

AMENDED
BYLAWS
OF
FRIENDS OF HORSESHOE HOMEOWNERS ASSOCIATION, LTD.

ARTICLE I.

These are the Amended Bylaws of Friends of Horseshoe Homeowners Association, Ltd., a North Carolina nonprofit corporation, (the "Association"), the Articles of Incorporation (the "Articles") of which have been filed in the office of the North Carolina Secretary of State.

ARTICLE II.

Qualifications and Responsibilities

of Members

2.1. Members. Each Lot Owner in the Friends of Horseshoe Planned Residential Development Phases I and II as shown on the plat recorded in Plat Book 6 Page 56 and Plat Book 7 Page 33 Stokes County Registry shall be a member of the Association, and shall remain a member until he ceases to be a Lot Owner.

2.2. More Than One Owner. When there is more than one Lot Owner, all such persons shall be members of the Association.

2.3. Registration. It shall be the duty of each Lot Owner to register his name and the number of his Lot with the Secretary of the Association and designate the person entitled to vote on all Association matters. If a Lot Owner does not so register, the Association shall be under no obligation to recognize his membership.

2.4. Prohibition of Assignment. The interest of a member in the Association assets cannot be transferred or encumbered except as an appurtenance to his Lot.

ARTICLE III.

Members' Meetings and Voting

3.1. Place. Meetings of the members shall be held at the registered office of the Association, or such other place within Stokes County, North Carolina as may be designated from time to time by the Board.

3.2. Annual Meeting. The members shall meet at least once each year as specified in the notice of such meeting given pursuant to Section 3.4. At each annual meeting the members shall elect members of the Board ("Directors") and may transact any other business properly coming before them.

3.3. Special Meetings. Special meetings of the members may be called at any time by the President or by the Board, and shall be called and held within thirty (30) days after written request therefor signed by members of the Association entitled to cast at least fifty-one percent (51%) of the total votes in the Association is delivered to any officer or Director of the association. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

3.4. Notices. Notice of all meetings of the members, stating the time and place, and accompanied by a complete agenda thereof, shall be given by the President or Secretary to each member. Such notice shall be in writing, and shall be hand delivered or sent by United States mail to the members at their last known addresses and to other addresses as any member may have designated to the President or Secretary, at least twenty-one (21) days in advance of any annual or regularly scheduled meeting and at least seven (7) days in advance of any other meeting.

3.5. Quorum; Adjournment if no Quorum. A quorum shall consist of members present, in person or by proxy, entitled to cast at least fifty-one percent (51%) of the total votes in the Association. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present.

3.6. Votes. The total votes in the Association are allocated one to each Lot by the Declaration. Each Owner of a Lot shall be entitled to cast one vote for each Lot owned; provided however that Horseshoe Development LLC shall be entitled to only one vote irrespective of the number of lots owned in Phase II. There shall be no splintering of a vote to less than one full vote. In the case where a Lot is owned by two or more persons or entities (whether individually or in a fiduciary capacity), the vote attributable to said Lot must be cast by one of the co-owners, in person or by proxy. The person entitled to cast the vote shall be designated in writing by all co-owners. If the Owners of any Lot have failed to make such designation to the Association, then said Lot shall not be entitled to vote on any matter.

3.7. Manner of Casting Votes. Votes may be cast in person or by proxy. A proxy must be in writing, be signed by the Lot Owner or person entitled to vote for a Lot, be given only to another member or to a Security Holder in that Lot, and be filed with the Secretary before the meeting. A proxy shall be valid until revoked in writing by the Lot Owner or person entitled to vote for a Lot.

3.8. Required Votes. All questions shall be decided by a majority of the votes cast on the question, unless the provisions of applicable law, the Declaration or these Bylaws require a greater vote.

3.9. Action by Members Without Meeting. Any action that may be taken at a meeting of the members, may be taken without a meeting if such action is authorized in a writing setting forth the action taken and is signed by all members, or if such action is taken in any other manner permitted by law.

3.10. Prohibition of Cumulative Voting. There shall be no cumulative voting.

ARTICLE IV.

