

BYLAWS
OF
SB HOMEOWNERS ASSOCIATION, INC.

ARTICLE I
OFFICES

Section 1. Principal Office. The principal office of the SB Homeowners Association, Inc. (the "Association") shall be located at 4521 Sharon Road, Suite 420, Charlotte, Mecklenburg County, North Carolina 28211.

Section 2. Registered Office. The registered office of the Association required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office.

ARTICLE II
PURPOSE

The Association is a non-profit corporation established pursuant to The North Carolina Non-Profit Corporation Act (the "Act") for the purpose serving the homeowners of Stonebridge Subdivision (the Subdivision") by assisting in achieving certain common goals, including the following:

Section 1. Neighborhood Unification. Enforcement of the Covenants and Restrictions of the Subdivision; maintenance of the integrity and continuity of our neighborhood; achievement of a unified, cohesive neighborhood working for the common good of all Subdivision residents.

Section 2. Architectural Integrity. Maintenance of the original high standards of the development.

Section 3. Equitable Utilities. Evaluation of the needs of the community to promote provision of proper and adequate utilities to Subdivision residents at equitable rates.

Section 4. Health and Safety. Promotion of the protection and safety of our neighborhood in all areas.

ARTICLE III
MEMBERS

Section 1. Membership. Membership in the Association shall be limited to persons who are individuals of legal capacity owning and maintaining their principal residence in the Subdivision.

Section 2. Membership Dues. Membership dues shall be due and payable on January 1 of each year. The initial membership dues shall be established by the Board of Directors. The Board of Directors of the Association (the "Board") may increase the membership dues provided that if the increase is greater than 20%, it shall require a vote of the members in order to pass.

Section 3. Suspension of Membership Rights. If a member fails to pay his dues within 30 days after the date due, he will be placed on inactive status and his membership rights (including the right to vote and hold office) will be suspended. Upon receipt by the Association of full payment of all current and past dues, the said member shall immediately be reinstated as an active member with all of the rights of membership.

Section 4. Rights of Members. Each member shall have the right to vote, subject to the limitations of Article IV, Section 9, on any issue on which a vote is required.

Section 5. Each member may attend all committee meetings, whether or not he is a member of the committee.

(a) Each member may inspect and copy, at a reasonable time and location specified by the Association, on five business days' notice, any of the records of the Association required to be maintained in the Association's office, as described in Article VII, Section 6 of the Bylaws.

(b) Each member is entitled to inspect the accounting records and membership list on five business days' notice provided that such member's demand complies with the requirements of N.C.G.S. Section 55A-16-03. This in no way restricts the member's right to inspect the membership list as described in Article VII Section 7 of these Bylaws.

Section 6. Transferability. Memberships in the Association are non-transferable.

Section 7. Withdrawal. A member may withdraw from membership at any time by communicating to the secretary of the Association his intent to withdraw.

ARTICLE IV MEETINGS OF MEMBERS

Section 1. Place of Meetings. All meetings of members shall be held at the principal office of the Association, or at any other address specified in the notice of meeting.

Section 2. Annual Meeting. The annual meeting of the members shall be held on the second Thursday in September at 8:00 p.m. (or any other date indicated in the notice of meeting) for the purpose of electing directors and any other proper business. Failure to hold the annual meeting on the designated date shall not work a forfeiture or dissolution of the Association.

Section 3. Additional General Meeting. One additional general meeting shall be held on the first Thursday in February at 8:00 p.m. (or any other date indicated in the notice of the meeting) for the purpose of any proper business.

Section 4. Special Meetings. Special meetings of the members may be called at any time by the President or the Board or by the members holding not less than one-tenth of all votes entitled to be cast, pursuant to a written request to the secretary of the Association stating the purpose for which the meeting is to be held.

Section 5. Notice of Meetings. Written notice of the date, time and place of each meeting shall be given at least ten days before the meeting, either in person or by first class mail to each active member. A

notice of general meeting need not state the purpose of the meeting, except it must state matters requiring a vote of the members. A notice of special meeting shall state the purpose for which the meeting is called.

