

**BY-LAWS
OF
STERLINGSHIRE HOA, INC.**

ARTICLE I

NAME AND LOCATION

The name of the corporation is Sterlingshire HOA, Inc. (hereinafter referred to as the "Association"). The principal office of the corporation shall be 221 Jonestown Avenue, Winston-Salem, North Carolina 27104; but meetings of the members and directors may be held at such places within the State of North Carolina as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. The definitions set forth in Article I, "Definitions", in the Declaration of Covenants Conditions, Reservations and Restrictions for Sterlingshire, as same may be amended, recorded in the Guilford County Registry, are incorporated herein by reference. (Declaration)

Section 2. "Bylaws" means the Bylaws of the Association as they now or hereafter exist.

Section 3. "Manager", if any, shall mean and refer to the 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. Such manager may be given the authority to pay routine expenses of the Association from the Association's checking account under the manager's signature in accordance with a resolution of the Board.

Section 4. "Person" shall mean and refer to any individual, corporation, partnership, association, trustee, or other legal entity.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings: The lots are under development and therefore the date of the first annual meeting of the Members will be determined by the Board of Directors and inserted here when a reason exists for a meeting. First meeting will be held on the second _____ in _____, 200__ and each subsequent meeting of the Members shall be held on the second _____ of _____ of each year thereafter, at the hour designated in the notice of meeting. If the day for the annual meeting of Members is a legal holiday, the meeting will be held at the same hour on the first date following which is not a legal holiday.

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 the written request of the Members who are entitled to vote one-fourth (1/4) of the outstanding votes of the membership.

Section 3. Notice of Meetings: Written notice of each meeting of the Members shall be given by, or at the discretion of the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least thirty (30) days and not 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 for purpose of notice. Such notice shall specify the place, day and hour of the meeting and in the case of a special meeting, the purpose of said meeting. 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. Provided if the Declaration or the North Carolina Planned Community Act requires a different notice then such required notice shall control.

Section 4. Quorum: The presence at the meeting of the Members, in person or by proxy, entitled to cast ten percent (10%) of the votes of the membership shall constitute a quorum for any action except as otherwise provided in the Articles of Incorporation, the Declaration or these Bylaws. If, however, the required quorum shall not be present or represented at any meeting, the members entitled to vote thereat shall have the power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum as aforesaid shall be present or represented. Provided if a greater or lesser number is required by the Declaration or the North Carolina Community Development Act then the requirements of the greater of the same shall control. If a certain percentage other than a simple majority of the members present constituting a quorum then the approval may be obtained by securing the additional required approvals from the members in writing to meet the percentage necessary.

ARTICLE IV

BOARD OF DIRECTORS: SELECTION: TERM OF OFFICE

Section 1. Number: The affairs of this Association shall be managed by a Board of not fewer than three (3) nor more than five (5) directors, who need not be members of the Association. The initial Board shall consist of three (3) directors designated by the Declarant. The initial Directors shall serve until their successors are chosen.

Section 2. Term of Office: At or within ten (10) days after the each annual meeting, subject to the right Declarant has to appoint directors a majority of the Directors, the members shall elect the number of Directors allowed herein. One-half (as near as possible) of the Directors so elected shall serve for a term of one (1) year and the remaining Directors elected shall serve for a term of two (2) years. Those candidates receiving the largest number of votes shall serve for a term of two years. The term of Directors, thereafter elected, shall be for two (2) years, except as otherwise provided herein. All directors shall serve until their successors have been duly elected and qualified.

Section 3. Removal: Subject to the right of the Declarant's right to reappoint a vacancy of a director appointed by it, any director 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, subject to the Declarant's right to reappoint, shall be selected by the

remaining members of the Board and shall serve for the unexpired term of his predecessor and until his or her successor is elected.

Section 4. Compensation: No director shall receive compensation for any service 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 and may be paid if employed by the Directors for work to be performed outside of the duties of a Director.

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 V

NOMINATION AND ELECTION OF DIRECTORS

Section 1. Nomination: 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 of the Members, to serve from the close of such annual meeting 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, which initially will be the number remaining following the Declarant's appointments. Such nominations may be made from among members or non-members.

Section 2. Election: Subject to any right the Declarant has to appoint directors, election to the Board of Directors shall be by secret written ballot, unless there is no dissenting voice vote to waive such requirement. 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 VI

MEETINGS OF DIRECTORS

Section 1. Regular Meetings: Regular meetings of the Board of Directors may be held monthly without notice, at such place and hour as may be fixed from time to time by resolution 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. If the Board elects not to have regular meetings due to lack of business for the Board to consider, then the meetings shall follow the notice required for special meetings.

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.

Section 3. Quorum: A majority of the number of directors shall constitute a quorum for the transaction of business. Every act done or decision 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.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers: The Board of Directors shall have the following powers:

(a) Formulate rules and regulations governing the use of the common Area and facilities, and the personal conduct of the Members and their guests thereon, and to establish penalties for the infraction thereof which shall be submitted to the members at a special or annual meeting for adoption or rejection.

