

**BYLAWS
OF
CHESNUT OAKS COMMUNITY ASSOCIATION, INC.**

ARTICLE I

NAME AND LOCATION

The name of the corporation is CHESNUT OAKS COMMUNITY ASSOCIATION, INC. The principal office of the corporation shall be located at 3701 Beulah Church Road, Matthews, Union County, North Carolina, 28104, but meetings of members and directors may be held at such places within the State of North Carolina, County of Union, as may be designated by the Executive Board of the Association.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Chesnut Oaks Community Association, Inc., a North Carolina non-profit corporation, its successors and assigns.

Section 2. "Common Areas" shall mean all real property and/or easements over real property acquired by the Association in Chesnut Oaks for the common use and enjoyment of members of the Association lying within the boundaries of the Properties.

Section 3. "Declarant" shall mean E. Reece Gibson and his successors and assigns.

Section 4. "Declaration" shall mean and refer to any Declaration of Covenants, Conditions and Restrictions for Chesnut Oaks, together with all amendments and all

supplements applicable to the Property recorded in the Office of the Register of Deeds of Union County, North Carolina.

Section 5. "Lot" shall mean any numbered plot of land to be used for residential purposes shown upon any recorded subdivision plat of the Properties subject to the Declaration designated for separate ownership or occupancy by a Lot Owner.

Section 6. "Lot Owner" shall mean the Declarant or other record owner, whether one or more persons or entities, of a fee simple title to any Lot which is a part of Chesnut Oaks but excluding those having such interest merely as security for the performance of an obligation.

Section 7. "Member" shall mean a member of the Association with voting rights as provided in these Bylaws.

Section 8. "Properties" or "Property" shall mean and refer to that certain real property described in the Declaration of Covenants, Conditions and Restrictions for Chesnut Oaks and such additions thereto as may hereafter become subject to said Declaration and any Supplementary Declaration and brought within the jurisdiction of the Association.

ARTICLE III

MEMBERSHIP AND PROPERTY RIGHTS

Section 1. Membership. Every Lot Owner which is subject to a lien for assessments shall be a Member of the Association. Membership shall be appurtenant to

and may not be separated from ownership of any Lot subject to assessment. The voting rights of the Members shall be as provided by the Declaration. When more than one person holds an interest in any Lot, all such persons shall be Members. The vote or votes for such Lot shall be exercised as they among themselves determine or as set out in NCGS §47F-3-110, but in no event shall more than one (1) vote be cast with respect to any such Lot.

Section 2. Property Rights. Each Member shall be entitled to the use and enjoyment of the Common Areas and facilities as provided in the Declaration. Any Lot Owner may delegate his right of enjoyment to any Common Areas and facilities to the members of his family, to his tenants, or to contract purchasers who reside on the Property.

ARTICLE IV

MEETINGS 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, and each subsequent regular annual meeting of the Members shall be held in the same month of each year thereafter at such time and place as the Executive Board of the Association may prescribe.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President of the Association or by a majority of the Executive Board of

the Association, or upon written request of the Members who are entitled to vote ten percent (10%) of all the votes in 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 hand delivery or mailing a copy of such notice, postage prepaid, at least ten (10) days but no more than sixty (60) 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 general nature of any proposed amendment to the Declaration or Bylaws, any budget changes, and any proposal to remove a director or officer of the Association. Waiver by a Member in writing of the notice required herein, signed by him before or after such meeting, shall be equivalent to the giving of such notice.

Section 4. Quorum. The presence at the meeting of Members entitled to cast, or of proxies entitled to cast, ten percent (10%) of the votes of each class of membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration, or these Bylaws. If, however, such quorum shall not be present or represented at any meeting, another meeting may be called, subject to the above notice requirements in Section 3, and the required quorum at the subsequent meeting shall be fifty percent (50%) of the required quorum applicable to the meeting adjourned for lack

of quorum. The quorum requirement shall continue to be reduced by fifty percent (50%) from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. If a Lot is owned by more than one person, each owner of the Lot may vote or register protest to the casting of votes by the other owners of the Lot through a duly executed proxy. All proxies shall be in writing and filed with the secretary. Every proxy shall only be revocable by actual notice of revocation to the person presiding over a meeting of the Association and shall automatically terminate eleven (11) months after its date, unless it specifies a shorter term. A proxy is void if it is not dated.