Section 6. Record Date. The Board may fix any future date not more than 70 days before the meeting date as the record date for the purpose of determining members entitled to notice of any meeting of members.

Section 7. Voting Lists. Within two days after notice of any members meeting is given, the Secretary shall prepare a list of active members, showing the address of each member. The list shall be available for inspection by any member at the Association's principal office, from two days after notice of the meeting is given through the meeting, and also at the meeting.

Section 8. Quorum. Presence of one-tenth of the active members, in person or by proxy, shall constitute a quorum. Once a member is represented for any purpose at a meeting, he is deemed present for quorum purposes for the remainder of the meeting. Unless one-third or more of the active members are represented in person or by proxy, the only matters that may be voted on at the annual meeting of the members are those that are described in the notice of meeting.

Section 9. Voting. Each active member shall be entitled to cast one vote; provided that in no event shall more than one vote be cast per residence. If more than one member resides in a residence, they shall exercise the vote for the residence as they among themselves determine. The one vote per residence may not be split.

Section 10. Proxies. A member may vote either in person or by written proxy executed by the member or by his duly authorized attorney-in-fact. A proxy is valid for 11 months from the date of its execution, unless the person executing it specifies otherwise thereon.

ARTICLE V DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by the Board of Directors (the "Board") or by such committees as the Board may establish pursuant to these Bylaws.

Section 2. Number, Term, and Qualification. The number of directors of the Association shall be five, who must all be members of the Association. A director shall serve for one year or until his death, resignation or removal.

Section 3. Election of Directors. Except as provided in Article V Section 6, directors shall be elected by the members at each annual meeting according to the following procedures:

(a) 30 days prior to the annual meeting, a nominating committee made up of the President, Vice-President and three members selected by the Board, shall distribute to the members a slate of directors which they have chosen;

(b) At the meeting, the President shall briefly review the provisions of the Bylaws related to voting and the Secretary shall read the slate of directors chosen by the nominating committee.

(c) The floor will then will be open for active members to make nominations. No member may be nominated without his permission. After nominations are closed, each nominee shall be permitted to address the members for five minutes;

(d) If there are no floor nominations, a voice vote may be taken for the slate of directors;

(e) If there are nominations from the floor, a secret ballot will be taken: the President will appoint two members who are not nominees to distribute, collect and count the ballots, which shall be provided by the Secretary;

(f) The candidates receiving the five highest amounts of votes shall be deemed to have been elected and shall take office at the close of the meeting.

Section 4. Removal. A director may be removed from office with or without cause by a vote of members taken at a meeting, the notice of which states that a purpose of the meeting is removal of the director. He shall be removed if the number of votes to remove him exceeds the number of votes not to remove him.

Section 5. Resignation. A director may resign at any time by communicating his resignation to the Board.

Section 6. Vacancies. A vacancy in the Board may be filled by a vote of the majority of remaining directors, though less than a quorum. The members may elect a director to fill a vacancy not filled by the directors.

Section 7. Number. The number of directors may be increased or decreased by amendment to the Bylaws.

Section 8. Committees. The Board may, by majority vote, create any committees it deems appropriate. Each committee shall have no less than two members. The Board may give a committee the power to exercise the Board's authority except not the authority to approve distributions or dissolution, elect directors or amend or repeal the Bylaws or Articles of Incorporation.

ARTICLE VI MEETINGS OF DIRECTORS

Section 1. Regular Meetings. The annual meeting of the Board shall be held immediately after the annual meeting of members. The Board shall hold at least one additional regular meeting annually, the time and place of which the Board shall establish at its annual meeting.

Section 2. Special Meetings. Special meetings of the Board may be called by the President or any two directors.

Section 3. Notice of Meetings. At least ten days prior to each Board meeting, the Secretary shall give notice of the meeting in person or by first class mail and shall, in the case of special meetings, include the purpose of the meeting in the notice. Special meetings shall be limited to consideration of the matters contained in the notice.