(b) Suspend the voting rights and the right of the use of the facilities of a Member, excluding access to the property of a member, during any period in which such member shall be in default in the payment of any assessment levied by the Association. Such rights may also be suspended after notice and hearing for a period not to exceed sixty (60) days for infraction of the published rules and regulations or in accordance with the membership approved rules, regulations and enforcement. An opportunity for a hearing shall be afforded a member prior to suspension.

(c) Exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership. The Board may enforce, by any legal means, the provisions of the Declaration, the By-Laws, the Architectural Review Board and the Rules and Regulations governing the conduct of the Members.

(d) Declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three (3) consecutive meetings of the Board of Directors.

(e) Employ a manager, an independent contractor or such other employees as they deem necessary and to prescribe their duties, however such contracts shall not be binding for more than one year, unless approved by the membership and may be terminated on 90 days notice without cause;

(f) Contract with any Person to maintain the Common Area;

(g) Procure adequate insurance, including hazard insurance, if needed, for common areas and facilities, directors liability insurance, and such other insurance as it shall deem necessary and appropriate; and include the cost of such insurance in the annual assessment of the members.

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

(a) Cause to be kept a complete record of all its acts and corporate affairs and to present

an overview statement thereof to the Members at the annual meeting of the Members or at any special meeting when such statement is requested in writing by one-fourth of the outstanding total vote of members who are entitled to vote;

(b) Supervise, or provide for such, all officers, agents and employees of the Association, and to see that their duties are properly performed, a part of which may be delegated to a manager or committees.

(c) As more fully provided in the Declaration, to:

(1) Establish a recommended budget for the annual assessment against each Lot at least thirty (30) days in advance of each annual assessment period, or when they deem necessary, for presentation to the membership at the annual or a special meeting for approval.

(2) Send written notice of each change in the assessment amounts to every Owner subject thereto;

(3) File liens against any property for which assessments have not been paid within thirty (30) days after the due date and prosecute the collection thereof, with the Board having discretion to withhold immediate prosecution in the event a member is in good faith attempting to bring the assessments current, but is having a reasonable and understandable difficulty.

(d) Issue, or cause an appropriate officer to issue, upon demand by any interested person, a certificate setting forth whether or not any assessment has been paid for a lot. A reasonable charge may be made by the Board for the issuance of these certificates if requested by a non member. If a certificate states that an assessment has been paid, such certificate shall be conclusive evidence of such payment;

(e) Procure and maintain adequate insurance on property owned by the Association;

(f) Obtain such bonds for persons having fiscal responsibilities as it may deem appropriate;

(g) Cause the Common Area to be maintained;

(h) Appoint such committees as are provided for in these Bylaws and/or the Declaration, and such other committees as shall be appropriate, desirable or necessary for the proper administration and performance of the Association; and

(i) Exercise their powers in good faith and do and perform such other matters and things not expressly prohibited by law, the Master Declaration, if any, or these Bylaws as are necessary and appropriate to the proper administration, operation, and maintenance of the Association and the Property.

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 members of the Board of Directors, a secretary, a treasurer and such other officers as the Board may create from time to time by resolution.

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

Section 3. Term: The officers of the Association shall be elected annually by the Board and each shall hold office for the (1) year or until his or her successor is elected unless he shall sooner resign or shall be removed or otherwise 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 such 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 with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, through 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 remaining members of the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 7. Multiple Officers: 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 of the Association are as follows:

PRESIDENT

(a) The president shall preside at all meetings of the Board of Directors; shall see that orders and resolutions of the Board are carried out; shall sign all leases, mortgages, deeds and other written instruments; and shall co-sign all checks which the Board has not approved for the manager or treasurer to sign alone to pay routine bills by resolution of the Board specifying those so payable.

VICE-PRESIDENT

(b) The vice-president shall act in the 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

(c) 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.

TREASURER

d) 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; 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 a public accountant at the completion of each fiscal year if directed to by the Board; and shall prepare an annual budget and a statement of income and expenditures to the Board for consideration and amendment for presentation to the membership at its annual meeting.

ARTICLE IX

COMMITTEES

Subject to the Declarant's right to appoint, the Board of Directors shall appoint an Architectural Control Committee as provided by the Declaration, and a Nominating Committee as provided by the Bylaws. In addition, the Board of Directors shall appoint such other committees as deemed appropriate in carrying out its purposes.

ARTICLE X

BOOKS AND RECORD

The books and records of the Association shall at all times and during reasonable business hours be subject to inspection by any Member by appointment. 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 a reasonable cost.

ARTICLE XI

ASSESSMENTS

As more fully provided in the Declaration, each Member is obligated to pay to the Association annual 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 when due shall be delinquent. If the assessment is not paid within thirty (30) days after the due date, the assessment shall bear interest from the date of delinquency at the rate of ten (10%) percent per annum, and the Association may bring an action at law against the Owner personally obligated to

pay the same and/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 such assessment. No Owner may waive or otherwise escape liability for the assessments provided for herein by non-use of the Common Area or abandonment of his lot. The Board has discretion as herein before stated when a member is acting in good faith but is in arrears.

ARTICLE XII

CORPORATE SEAL

The Association shall have a seal in circular form having within its circumference the words: Sterlingshire HOA, Inc.