ARTICLE V

EXECUTIVE BOARD OF THE ASSOCIATION: SELECTION: TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by an Executive Board of three (3) Directors.

Section 2. Term of Office. At the termination of the Class B membership as provided in the Declaration, the Members shall increase the number of directors to five (5) by selecting three (3) directors for a term of two (2) years and two (2) directors for a term of one (1) year; and at such annual meeting thereafter the Members shall elect directors for a term of two (2) years.

Section 3. Removal. Any director may be removed from the Executive 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 Executive Board, and shall serve for the unexpired term of his predecessor.

Section 4. 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.

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 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

Section 1. Nomination. Nomination for election to the Executive Board of the Association 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 Executive Board, and two or more Members of the Association. The Nominating Committee shall be appointed by the Executive Board 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 made as many nominations for election to the Executive Board as it shall in its discretion determine, but not less than the number of vacancies that are to be filled. Such nominations may also be made from among Members.

Section 2. Election. Election to the Executive Board 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

Section 1. Regular Meetings. Regular meetings of the Executive Board shall be held at such time and place and with such notice as shall be determined by resolution of a majority of the Directors.

Section 2. Special Meetings. Special meetings of the Executive Board 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.

Section 3. 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 Executive Board.

ARTICLE VIII

POWERS AND DUTIES OF THE EXECUTIVE BOARD OF THE ASSOCIATION

Section 1. Powers. The Executive Board shall have 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 a Member during any period in which such Member shall be in default in the payment of any assessment, dues or charge levied by the Association after a hearing as provided in NCGS §47F-3-107.1. Such rights may also be suspended after a hearing as provided in NCGS §47F-3-107.1 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 Bylaws, the Articles of Incorporation, the Declaration or Chapter 47F of the North Carolina General Statutes;

(d) declare the office of a member of the Executive Board to be vacant in the event such member shall be absent from three (3) consecutive regular meetings of the Executive Board;

(e) contract for the management of the Property and to delegate to such contractor all of the powers and duties of the Association, except those which may be required by the Declaration to have approval of the Executive Board or membership of the Association; provided, however, that any such management agreement shall not exceed a period of one (1) year from its effective date (but may be renewed by agreement of the parties for successive one-year periods), and shall be terminable for cause upon thirty (30) days written notice thereof or without cause upon ninety (90) days written notice as provided in NCGS Section 47F-3-105; and

(f) employ attorneys to represent the Association when deemed necessary.

(g) The undertakings and contracts authorized by the initial Executive Board shall be binding upon the Association in the same manner as though such undertakings and contracts had been authorized by any Executive Board duly elected by the membership, so long as such undertakings and contracts are within the scope of the powers and duties which may be exercised by the Executive Board of the Association in accordance with the Declaration, Articles in Incorporation, these Bylaws or Chapter 47F of the North Carolina General Statutes; and provided further that any undertaking or contract entered into by the Association at a time prior to the conversion of the Class B membership to Class A membership shall contain a provision reserving the right of the Association to terminate such

undertaking or contract upon not more than ninety (90) days written notice to the other party(ies) thereto.

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

(a) cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the Members at the Annual Meeting of the Members, or any special meeting when such statement is requested in writing by ten percent (10%) 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 Common Expense Assessment against each Lot at least thirty (30) days in advance of each annual assessment period and fix the amount of any penalty fees or interest due for late payment of assessments;

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

(3) foreclose 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 Lot 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 Executive Board for the issuance of these certificates. If a certificate states an assessment has been paid, such certificates shall be conclusive evidence of such payment;

(e) procure and maintain insurance covering the Association, its directors, officers, agents and employees and procure and maintain adequate hazard insurance on the real and personal property owned by the Association;

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

(g) cause the Common Areas to be maintained.

Section 3. Additional Powers of Directors. The Executive Board shall have the power to implement the provisions of the Declaration of Covenants, Conditions and Restrictions for Chesnut Oaks and all amendments and supplements recorded in the Union County Public Registry.