Directors

4.1. Number and Qualifications of Directors. The Board shall consist of three (3) natural persons, as determined at any annual meeting by the members. Each Director shall be a Lot Owner or the individual nominee of a Lot Owner which is other than an individual.

4.2. Election of Directors. At the first annual meeting of the members, and at each subsequent annual meeting, the members shall elect the Directors by a majority of the votes cast in the election.

4.3. Term. The terms of the Directors shall be staggered so that at least one (1) but not more than three (3) Directors are elected at any one meeting and so that no Director's term is less than one (1) year nor more than three (3) years. The Directors shall establish rules to implement the provisions of this section. Once elected, a Director shall hold office until his successor has been duly elected and has qualified.

4.4. Removal. Any Director may be removed, with or without cause, by a vote of the members entitled to cast at least two-thirds (2/3) of the total votes in the Association, at a special meeting called for such purpose, and a successor may then be elected by the members to serve for the balance of the removed Director's term.

4.5. Vacancies. Any vacancy in the Board arising by death or resignation of a Director shall be filled by act of the remaining Directors, whether or not constituting a quorum, and a Director so elected shall serve for the unexpired term of his predecessor in office.

4.6. Regular Meetings. Regular meetings of the Board may be held at such time and place as shall be determined by a majority of the Directors. Notice of regular meetings shall be given to each Director, personally or by mail, telephone, or teleggraph, at least seventy-two (72) hours prior to the meeting.

4.7. Special Meetings. Special meetings of the Board may be called by the President and shall be called by the President or the Secretary and held within ten (10) days after written request therefor signed by two (2) Directors is delivered to any other Director or the President or the Secretary. Not less than seventy-two (72) hours' notice of such special meeting shall be given personally or by mail, telephone, or teleggraph to each Director; provided that in case the President or any Director determines that an emergency exists, a special meeting may be called by giving such notice as is possible under the circumstances. All notices of a special meeting shall state the time, place and purpose thereof. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

4.8. Quorum; Adjournment if No Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present. The signing by a

Director of the minutes of a meeting shall constitute the presence of such Director at that meeting for the purpose of determining a quorum.

4.9. Manner of Acting. Each Director shall be entitled to one (1) vote. The act of a majority of the Directors present at a meeting shall constitute the act of the Board unless the act of a greater number is required by the provisions of applicable law, the Declaration or these Bylaws.

4.10. Board Action Without Meeting. Any action that may be taken at a meeting of the Board may be taken without a meeting if such action is authorized in a writing, setting forth the action taken, signed by all Directors.

4.11. Compensation of Directors Restricted. Directors shall receive no compensation for their services, but may be paid for out-of-pocket expenses incurred in the performance of their duties as Directors.

4.12. Powers and Duties of Board. All of the powers and duties of the Association shall be exercised by the Board, including those existing under the common law, applicable statutes, the Act, the Declaration, the Articles, and these Bylaws, as any thereof may from time to time be amended. Such powers and duties shall be exercised in accordance with the provisions of applicable law, the Declaration, the Articles, and these Bylaws, and shall include, but not be limited to, the following:

(a) To prepare and provide to members annually, a report containing at least the following:

(i) A statement of any capital expenditures anticipated by the Association during the current year or succeeding two (2) fiscal years.

(ii) A statement of the status and amount of any reserve or replacement fund and any portion of the fund designated for any specified project by the Board.

(iii) A statement of the financial condition of the Association for the last fiscal year.

(iv) A statement of the status of any pending suits or, judgments in which the Association is a party.

(v) A statement of the insurance coverage provided by the Association.

(vi) A statement of any unpaid assessments payable to the Association, identifying the Lot Owner and the amount of the unpaid assessment.

(b) To adopt and amend budgets and to determine, and collect assessments to pay the Common Expenses.

(c) To regulate the use of, and to maintain, repair, replace, modify and improve the Common Elements.

(d) To adopt and amend rules and regulations and to establish reasonable penalties for infraction thereof.

(e) To enforce the provisions of the Declaration, the Articles, these Bylaws, the Act, and rules and regulations by all legal means, including injunction and recovery of monetary penalties.

(f) To hire and terminate managing agents and to delegate to such agents such powers and duties as the Board shall determine, except such as are specifically required by the Declaration, the Articles, these Bylaws, or the Act, to be done by the Board or the members.