Section 4. Presumption of Assent. A director who is present at a meeting of the Board shall be presumed to have assented to the action taken unless his contrary vote is recorded or his dissent is otherwise entered in the minutes of the meeting.

Section 5. Quorum. The directors present at the meeting shall constitute a quorum provided, however, that a quorum shall not consist of less than one-third of the number of directors fixed by these Bylaws.

Section 6. Meetings Via Electronic Means. A director may participate in any Board or committee meeting by conference call or by other means by which all persons participating in the meeting can simultaneously hear each other, and such participation shall constitute presence at the meeting.

Section 7. Action Without Meeting. Action taken by a majority of the directors without a meeting is Board action if written consent to the action is signed by all directors and filed with the minutes of the Board. The action shall be effective when the last director signs the consent, unless the consent specifies a different effective date.

ARTICLE VII OFFICERS

Section 1. Number. The Association shall have a President, Vice President, Secretary, Treasurer and Officer at Large; and the Board may elect from time to time such other officers as it deems desirable. Any two or more offices may be held by the same person, but no individual may act in more than one capacity where action of two or more officers is required.

Section 2. Election and Term. The officers shall be elected by the Board at the board meeting immediately following the annual meeting of members. All officers must be members of the Association; the President and Vice President must be Board members; the other officers may but need not be Board members. Each officer shall hold office for a period of one year or until his death, resignation or removal. A person who has for two successive years served as President or Vice President, or both, is barred from serving as President or Vice President for at least one year.

Section 3. Removal. The Board may remove any officer at any time with or without cause.

Section 4. President. The President shall be the principal executive officer of the Association and, subject to the direction of the Board, shall supervise and control the management of the Association. He shall preside at all meetings of members and directors and, in general, perform all duties incident to his office.

Section 5. Vice President. In the absence of the President or in the event of his inability or refusal to act, the Vice President, shall perform the duties and exercise the powers of the President.

Section 6. Secretary. The Secretary shall give all notices required by law and by the Bylaws. He shall have general charge of the Association's seal, and he shall affix it to any lawfully executed instrument requiring it. He shall sign such instruments as may require his signature, and shall perform all other such duties incident to his office.

(a) The Secretary shall keep the minutes of all meetings of the Board or the members. He shall prepare an accurate record of the acts and decisions of the Board and the affairs of the Association and shall present a statement thereof at the annual meeting of members.

(b) The Secretary shall keep or cause to be kept the following records of the Association at the principal office of the Association: (i) the Association's Articles of Incorporation and all amendments to them; (ii) the Association's Bylaws and all amendments to them; (iii) resolutions adopted by the Board relating to the number, characteristics, rights or obligations of members and directors; (iv) the minutes of member meetings, records of all action taken by members without a meeting, written communications to members, and financial statements, all for the past three years; (v) a list of the names and business and home addresses of the Association's current directors and officers; (vi) the Association's most recent annual report delivered to the Secretary of State; and (vii) any other records required to be kept by the Act.

Section 7. Treasurer. The Treasurer shall receive and have custody of all the Association's funds, and deposit or disburse the same at the direction of the Board. He shall keep full and accurate accounts of the finances of the Association in books especially provided for that purpose. He shall prepare an annual budget and mail it to all active members no less than 30 days before the annual meeting. He shall prepare and file all reports and returns required by law and generally perform all other duties incident to his office.

Section 8. Officer at Large. The Officer at Large shall perform any duties as may be assigned to him from time to time by the President or the Board.

ARTICLE VIII CONTRACTS, LOANS AND DEPOSITS

Section 1. Contracts. The Board may authorize any officer to enter into any contract or execute and deliver any instrument on behalf of the Association, and such authority may be general or specific.

Section 2. Loans. No loans shall be contracted on behalf of the Association and no evidence of indebtedness shall be issued in its name unless authorized by a resolution of the Board.

Section 3. Checks and Drafts. All checks or other orders for the payment of money issued in the name of the Association shall be signed by such officer of the Association and in such manner as the Board shall determine.

