

BY-LAWS OF
STERLING ESTATES HOMEOWNERS ASSOCIATION, INC.

ARTICLE I

NAME AND LOCATION

The name of the corporation is Sterling Estates Homeowners Association, Inc., hereinafter referred to as the "Association." The principal office of the corporation shall be located at 8291 Warren Abernathy Highway, Spartanburg, South Carolina 29301, but meetings of members and directors may be held at such place within the State of South Carolina, County of Spartanburg, as may be designated by the Board of Directors.

ARTICLE II

DEFINITIONS

Section 1. "Association" shall mean and refer to Sterling Estates Homeowners Association, Inc., its successors and assigns.

Section 2. "Properties" or "Sterling Estates" shall mean and refer to the real property described in the General Declaration of Covenants and Restrictions of Sterling Estates, Inc., as amended from time to time, and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 3. "Community Common Properties" or "Common Area" shall mean all real property owned by the Association for the common use and enjoyment of the Owners.

Section 4. "Residential Lot" or "Lot" shall mean any unimproved parcel of land located within the properties, with the exception of the Community Common Properties, which is intended for use as a site for a single family detached dwelling shown upon any final subdivision map of any part of the properties.

Section 5. "Owner" shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to any Lot which is a part of the Properties, including contract sellers, but excluding those having such interest merely as security for the performance of an obligation.

Section 6. "Declarant" or "Developer" shall mean and refer to Sterling Investors, LLC (Sterling Investors, LLC has succeeded to the interests of Sterling Estates, Inc., the original Declarant), and its successors and assigns, if such successors or assigns should acquire more than one undeveloped Lot from the Declarant for the purpose of development.

Section 7. "Declaration" shall mean and refer to the General Declaration of Covenants and Restrictions of Sterling Estates, Inc., as amended from time to time, applicable to the Properties and recorded in the Office of the Register of Deeds for Spartanburg County, South Carolina.

Section 8. "Member" shall mean and refer to those persons entitled to membership as provided in the Declaration – which generally consists of the owner of every lot in Sterling Estates.

ARTICLE III

MEETING OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held within one (1) year from the date of Incorporation of the Association, and each subsequent regular annual meeting of the Members shall be held on approximately the same day of the same month of each year thereafter, at the hour of 7:00 o'clock p.m., as determined by the Board of Directors. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day following which is not a legal holiday. All meetings of Members shall be conducted according to the most current edition of Robert's Rules of Order.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board of Directors, or upon written request of the Members who are entitled to vote one-fourth (1/4) of all of the votes of the Members.

Section 3. Notice of Meetings. Written notice of each meeting of the Members shall be given by, or at the direction of, the secretary or person authorized to call the meeting, by mailing a copy of such notice, postage prepaid, at least fifteen (15) 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, in the case of a special meeting, the purpose of the meeting.

Section 4. Quorum. The presence of the meeting of Members entitled to cast, or of proxies entitled to cast, one-tenth (1/10) 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 By-Laws. If, however, such quorum shall not be present or represented at any meeting, the Members entitled to vote thereat shall have 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 be represented.

Section 5. Proxies. At all meetings of Members, each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Association not later than noon on the day of the meeting. Every proxy shall be revocable and shall automatically cease upon conveyance by the member of his or her Lot.

Section 6. Voting. Members shall have such voting rights as are described in and consistent

with the Declaration, which is incorporated herein by reference thereto. The Declarant shall be entitled to two (2) votes for each lot it owns and all other owners shall be entitled to one (1) vote for each lot owned, regardless of the number of lots used to create one residence. When title to a lot is vested in two or more persons jointly, the vote shall be exercised as they among themselves determine but in such case not more than one (1) vote shall be cast per lot owned.

ARTICLE IV

TERM OF OFFICE

Section 1. Number. The affairs of this Association shall be managed by a Board of five (5) directors, who need not be Members of the Association. Provided, however, that the initial Board of Directors shall consist of three (3) directors, who are elected and replaced solely by the Declarant notwithstanding any other provision hereunder, and who shall manage the affairs of the Association until the last lot is sold or, if sooner, such time when the Declarant chooses to turn control of this Association over to the residents of Sterling Estates.

Section 2. Term of Office. At the first annual meeting after the Declarant has turned control of the Association over to the Members, the Members shall elect three (3) directors to serve for a period of two (2) years and two (2) directors to serve for a period of one (1) year. In subsequent years all director positions shall be elected for two (2) year terms.

Section 3. Removal. After the Declarant chooses to turn control of this Association over to the residents of Sterling Estates, 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 or her successor shall be selected by the remaining Members of the Board and shall serve for the unexpired term of his or her 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 or her actual expenses incurred in the performance of his or her 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 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. Such nominations may be made from among Members or non-Members.

