

BY-LAWS
OF
STONEBAY TOWNHOMES HOA, INC.,
A NON-PROFIT CORPORATION

ARTICLE I.

PURPOSE, APPLICABILITY AND OFFICES

Section 1. Purpose. This Corporation (hereinafter referred to as the "Association") has been organized for the following purposes: 1) to oversee, inspect, maintain, repair and replace the Stormwater Management Facilities constructed pursuant to the stormwater permit issued by the North Carolina Department of Environment and Natural Resources, Division of Water Quality (the "Permit"); (2) to enforce the provisions of the Permit; (3) to enforce each Lot owner's obligations with respect to the Stormwater Management Facilities pursuant to the Declaration of Restrictive and Protective Covenants for the STONEBAY TOWNHOMES subdivision (as shown on any plat recorded in the Onslow County Registry) to be recorded in the Onslow County Registry, as may be amended (the "Declaration"); (4) to enforce each Lot owner's obligations with respect to all applicable North Carolina Sedimentation and Erosion Control Permits; said authority to be exercised, if and only if, and when and only when, the Permit is transferred to the Association; (5) to inspect, maintain, repair and replace any improvements constructed or located upon or under the septic system easements, if any, and off-site septic systems, if any, in accordance with the Declaration for the STONEBAY TOWNHOMES subdivision to be recorded in the Onslow County Registry; (6) to inspect, maintain, repair and replace any improvements constructed or located upon the Common Areas; (7) to establish rules and regulations concerning the use and enjoyment of the facilities situated in the Common Areas; (8) to inspect, maintain, repair and replace signs and landscaping located within any Sign Easement in the STONEBAY TOWNHOMES subdivision; (9) to inspect, maintain, repair and replace fences located within any Fence Easement in the STONEBAY TOWNHOMES subdivision, and (10) to maintain the Lots upon which dwellings have been constructed in a clean and slightly condition, including, but not limited to, the right and easement to mow, or have mowed, the grassed areas of all Lots to a height consistent with the height of other Lots constituting portions of the STONEBAY TOWNHOMES subdivision.

Section 2. Applicability of Bylaws. The provisions of these Bylaws are applicable to the subdivision known and designated as "STONEBAY TOWNHOMES" as shown on any plat or plats thereof on the records of the Register of

Deeds of Onslow County, North Carolina, and to the use and occupancy thereof. All present and future Owners, Mortgagees, lessees and occupants of Lots and their employees, invitees, licensees and guests, and any other persons who may use or occupy the facilities of the Association in any manner, are subject to the Declaration, these Bylaws and any rules and regulations made pursuant hereto and any amendment to these Bylaws upon the same being passed. The acceptance of a deed of conveyance or the entering into a lease or the act of occupancy of a Lot shall constitute an agreement that these Bylaws (and any rules and regulations made pursuant hereto) and the provisions of the Declaration, as they may be amended from time to time, are accepted, ratified and will be complied with.

Section 3. Principal Office. The principal office of the Corporation shall be initially located at 121 Garnet Lane, Jacksonville, Onslow County, North Carolina.

Section 4. Registered Office. The registered office of the Corporation required by law to be maintained in the State of North Carolina may be, but need not be, identical with the principal office. The initial registered office of the Corporation shall be 121 Garnet Lane, Jacksonville, North Carolina 28546.

Section 5. Definitions. All terms as defined in the Declaration or Chapter 47F of the North Carolina General Statutes shall have the same meaning herein, except when the context otherwise specifies or requires.

ARTICLE II.

LOT OWNERS/MEMBERS

Section 1. Membership. Each Lot Owner shall be a member of the Association and no other person or entity shall be entitled to membership.

Section 2. Place of Meetings. All meetings of the members shall be held at the principal office of the Corporation, or at such other place, either within or without the State of North Carolina, as shall be designated on the notice of the meeting or agreed upon by a majority of the Lot Owners entitled to vote thereat.

Section 3. Annual Meetings. The annual meeting of the members shall be held at least once a year. The annual meeting shall be held on such date and time as may be determined on an annual basis by the Board of Directors and stated in the notice of such members' meeting. The annual meeting of members shall be held for the purpose of electing directors of the Association, and for such other purposes as may be included in the notice of such meeting.