Section 4. Deposits. The funds of the Association shall be deposited from to the credit of the Association in such depositories as the Board may select.

ARTICLE IX DISTRIBUTIONS

Section 1. Prohibited Distributions. Except as provided in this Article, the Association shall not make any distributions. For purposes of this Article, a distribution is a transfer of money or property or an incurrence of indebtedness to or for the benefit of the members, directors or officers.

Section 2. Authorized Distributions. The Association may pay reasonable amounts to its members, directors, or officers for services rendered or other value received.

(a) Subject to the provisions of subsection (b) of this section, the Association may make distributions to any corporation or to any entity exempt under Section 501(c)(3) of the Internal Revenue Code of 1986 or any successor section ("Section 501") that upon dissolution shall distribute its assets to a charitable entity, the United States, a state or an entity exempt under Section 501.

(b) The Association shall not make any distribution under subsection (a) of this section if at the time of or as a result of such distribution (1) the Association would not be able to pay its debts as they become due; or (2) the Association's total assets would be less than the sum of its total liabilities.

ARTICLE X GENERAL PROVISIONS

Section 1. Waiver of Notice. When notice is required to be given under the provisions of the Act or the Bylaws, the person entitled to notice may waive notice by filing a signed waiver in the Association's records, whether before or after the time stated. Attendance by such person at a meeting will waive the requirement of notice unless he objects promptly upon his arrival at such meeting and refrains from voting for assent to action taken at such meeting.

Section 2. Fiscal Year. Unless otherwise fixed by the Board, the fiscal year of the Association shall begin January 1 and end on December 31 of each year.

Section 3. Amendments. Except as otherwise provided in the Act or the Bylaws, the Articles of Incorporation and Bylaws may be amended by the affirmative vote of a majority of the directors then holding office at any regular or special meeting of the Board.

Section 4. Seal. The corporate seal of the Association shall consist of two concentric circles between which is the name of the Association and the words "North Carolina" or the letters "N.C." and in the center of which is inscribed the words "Corporate Seal."

Section 5. Gender. The use of the male gender in the Bylaws is for convenience only and should be read to include both men and women.

Section 6. Procedures. All meetings of the Association shall be governed by Roberts Rules of Order.

Section 7. Indemnification. The Association shall indemnify to the extent allowed by law any person who at any time has served as director, officer or agent of the Association in the event he is made, threatened to be made, a party to any threatened or actual suit or proceeding, any appeal therein, and any inquiry that could lead to such suit or proceeding, seeking to hold him liable by reason of the fact that he is or was acting in such capacity.

(a) The indemnification shall, to the extent allowed by law, cover (a) reasonable expenses including attorney's fees actually and necessarily incurred in connection with the suit or proceeding; (b) reasonable payments made by him in satisfaction of any judgment, settlement or penalty for which he may have become liable in such suit or proceeding, and (c) reasonable expenses incurred in enforcing the rights provided herein.

(b) The Association shall not indemnify any person against expense or liability incurred (a) on account of activities which at the time taken he knew or believed to be unlawful or clearly not in the best interest of the Association; (b) as a result of any improper benefit realized by him; or (c) in connection with an action by the Association in which the Director was adjudged liable to the Association.

(c) Anyone who at any time after the adoption of this Bylaw serves the Association in any of the aforesaid capacities shall be deemed do so in reliance upon and as consideration for, the right of indemnification provided herein. The rights provided in this Bylaw shall inure to the benefit of the representatives of any such person and shall not be exclusive of any other rights to which such person may be entitled apart from this Bylaw. Repeal or modification of the Bylaw shall not affect any right or obligation existing when it was repealed or modified.

(d) The Board shall take all action necessary to authorize the Association to pay the indemnification required by this Bylaw, including making a good faith evaluation of the manner in which the claimant for indemnity acted and of the reasonable amount of indemnity due him.

(e) The Board has explicit authority to purchase liability insurance in furtherance of this Bylaw.