(g) To hire and terminate agents and independent contractors.

(h) To institute, defend, intervene in, or settle any litigation or administrative proceedings.

(i) To borrow money for the maintenance, repair, replacement, modification or improvement of Common Elements and to pledge and pay assessments, and any and all other revenue and income, for such purpose.

(j) To grant leases, licenses, concessions and easements through and over the Common Elements.

(k) To provide for indemnification of the Association's officers and Directors and maintain officers' and Directors liability insurance.

(l) To impose charges for late payment of assessments and, after notice and an opportunity to be heard, impose sanctions for violations of the Declaration, these Bylaws, or the rules and regulations.

ARTICLE V.

Officers

5.1. Designation of Officers. The officers of this Association shall be a President, Vice President, a Secretary, and a Treasurer. Each officer shall be a Lot Owner or the individual nominee of a Lot Owner which is other than an individual. A person may hold one or more of such offices at one time, except that the President shall not at the same time hold another office in the Association. The Board may elect an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary.

5.2. Election of Officers. Officers of the Association shall be elected by the Board. Election shall be held annually at the first meeting of the Board held after the annual meeting of

the members, except that the first Board shall elect officers as soon as practicable after filing of the Declaration.

5.3 Term. Each officer shall serve until his successor has been duly elected and has qualified.

5.4 Removal. Any officer may be removed, with or without cause, and without notice, by the Board.

5.5 Vacancy. Any vacancy in any office shall be filled by the Board, and an officer elected to fill a vacancy shall serve for the unexpired term of his predecessor in office.

5.6. Powers and Duties of Officers.

(a) President. The President shall be the chief executive officer of the Association; shall have all of the powers and duties incident to the office of a president of a corporation, including, but not limited to, the duty to preside at all meetings of the Board and of the members, and the general supervision of officers in the management of the business and affairs of the Association; and shall see that all actions and resolutions of the Board are carried into effect.

(b) Vice President. The Vice-President shall perform such duties of the President as shall be assigned to him by the President, and in the absence of the President shall perform the duties and functions of the President.

(c) Secretary. The Secretary shall keep the minutes of all meetings and actions of the Board and of the members; shall give all required notices to the Directors and members; shall keep the records of the Association, except those kept by the Treasurer; shall perform all other duties incident to the office of a secretary of a corporation; and shall perform such other duties required by the Board or the President.

(d) Treasurer. The Treasurer shall have custody of all intangible property of the Association, including funds, securities, and evidences of indebtedness; shall keep the books of the Association in accordance with good accounting practices and principles, and, upon request, shall submit them, together with all vouchers, receipts, records, and other papers to the Board for examination and approval; shall deposit all moneys and other valuable effects in depositories designated by the Board; shall disburse funds of the Association as directed by the Board; and shall perform all other duties incident to the office of a treasurer of a corporation.

5.7. Execution of Agreements, etc. All agreements, deeds, mortgages, or other instruments shall be executed by any two (2) officers, or by such other person or persons as may be designated by the Board.

5.8. Compensation of Officers Restricted. No officer shall be compensated for his services in such capacity, but may be reimbursed for out-of-pocket expenses incurred in performing his duties.

8.4. Assessment A Lien. Every assessment shall constitute a lien upon each Lot assessed from the date the assessment is levied, prior to all other liens except only (i) real estate taxes and

8.3. Preparation of Budget and Levying of Assessment. For each fiscal year, the Board shall prepare and adopt a budget, including therein estimates of the amount necessary to pay the Common Expenses, together with amounts considered necessary by the Board for reserves. After preparation and adoption of each such budget, the Board shall provide each member with a copy, and shall give each member notice of the assessment made against that member's Lot based upon such budget and may also state the interest to be charged on delinquent payments thereof. The assessment shall be deemed levied upon the giving of such notice.

8.2. Allocation of Common Surplus. Any common surplus, including funds in reserve accounts, may be allocated to each Lot in accordance with its percentage of Common Expenses, and, if allocated, shall be owned by the Lot Owner of that Lot, and, if allocated, may be paid to the Lot Owner or credited against that Lot's share of Common Expenses subsequently assessed.