ARTICLE XIII

AMENDMENTS

Section 1. These Bylaws may be amended at a regular or special meeting of the Members, by a vote of a majority of members present in person or by proxy at which a quorum is present (provided a greater number or percentage is not required by the Declaration, these By Laws or the law of North Carolina, in which event the greater number or percentage shall be required), provided the notice of such meeting shall state the proposed amendment to be voted on in a reasonable manner to give notice thereof. Provided so long as there is a Class B member(Declarant) or if there is not a Class B member but Declarant owns more than 25% of the lots or units HUD/VA, shall have the right to veto amendments made to these By-Laws or the Declaration.

The Articles of Incorporation and the Declaration may not amended without the vote of at least two thirds of the Members and no amendment of these By-Laws, or the Articles of Incorporation or the Declaration shall take any right reserved to the Declarant until such time as the right is release by Declarant or as it terminates as stated in the Associations documents or in any event on a day not exceeding ten years from the date of the recording of the Declaration.

ARTICLE XIV

QUORUM

At the annual meeting or special meeting called the presence at the meeting of members in person or by proxy entitled to cast ten percent (10%) of the total votes of the membership provided for in the Declaration 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 the Declaration, and the required quorum at any such subsequent meeting shall be one half of the required quorum at the preceding meeting. No such subsequent meeting shall be held more than sixty (60) days following the preceding meeting.

All matters brought before a meeting shall require the vote of a simple majority of the members vote when a quorum is present unless the Articles of Incorporation and/or the Declaration,

and/or these By Laws and/or the North Carolina Planned Community Act requires a greater vote.

Votes may be cast in person or by proxy. A Member may designate any person who need not be a Member to act as proxy. The designation of any such proxy shall be made in writing, signed by the Member, and shall be revocable at any time by appearance of the Member at a meeting and so revoking the proxy or by written notice to the Secretary by the Member designating the proxy. The proxy shall not be valid for more than eleven(11) months and shall terminate upon the sale of the lot.

ARTICLE XV

ORDER OF BUSINESS

The order of business at all meetings of the Members shall be, to the extent required, as follows:

- (a) Roll call;
- (b) Proof of notice of meeting or waiver of notice;
- (c) Reading of minutes of the preceding meeting or waiver of such reading;
- (d) Reports of officers;
- (e) Report of the Board of Directors;
- (f) Report of committees;
- (g) Election of member of the Board of Directors;
- (h) Unfinished business;
- (i) New Business;
- (j) Adjournment.

At all meetings of the Members or of the Board of Directors, Roberts' Rules of Order, as to such date amended, shall be followed except in the event of conflict with these By-Laws or the Declaration.

ARTICLE XVI

MISCELLANEOUS

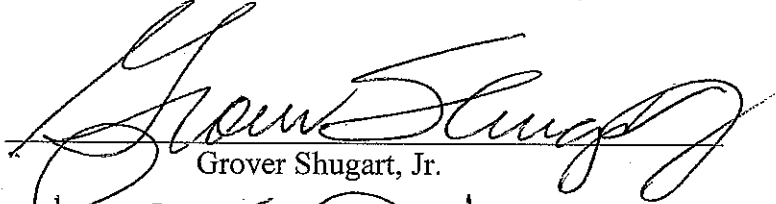
Section 1. Fiscal Year: The fiscal year of the association shall begin on the first (1st) day of January and end on the thirty-first (31st) day of December of every year; except that the first fiscal year shall begin on the date of incorporation or later when the first activity of the Association begins.

Section 2. Earnings: No part of the net earnings of the Association shall inure to the benefit of its members, directors, officers, or other persons except that the Association shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the exempt purposes of the Association.

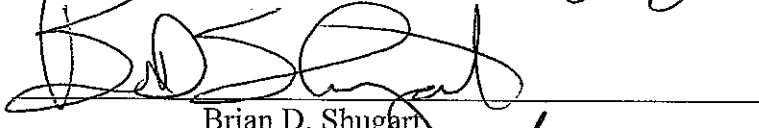
Section 3. Conflicts: In the event these by laws conflict with the Declaration then the Declaration shall control. It is not intended that these By-Laws, the Declaration or other

Association documentation conflict with the NC Planned Unit Development Act and these By laws are expanded to included items covered by the said Act which are not stated in or covered by the Association documents.

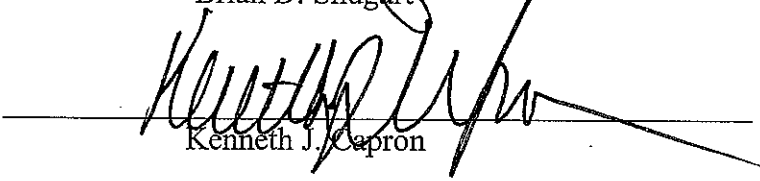
IN WITNESS WHEREOF, we, being all of the Directors of the Association have adopted these By-Laws as evidenced by our signatures hereunto this the 7 day of July, 2005.



Grover Shugart, Jr.



Brian D. Shugart



Kenneth J. Capron