Section 2. Election. Election to the Board of Directors 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 VI

MEETING OF DIRECTORS

Section 1. Regular Meetings. Regular meetings of the Board of Directors shall 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.

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 or decision done or made by a majority of the directors present at a duly held meeting at which a quorum is present shall be regarded as the act of the Board.

ARTICLE VII

POWERS AND DUTIES OF THE BOARD OF DIRECTORS

Section 1. Powers. The Board of Directors shall have power to:

- (a) adopt and publish 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;

(b) suspend the voting rights and right to use of the recreational facilities 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 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 By-Laws, the Articles of Incorporation, or the Declaration;

(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 regular meetings of the Board of Directors; and

(e) employ a manager, an independent contractor, or such other employees as they deem necessary, and to prescribe their duties.

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

(a) cause to be kept a complete record of all its acts and corporate affairs and to present a 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 (1/4) 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 assessment and any other assessment permitted by the Declaration against each Lot; provided, however, that the Board may increase the annual assessment by not more than fifteen (15%) percent in any one year, and if the Board wishes to increase the annual assessment by a greater amount, the Board shall submit the proposal to the Members at a meeting for authorization thereby;

(2) send written notice of each assessment to every 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 the due date or to bring an action at law against the owner personally obligated to pay the same;

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

(e) procure and maintain adequate liability and hazard insurance on property owned by the Association;

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

(g) cause the Common Area and the exterior of the residences to be maintained.

Section 3. Indemnity. The Association shall indemnify any Director or officer or former Director or officer of the Association against expenses actually and necessarily incurred by him in connection with the defense of any action, suit, or proceeding in which he is made a party by reason of being or having been such Director or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceeding to be liable for negligence or misconduct in the performance of duty.

ARTICLE VIII

OFFICERS AND THEIR DUTIES

Section 1. 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 2. Term. The officers of this Association shall be elected annually by the 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 3. Special Appointments. The Board may elect such other officers as the affairs of the Association may require, each of whom shall hold office for such period, have such authority, and perform such duties as the Board may, from time to time, determine.

Section 4. Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time giving written notice to the Board, the President or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein, and unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office may be filled by appointment by the Board. The

officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6. Multiple Offices. The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices, except in the case of special offices created pursuant to Section 3 of this Article.

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

President

(a) The President shall preside at all meetings of the Association Membership; shall see that orders and resolutions of the Board are carried out.

Vice-President

(b) 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 or her by the Board.

Secretary

(c) The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Members; serve notice of meetings 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 copies of the financial reports provided by the management company, or any other person or entity charged with that duty, that collects all dues and pays invoices and report same to the Membership on an annual basis.

ARTICLE IX

COMMITTEES

The Declaration provides for an Architectural Control Committee (also known as the Architectural Committee) established by the Declarant, at such time and in such manner and with such powers as is provided in greater specificity in the Declaration, and certain Architectural Committee rights for Phase II may have been assigned by the Declarant to others. If or to the extent Architectural Committee powers or duties should ever be assigned to the Association, then the Association shall appoint an Architectural Committee, at such time, and in such manner, and with such duties and powers as is provided with greater specificity in the Declaration and any assignment. The Board of

Directors shall appoint a Nominating Committee as provided in these By-Laws. In addition, the Board of Directors shall appoint other committees as deemed appropriate in carrying out its purpose.

ARTICLE X

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. The Declaration, the Articles of Incorporation and the By-Laws 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 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 one and one-half (1 1/2%) percent per month or the legal rate of interest, whichever is less, and the Association may bring an action at law against the Owner 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 such assessment. No Owner may waive or otherwise escape liability for the assessments provided for therein by non-use of the Common Area or abandonment of his Lot.

ARTICLE XII

AMENDMENTS

Section 1. The initial Board of Directors shall consist of three (3) directors, who are elected and replaced solely by the Declarant, and such Board selected by the Declarant shall be exclusively authorized to amend the By-Laws until the last lot is sold or, if sooner, such time when the Declarant chooses to turn control of this Association over to the residents of Sterling Estates, and after the Declarant turns control of this Association over to the residents of Sterling Estate, then these By-Laws may be amended, at a regular or special meeting of the Members, by a vote of a majority of a quorum of Members present in person or by proxy, except that the Federal Housing Administration or the Veterans Administration shall have the right to veto amendments while the Declarant remains in control of the Association.

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

By-Laws, the Declaration shall control

ARTICLE XIII

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. Rules regarding the rights and obligations of Members, as well as rules regarding the Association, are stated in the Declaration, which Declaration is hereby incorporated by reference and by such act the Declaration, as it may be amended from time to time, is expressly made a part of these Bylaws.

These By-Laws are hereby certified to be the By-Laws of the Corporation

STERLING ESTATES HOMES ASSOCIATION, INC
By: [Signature]
Its: President