8.1. Obligation of Members To Pay Assessments: Amount of Levy. Each Lot Owner shall be personally and severally liable for the Common Expenses that are levied against his Lot while a Lot Owner. Each Lot shall be assessed in accordance with that Unit's percentage of Common Expenses as allocated by the Declaration.

Assessments

ARTICLE VIII.

7.2. Fiscal Year. The fiscal year of the Association shall be the calendar year provided that the Board, from time to time, by resolution, may change the fiscal year to some other designated period.

7.1. Depository. The Board shall designate a depository for the funds of the Association, and may change such depository. Withdrawal of funds from such depository shall be only by checks signed by any two (2) officers of the Association, or any other persons authorized by the Board.

Fiscal Management

ARTICLE VII.

The Association shall indemnify such persons, for such expenses and liabilities, in such manner, under such circumstances, and to such extent, as permitted by North Carolina Law, as now enacted or hereafter amended.

Indemnification of Directors and Officers

ARTICLE VI.

other governmental assessments or charges against that Lot and (ii) liens of a first Deed of Trust recorded prior to the recording of a lien for assessments.

8.5. Payment of Assessments. Assessments shall be payable when notice thereof is given, but shall not be delinquent if paid at the times and in the amounts specified by the Board in the notice of assessment. Except for special assessments, 1/12th of the assessment shall be paid on or before the first day of each month of the fiscal year of the Association. Payments shall be made to the Association, or as the Board may from time to time otherwise direct.

8.6. Lien As Against First Mortgagees. The lien of assessments shall be subordinate to the lien of a first Mortgage except after filing in the Office of the Clerk of Superior Court of Stokes County.

8.7. Funds and Reserves. All sums collected by the Association from assessments shall be used for the payment of the Association's anticipated expenses incident to: (a) the upkeep, maintenance and repairs of the Common Area and all improvements located thereon, (b) all utility charges assumed by the Association, (c) expenses related to the use and enjoyment of the Common Area, (d) payment of all taxes assessed against the Common Area, (e) procurement and maintenance of insurance in accordance with the Bylaws, (f) reserves for capital improvements and replacements of improvements within the Common Area, (g) employment of attorneys, accountants and other professionals to represent or perform professional services for the Association, (h) payment of other obligations of the Association as set forth in the Development Documents, and (i) such other needs as deemed appropriate by the Association for the day-to-day operation of the Association.

8.8. Special Assessments. In addition to the assessments levied pursuant to Section 8.3., the Board, in its discretion, may levy special assessments at such other and additional times as in its judgment are required for:

(a) Maintenance, repair, restoration and reconstruction of the Common Area.
(b) Alterations, improvements, and additions to the Common Area; provided, however, that any such special assessment shall be first approved by the members entitled to cast at least two-thirds (2/3) of the total votes in the Association at a regular or special meeting of the Association.
(c) Payment of costs and expenses incurred in curing defaults pursuant to Sections 10.1. and 10.3. hereof.

Special assessments made pursuant to this Section shall be a Common Expense, shall be deemed levied upon notice thereof being given to the members subject to such special assessment, and shall be payable as determined by the Board and as set out in such notice.

8.9. Failure To Prepare Budget and Levy Annual Assessment; Deficiencies in Procedure. The failure of the Board or delay of the Board in preparing any budget, and to levy or in levying assessments, shall not constitute a waiver or release of the members' obligation to pay

assessments whenever the same shall be determined and levied by the Board. Until a new assessment is levied by the Board pursuant to Section 8.3, each member shall continue to pay the assessment then previously levied pursuant to Section 8.3, in the same amount and at the same periodic times as levied, or as the Board may otherwise advise in writing. Also, any deficiencies or inadequacies in the procedure followed by the Board in levying an assessment shall not in any way affect its validity or the obligation of members to pay such assessment.