ARTICLE IX

OFFICERS AND THEIR DUTIES

Section 1. Enumeration of Offices. The officers of this Association shall be a president and one vice-president, who shall at all times be members of the Executive Board, a secretary, and a treasurer, and such other officers as the Board may from time

to time by resolution create, including additional vice-presidents who need not be members of the Board of Directors.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Executive Board following each annual meeting of the Members.

Section 3. Term. The officers of this Association shall be elected annually by the Executive Board and each shall hold office for one (1) year unless he or she shall sooner resign, or shall be removed, or otherwise disqualified to serve.

Section 4. Special Appointments. The Executive 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 Executive Board may, from time to time, determine.

Section 5. Resignation and Removal. Any officer may be removed from office with or without cause by the Executive Board. Any officer may resign at any time by giving written notice to the Executive Board, the president or 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 Executive Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Duties. The duties of the officers are as follows:

(a) President. The president shall preside at all meetings of the Executive Board; shall see that orders and resolutions of the Executive Board are carried out; shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes. The president is the only officer which may prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

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

(c) Secretary. The secretary shall record the votes and keep the minutes of all meetings and proceedings of the Executive 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 Executive Board and of the Association together with their addresses, and shall perform such other duties as required by the Executive Board.

(d) 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 Executive Board; shall sign all checks and promissory notes of the Association; keep proper books of account; cause an annual audit of the Association

books to be made by an independent certified public accountant at the completion of each fiscal year; and shall prepare an annual budget and statement of income and expenditures to be represented to the membership at its regular annual meeting, and deliver a copy of each to the Members.

ARTICLE X

COMMITTEES

The Executive Board may appoint an Architectural Control Committee, as provided in the Declaration, and a Nominating Committee, as provided in these Bylaws. In addition, the Executive Board 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, and any first mortgagee. The Declaration, the Articles of Incorporation and the Bylaws 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 the Annual Assessment 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 within 15 days when due shall be delinquent and late charges shall be assessed as provided in the Declaration. The Association may bring an action at law against the Member personally obligated to pay the same or foreclose the lien against the property, and interest, costs and reasonable attorney's fees of any such action shall be added to the amount of the assessments. No Member may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Areas or abandonment of his Lot.

ARTICLE XIII

CORPORATE SEAL

The Association may obtain a corporate seal.

ARTICLE XIV

AMENDMENTS

Section 1. These Bylaws may be amended, at a regular or special meeting of the Members, by those persons entitled to cast sixty-seven percent (67%) of the votes in the Association present in person or by proxy, subject to the Department of Housing and Urban Development/Veterans Administration's right to veto any amendments as long as

there is a Class B Membership. In addition, Declarant may amend these Bylaws at the request of the Veterans Administration, the Department of Housing and Urban Development or the Federal National Mortgage Association or to correct clerical or scrivener's errors.

Section 2. In the case of any conflict between the Articles of Incorporation and the Bylaws, the Articles shall control; and in the case of any conflict between the Declaration and these Bylaws, the Declaration shall control.

ARTICLE XV

MISCELLANEOUS

Section 1. 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.

Section 2. Every person who is or shall be or shall have been a director or officer of the Association and his personal representative shall be indemnified by the Association against all costs and expenses reasonably incurred by or imposed upon him in connection with or resulting from any action, suit or proceeding to which he may be made a party by reason of his being or having been a director or officer of the Association or any subsidiary or affiliate thereof, except in relation to such matters as to which he shall finally be adjudicated in such action, suit or proceeding to have acted in bad faith or to have been liable by reason of willful misconduct in the performance of his duty as such director or

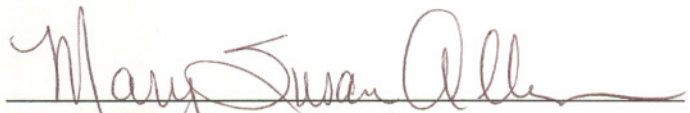
officer. "Costs and expenses" shall include, without limiting the generality thereof, attorneys' fees, damages and reasonable amounts paid in settlement.

CERTIFICATION

I, the undersigned, do hereby certify:

THAT I am the duly elected and acting of Chesnut Oaks Community Association, Inc., a North Carolina corporation, and

THAT the foregoing Bylaws constitute the original Bylaws of the Association, as duly adopted at a meeting of the Board of Directors thereof, held as of the 8th day of February, 2002.


Mary Susan Allen, Secretary