners Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Board of Directors" or "Board" shall mean those persons elected or appointed to act collectively as the directors of the Association.

Section 3. "Book of Resolutions" shall mean and refer to the document containing rules and regulations and policies adopted by the Board of Directors.

Section 4. "Bylaws" means the bylaws of the Association as they now or hereafter exist.

Section 5. "Common Elements" shall mean and refer to all common areas and open spaces within Friendly Acres Townhomes owned by the Association for the use and enjoyment of Members.

Section 6. "Declarant" shall mean and refer to Starmount Residential, Inc. as well as its successors and assigns, if such successors.

Section 7. "Declaration" shall mean and refer to the Declaration of Covenants, Conditions and Restrictions for Friendly Acres Townhomes and amendments thereto, applicable to Friendly Acres Townhomes and recorded in the Office of the Register of Deeds of Guilford County, North Carolina.

Section 8. "Dwelling Unit" shall mean a residence constructed on a Lot in Friendly Acres Townhomes.

Section 9 "Friendly Acres Townhomes" shall mean and refer to that certain real property subject to the Declaration and such additions thereto as may hereafter be brought within the jurisdiction of Friendly Acres Townhomes Homeowners Association, Inc.

Section 10. "Lot" shall mean any separately numbered plot of land, regardless of size, as shown on recorded subdivision map of Friendly Acres Townhomes.

Section 11. "Manager" shall mean and refer to any person employed by the Board of Directors as a professional manager, pursuant to the provisions of the Bylaws, to manage the affairs of the Association.

Section 12. "Member" shall mean and refer to every person or entity entitled to membership with voting rights in the Association as provided in the Declaration.

Section 13. "North Carolina Planned Community Act" refers to Chapter 47F of the General Statutes of North Carolina.

Section 14. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of Friendly Acres Townhomes, including contract sellers, but excluding those who have such interest merely as security for the performance of an obligation.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one year from the date of incorporation of the Association, on the date and at the time and place set forth by the Board of Directors in its rules and regulations, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter, unless a different date and time is fixed by the Board of Directors. A meeting of the Association shall be held at least once each year.

Section 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 vote ten percent (10%) of all of the votes of the Association.

Section 3. Notice of Meetings. 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, at least ten (10) 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 the items on the agenda, including the

Section 2. Term of Office. At the first annual meeting of the Members, and at each annual meeting thereafter, directors shall be selected or elected as provided in Article V of these Bylaws. The term of the directors shall be for two (2) years. All directors shall serve until their successors have been duly elected and qualified.

Section 3. Removal. Any director, other than those selected by Declarant, may be removed from the Board, with or without cause, by a majority vote of the Members of the Association. 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 this predecessor; provided, however, in the event of the death, resignation or removal of a director selected by Declarant, his successor shall be selected by Declarant and shall serve for the unexpired term of his predecessor.

Section 4. Compensation. No director shall receive compensation for any services he may render to the Association as a director. However, any director may be reimbursed for his actual expenses incurred in the performance of his duties.

Section 5. 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 the written approval of all of the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination and Election of Directors While Declarant has the Right to Select and Designate All of the Board of Directors. Until ten (10) years after the date of the Declaration, or until Declarant shall have conveyed all of the Lots within Friendly Acres Townhomes, whichever occurs first, Declarant or its assignee shall have the right to designate and select all of the Board of Directors of the Association. So long as Declarant shall have the right to select and designate all of the Board of Directors, election of directors shall be conducted in the following manner:

(a) Declarant shall, at the beginning of the election of the Board of Directors, designate and select the members of the Board of Directors which it shall be entitled to designate and select in accordance with the provisions of these Bylaws and the Declaration. Upon such designation and selection the Declarant shall present by written instrument said individuals to the meeting at which such election is held and upon presentation, such individuals shall be deemed and considered for all purposes directors of the Association. Thenceforth, the designated individuals shall perform the offices and duties of such directors until their successors shall have been selected or elected in accordance with the provisions of these Bylaws.

(b) 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 designated and selected by Declarant, such vacancy shall be filled by Declarant designating and selecting, by written instrument delivered to any officer of the Association, the successor director for the unexpired term thereof.

(c) In the event that Declarant, in accordance with the rights herein established, selects any person or persons 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 or persons with another person or persons to serve on said Board of Directors. Replacement of any person or persons 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 or names of the person or persons to be replaced and the name or names of the person or persons designated as successor or successors to the persons so removed from said Board of Directors. The removal of any director and designation of his successor shall be effective immediately upon delivery of such written instrument by Declarant to any officer of the Association.