8.10. Assessment Roll; Certificate. All assessments shall be set forth upon a roll of the Lots, which shall be available in the office of the Association for inspection at all reasonable times by members and Security Holders, and their duly authorized representatives. Such roll shall include, for each Lot, the name and address of the member or members, all assessments levied, and the amount of all assessments unpaid. The Association, upon written request, shall furnish to a Lot Owner, or his authorized agent, a recordable certificate setting forth the amount of unpaid assessments currently levied against his Lot. The certificate shall be furnished within 7 business days after receipt of the request and shall be binding upon the Association and all Lot Owners. For such certificate a reasonable fee may be charged by the Board.

8.11. Default and Enforcement. If any assessment, or installment thereof, remains delinquent for 20 days, then that assessment, along with a late charge of \$20.00, and all other assessments then a lien against that Lot, may be declared by the Board to be immediately due and payable in full, with interest, without further notice, and may be foreclosed by the Association in the manner provided by North Carolina Law. All fees, late charges, attorneys' fees, fines or interest levied or collected by the Association in connection with any unpaid assessments shall have the same priority as the assessment to which they relate.

In addition to the foregoing, and without waiving its lien, the Association may sue to obtain a money judgment for the amount of any delinquent assessment, or installment thereof, together with interest and late charges, and the members so sued and liable for such assessment shall pay all costs of collection, including reasonable attorneys' fees, with interest thereon at the same rate as charged on the assessments being collected from the dates incurred until paid.

8.12. Interest on Delinquent Assessments. Assessments, or installments thereof, paid before they become delinquent, shall not bear interest, but all delinquent sums shall bear interest at the rate set forth in the notice levying the assessment, from the date delinquent until paid. If no interest rate is set forth in such notice, such interest shall be the maximum allowed by North Carolina Law. All payments upon account shall be applied first to interest and then to the assessment, or installment thereof, longest delinquent. All such interest shall have the same priority as the assessment on which such interest accrues.

ARTICLE IX

Compliance, Enforcement, Fines and Penalties

9.1. Default and Remedies. A default in or failure to comply with any of the terms, conditions, obligations, and provisions of the Declaration, these Bylaws, or the rules and regulations, as the same may be amended from time to time, by any Lot Owner or Occupant,

shall be grounds for relief that may include, without intending to limit the same or to constitute an election of remedies, an action to recover fines and penalties as determined by the Board, sums due for damages, an injunction, or any combination thereof, and which relief may be sought by the Association, an aggrieved Lot Owner, or by any person or class of persons adversely affected. Also, if any member fails to perform any obligation under the Declaration, these Bylaws, or such rules and regulations, then the Association may, but is not obligated to, perform the same for the member's account, and for such purpose may enter upon his Lot, may make necessary repairs, advance expenses or other sums necessary to cure the default, and for such expenses and costs may levy a special assessment against the Lot owned by such defaulting member. The Association also shall be entitled to suspend the right of a defaulting Lot Owner to vote as a member of the Association until the default is cured.

9.2. Notice of Default and Failure to Cure. In the event of any such default or failure, the Board shall serve upon or mail to the defaulting member, and to each First Mortgagee of that member's Lot when required under the Declaration, a written notice specifying the nature of the default, the cure thereof, and the time within which the cure shall be effected. Within the time limit specified in the notice, the defaulting member may cure the default specified, or serve upon or mail a written notice to the Board requesting a hearing before the Board. If a hearing is so requested, the Board shall thereafter serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a notice specifying the time and place for such hearing. At the hearing, the Board shall take such evidence and hear such testimony as it deems necessary or desirable. The Board shall not exercise any remedies to obtain relief from the default until the hearing is over and the Board has made its determination and served upon or mailed the same to the defaulting member and each such First Mortgagee. The hearing may be continued from time to time as determined by the Board. Upon taking such evidence and hearing such testimony, the Board, at the hearing or at such later time, shall determine, in writing, and at its sole option, to waive the default in whole or in part, to extend the time within which the default may be cured, or to proceed immediately to levy a fine or penalty, or to exercise any one or more of the remedies available to the Board due to such default. The Board shall serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a copy of its determination. If the defaulting member (i) does not cure the default or request a hearing within the time limit specified in the original notice of default given pursuant to this Section, or (ii) so requests a hearing, but fails to cure the default (to the extent not waived by the Board) within the extended time, if any, granted by the Board after hearing, then the Board shall serve upon or mail to the defaulting member, and to each such First Mortgagee which was entitled to notice of the default as above provided, a written notice of such member's failure to effect a cure, and the Board may then proceed to take such action as it deems necessary to obtain relief.