Section 4. Special Meetings. Special meetings of the members may be called at any time by the Board of Directors or at least ten percent (10.0%) of the members of the Association.

Section 5. Notice of Meetings. Written or printed notice stating the time and place of the meetings shall be delivered not less than twenty (20) nor more than sixty (60) days before the date of any members' meeting, either personally or by mail, by or at the direction of the President or Secretary to each member entitled to vote at such meeting.

In case of a special meeting, the notice of meeting shall specifically state the purpose or purposes for which the meeting is called.

Section 6. Quorum. The presence in person or by proxy at any meeting of the members having **ten percent (10.0%)** of the total votes shall constitute a quorum. If there is no quorum at the opening of the meeting of members, such meeting may be adjourned from time to time by the unanimous vote of the members present, either in person or

by proxy; and at any adjourned meeting at which a quorum is present any business may be transacted which might have been transacted at the original meeting.

The members at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section 7. Voting Rights. Classes of Membership. The Association shall have two (2) classes of voting membership, as follows:

Class A: Initially, the Class A members shall be all Owners, with the exception of Onslow Development Group Development, LLC, (the "Declarant"), and shall be entitled to one (1) vote for each Lot owned. When more than one Person holds an interest in any Lot, all such Persons shall be members. Provided, however, the vote for such Lot shall be exercised as they among themselves determine, but in no event shall more than one vote be cast with respect to any Lot. If multiple owners of a Lot cannot provide written verification of the authority of a designated individual to cast their vote, then no vote may be cast by that particular Lot Owner. Any Class A member may assign its voting rights to the Declarant, whether or not the Declarant owns any other Lot, which shall entitle the Declarant to five (5) votes for such Lot as a Class B member.

Class B: The Class B member shall be the Declarant and shall be entitled to five (5) votes for each Lot owned, or each Lot for which an assignment of voting rights has been granted from a Class A member. The Class B membership shall cease and be converted to Class A membership on the happening of any of the following events:

- (i) when the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or
- (ii) on the tenth (10th) anniversary of the conveyance of a Lot or other parcel within the development of the STONEBAY TOWNHOMES subdivision.

When more than one person or entity holds an interest in a Lot as an Owner, or when a lot is owned by a corporation, partnership or other form of joint venture, a Certificate of Voting in a form established by the Association shall be filed by such Owner, designating the person who shall be entitled to cast the vote with respect to such Lot; provided however, no Certificate of Voting shall be required when a Lot is owned solely by a husband and wife as tenants by the entirety and a vote cast by either the husband or wife, in person or by proxy, shall be binding upon the other unless a contrary vote is timely received by the Association, in which event neither vote shall be counted. A Certificate of Voting shall be valid until such time as the Association receives either a subsequent Certificate of Voting, a written revocation of the Certificate of Voting is filed with the Association, or by a change in the ownership of the Lot concerned. If no Certificate of Voting is properly filed with the Association with respect to a Lot which requires such Certificate, no vote shall be allowed with respect to said Lot until such time as a Certificate of Voting is properly filed with the Association. In no event shall any fractional vote be counted or more than one vote be cast with respect to any one (1) Lot.

Section 8. Waiver of Notice. Any member may, at any time, waive notice of any meeting of the members in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member at any meeting of the members shall constitute a waiver of notice by him/her of the time and place thereof, except where a member attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not

lawfully called. If all members are present at any meeting of the Members, no notice shall be required and any business may be transacted at such meeting.

Section 9. Informal Action by Members. Action may be taken by Members with the requisite percentage of votes without a meeting if written consent to the action in question is signed by all Members entitled to vote and filed with the minutes of the proceedings of the Association, whether done before or after the action is taken.

Section 10. Order of Business. The order of business at the annual meeting of Members shall be as follows:

1. Roll Call
2. Proof of Notice of Meeting or Waiver of Notice
3. Reading of minutes of preceding annual and special meetings.
4. Reports of Officers
5. Reports of Committees
6. Election of Directors
7. Unfinished Business
8. New Business

ARTICLE III.