Section 2. Nomination and Election of Directors After Expiration of Declarant's Right to Select All Members of the Board of Directors.

(a) Following the expiration of Declarant's right to select and designate all members of the Board of Directors, nomination and election of Directors shall be as follows:

(i) 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 prior to each annual meeting to serve until the close of the next annual meeting and such appointment shall be announced at each annual meeting. 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; but after the termination of the Declarant's right to select all of the directors, at least a majority of the directors shall be Members.

(ii) Election to the Board of Directors shall be by secret written ballot. At such election, the Members may cast or their proxies may be authorized to 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 VI

MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall be held at least annually without notice at such place and hour as may be fixed from time to time by resolution of a majority of the Board. Should said meeting fall upon a legal holiday, then that meeting shall be held at the same time on the next day which is not a legal holiday.

Section 2. 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 sent by any usual means of communication. The notice need not describe the purpose of the special meeting.

Section 3. Quorum. A quorum shall be deemed present throughout any meeting of the Board of Directors if persons entitled to cast at least fifty percent (50%) of the votes on the Board are present at the beginning of the meeting. 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.

Section 4. Waiver of Notice. Any director may waive notice of a special meeting before or after the meeting, any such waiver shall be deemed equivalent to the giving of notice.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. Except as otherwise provided in the Declaration, the By-laws or the North Carolina Planned Community Act, the Board of Directors shall have the power to:

- (a) adopt and publish rules and regulations governing the use of the Common Elements and facilities, the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof;
- (b) suspend the right to the use of any recreational facilities by a Member or any person to whom he has delegated his right of enjoyment 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 each infraction of published rules and regulations;
- (c) exercise for the Association all powers, duties, and authority vested in or delegated to the Association and not reserved to the membership by other provisions of these Bylaws, the Articles of Incorporation, or the Declaration;

suspension shall be as set forth in Section §47F-3-107.1 of the North Carolina Planned Community Act);

(p) after notice and the opportunity to be heard, impose reasonable fines, or suspend privileges or services provided by the Association (except rights of access to Lots) for reasonable periods for violations of the Declaration, Bylaws and rules and regulations of the Association. (The procedure for fines and suspensions shall be as set forth in Section §47F-3-107.1 of the North Carolina Planned Community Act);

(q) exercise all other powers that may be exercised in North Carolina by the Board of Directors of legal entities of the same type as the Association and any other powers necessary and proper for the governance and operation of the Association, including all powers set out in Section 47F-3-102 of the North Carolina Planned Community Act, subject to the provisions of the Declaration, the Articles of Incorporation of the Association, these Bylaws and the North Carolina Planned Community Act.

Section 2. Duties. It shall be the duty of the Board of Directors to:

(a) cause to be kept a complete record of all of its acts and corporate affairs, including financial records, and to make such records reasonably available for examination by any Owner and the Owner's agents;

(b) supervise all officers, agents, and employees of the 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) within thirty (30) days after the adoption of any proposed budget, send to every Owner written notice of each assessment and a summary of the proposed budget and a notice of the meeting to consider ratification of the budget, including a statement that the budget may be ratified without a quorum. The Board shall set a date for a meeting of Owners to consider ratification of the budget, such meeting to be held not less than ten (10) nor more than sixty (60) days after a mailing of the summary and notice. There shall be no requirement that a quorum be present at the meeting. The budget shall be ratified unless at the meeting a majority of the Owners in the Association reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified by the Owners shall be continued until such time as the Owners ratify a subsequent budget proposed by the Board.

(3) foreclose the lien against any Lot for which assessments are not paid or 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 or entity, a certificate setting forth whether or not any assessment has been paid within ten (10) business days after the receipt of the request;

(e) procure and maintain adequate liability insurance covering the Association, its directors, officers, agents and employees, and property insurance on Common Elements owned by the Association, as required under Section 47F-3-113 of the North Carolina Planned Community Act;

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

(g) cause the Common Elements to be maintained;

(h) designate depositories for the Association funds and execute required depository documents;

(i) appoint such committees as are provided for in these Bylaws, and such other committees as shall be appropriate or necessary for the proper administration and performance of the Association; and

(j) exercise their powers in good faith and do and perform such other matters and things not expressly prohibited by law, the Declaration, or these Bylaws as are necessary and appropriate to the proper administration, operation and maintenance of the Association and Friendly Acres Townhomes.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Officers. The officers of the Association shall be a president and vice president, who shall at all times be directors, a secretary and a treasurer, and such other officers as the Board may, from time to time, by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board of Directors following the annual election of directors.