9.3. Remedy of Abatement in Addition to Other Remedies. In the event a member fails to effect the cure specified by the Board within the time period set out, the Board, or its duly authorized representative, shall have the right to enter upon the premises of the member's Lot, on which, or as to which, such default exists, and summarily to abate and remove, at the defaulting member's expense (and levy an assessment therefor as provided herein), the structure, thing, or condition constituting the default, and the Board, the Association, and their agents, employees, and representatives shall not thereby be deemed guilty of any manner of trespass.

9.4. Injunction. Any person or class of persons entitled to seek relief for any such default or failure may obtain a temporary restraining order, injunction or similar relief, without first using the procedure established by Section 9.2 hereof, if such default or failure creates an emergency or a situation dangerous to persons or property.

9.5. Recovery of Attorneys' Fees and Costs. In any proceeding arising because of an alleged default by a member, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorneys' fees as may be allowed by the court.

9.6. Nonwaiver of Covenants. The failure of the Association or of any member thereof to enforce any term, provision, right, covenant, or condition that may be granted by the Declaration, these Bylaws, or the rules and regulations, as the same may from time to time be amended, shall not constitute a waiver or abrogation of the right of the Association or a member to enforce such term, provision, right, covenant, or condition in the future, irrespective of the number of violations or breaches thereto that may have occurred.

9.7. Assessment Liens. Assessment liens shall be enforced pursuant to Article VIII hereof and not pursuant to this Article IX.

ARTICLE X.

Amendment

These Bylaws may be amended only by affirmative vote of two-thirds (2/3) of the Owners of the total votes in the Association. An amendment to these Bylaws shall be made and approved in the manner, and shall be subject to the same restrictions relative to requiring prior written consent of First Mortgagees, as set forth in Section 9 of the Declaration, and once made, shall become effective when recorded in the same manner and place as an amendment to the Declaration.

ARTICLE XI.

General Provisions

11.1 Rules and Regulations.

(a) By the Board. The Board, including the first Board, may promulgate from time to time such rules and regulations as it deems reasonable and necessary governing the administration, management, operation, and use of the Common Area so as to promote the common use and enjoyment thereof by Lot Owners and Occupants and for the protection and preservation thereof. In addition, the Board may adopt such rules and regulations as it deems reasonable and necessary with respect to Lots to provide for the common good and enjoyment of all Lot Owners and Occupants, including, without limitation, the right to adopt such rules and regulations with reference to tenants and leases. In no event shall any rules or regulations be

inconsistent or materially more restrictive than the provisions contained in the Declaration and these Bylaws with respect to leases or tenants.

(b) By the Association. Any such rule or regulation adopted by the Board may be amended, modified, or revoked, and new and additional rules and regulations may be adopted, by members at an annual or special meeting of the members. Any such act of the members shall control over any contrary rule or regulation then or thereafter adopted by the Board.

(c) Uniform Application. All rules and regulations shall be equally and uniformly applicable to all Lot Owners.

(d) Copies Furnished. Copies of all such rules and regulations and any amendments thereto shall be furnished to all members, and a copy shall be posted or otherwise made available to members at the office of the Association. However, failure to furnish, or post, or make available, such rules or regulations shall not affect in any way their validity or enforceability.

11.2. Parliamentary Authority. Robert's Rules of Order, Newly Revised, shall govern the conduct of Association proceedings when not in conflict with the Declaration, these Bylaws, or any statutes of the State of North Carolina applicable thereto. The chairman of the meeting shall have the authority to appoint a parliamentarian.

11.3. Conflict; Severability. In the case of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall control. If any term, provision, limitation, paragraph, or clause of these Bylaws, or the application thereof to any person or circumstance, is judicially held to be invalid, such determination shall not affect the enforceability, validity, or effect of the remainder of these Bylaws, or the application thereof to any other person or circumstance.

These Amended Bylaws were duly adopted on the _____ day of _____, 2001.

Secretary