Section 3. Term. The officers of the 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 be disqualified to serve.

Section 4. 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.

Section 5. Resignation and Removal. Any officer may be removed from office without cause by the Board. Any officer may resign at any time upon 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.

Section 6. 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.

Section 7. 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 4 of this Article.

Section 8. Duties. The duties of the officers are as follows:

President

The president shall preside at all meetings of the Board of Directors; shall see that orders and regulations of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and, shall co-sign all checks and promissory notes.

Vice President

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 and Assistant Secretary

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. The assistant secretary shall assist the secretary and act in the place and stead of the secretary in the event of his or her absence.

Treasurer

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 of the Association; keep proper books to be made by a public accountant at the completion of each fiscal year; and, shall prepare an annual budget and statement of income and expenditures to be presented to the Members at their regular annual meeting, and deliver a copy of each to the Members.

ARTICLE IX

QUORUM FOR ASSESSMENT CHANGES

At any meeting of Members called to vote upon assessments, as provided in Article IV, Sections 3 and 4 of the Declaration, the presence at the meeting of Members or of authorized proxies entitled to cast twenty percent (20%) of the votes of the membership shall constitute a quorum. If the required quorum is not forthcoming at any meeting, another meeting may be called, subject to the notice requirement set forth in Sections 6, and the required quorum at any such subsequent meeting shall be one-half (1/2) of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

ARTICLE X

COMMITTEES

The Board of Directors shall appoint an Architectural Committee, as provided in the Declaration, and a Nominating committee, as provided in these Bylaws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE XI

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. Accurate records of all resolutions shall be made and maintained and those records, together with the Declaration, the Articles of Incorporation and the Bylaws of the Association shall be available for inspection by any Member, lender and/or insurer at the principal office of the Association, where copies may be purchased at reasonable cost.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Friendly Acres Townhomes Homeowners Association, Inc.

ARTICLE XIII

AMENDMENTS

Section 1. Amendment to Bylaws. Except for the provisions hereof relating to selection and designation of directors by Declarant which shall not be subject to amendment except with Declarant's written consent, these Bylaws may be amended, at a regular or special meeting of the Members, by a vote of the majority of a quorum of Members present in person or by proxy. Provided, however, that any amendment which shall materially and adversely affect the validity or priority of the lien of or the rights of Institutional Lenders (as hereinafter defined) holding first mortgage loans on property located within Friendly Acres Townhomes shall be required to have the prior approval of such Institutional Lenders. "Institutional Lenders" shall mean and refer to banks, savings and loan associations, insurance companies, other firms or entities customarily affording loans secured by first liens on residences, and other eligible insurers and governmental guarantors.

Section 2. Amendment to Declaration. The President, or any Vice President, may prepare, execute, certify and record amendments to the Declaration on behalf of the Association, and the Secretary or Assistant Secretary may attest such execution. Every amendment to the Declaration shall be recorded in the Office of the Register of Deeds of Guilford County, North Carolina.

ARTICLE XIV

MISCELLANEOUS

Section 1. Conflict. In the case of any conflict between the Articles of Incorporation and these Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

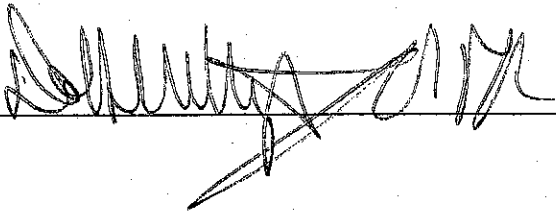
Section 2. Fiscal Year. The fiscal year of the Association shall begin on the first day of January and end on the 31st day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

I, the undersigned, do hereby certify:

That I am the duly elected and acting secretary of the Friendly Acres Townhomes Homeowners Association, Inc., a North Carolina corporation; and

That the foregoing Bylaws constitute the original Bylaws of said Association, duly adopted by the Board of Directors thereof.

IN WITNESS WHEREOF, I have hereunto subscribed my name this 14 day of September 2004.

 (SEAL)