BOARD OF DIRECTORS

Section 1. General Powers. The business and affairs of the Association shall be managed by its Board of Directors. The directors may adopt such rules and regulations for the conduct of their meetings and management of the Association, as they may deem proper, not inconsistent with the Articles of Incorporation, these By-laws and the laws of this State.

Such powers and duties of the Board of Directors shall include, but shall not be limited to, the following:

- (a) Operation, care, upkeep, repair, maintenance and replacement of the Common Areas, and facilities and payments therefor.
- (b) Determination of the Common Expenses required for the affairs of the Association, including without limitation, the operation and maintenance of the Common Areas and facilities.
- (c) To make, levy and collect assessments against members and members' Lots to defray the costs and common expenses of the Association, as provided for in the Declaration which is herein incorporated by reference, and to use the proceeds of said assessments in the exercise of the powers and duties granted unto the Association.
- (d) Employment and dismissal of the personnel necessary for the maintenance, repair and replacement of the Common Areas and facilities.
- (e) The adoption and amendment of such reasonable rules and regulations as it may deem advisable for the maintenance, conservation, and beautification of the Common Areas, and for the health, comfort, safety and general welfare of the Members, guests and occupants of the common area. Written notice of such rules and regulations shall be given to all Members and occupants and the entire Common Areas shall at all times be maintained subject to such rules and regulations.
- (f) Opening of bank accounts on behalf of the Association and designating the signatories required therefor.

(g) Maintaining and repairing any Lot, if such maintenance or repair is required by the Declaration or is necessary in the discretion of the Board to protect the Common Areas, or any other Lot, or if the Lot Owner of such Lot has failed or refused to perform such maintenance or repair within a reasonable time after written notice of the necessity of said maintenance or repair is delivered or mailed by the Board to said Lot Owner, provided that the Board shall levy a special assessment against said Lot Owner for the cost of said maintenance or repair.

(h) Entering any Lot when necessary in connection with any maintenance or construction for which the Board is responsible; provided, such entry shall be made during reasonable hours with as little inconvenience to the Lot Owner as practicable, and any damage caused thereby shall be repaired by the Board and such expenses shall be treated as a Common Expense; and entering any Lot for the purpose of correcting or abating any condition or situation deemed by the Board of Directors to be an emergency.

(i) Signing all agreements, contracts, deeds and vouchers for payment of expenditures and other instruments in such manner as from time to time shall be determined by written resolution of the Board. In the absence of such determination by the Board, such documents shall be signed by either the Secretary, Treasurer, Assistant Secretary, or the Assistant Treasurer of the Association, and countersigned by the President or Vice-President.

(j) Obtaining insurance for the Common Area and any improvements thereon as deemed necessary by the Board of Directors.

(k) Making of repairs, additions, and improvements to or alterations or restorations of the Common Area, if any, in accordance with the other provisions of these Bylaws and the Declaration, after damage or destruction by fire or other casualty, or as a result of a condemnation or eminent domain proceeding.

(l) Engaging the services of any person, firm or corporation to act as managing agent of the Association at a compensation established by the Board, to perform all of the powers and duties of the Association, except those which may be required by the Declaration or the North Carolina Non-Profit Corporation Act to have approval of the Board of Directors or the Members, provided, however, the term of any such agreement with a managing agent shall not exceed one (1) year initially, shall only be renewable by agreement of the parties for successive one (1) year periods and shall be terminable by the Association with or without cause upon thirty (30) days prior written notice to the manager and without payment of a termination fee.

(m) To enforce by any legal means or proceeding the provisions of the Articles of Incorporation of the Association, these Bylaws, the Declaration or the rules and regulations hereinafter promulgated governing use of the Common Area by means of litigation or otherwise.

(n) To pay all taxes and assessments which are or may become liens against any part of the Common Area other than the Lots, and to assess the same against the Members in the manner herein provided.

(o) To adopt a seal for the Association.

(p) Hiring attorneys and other professionals.

(q) Any other powers and duties reserved to the Board of Directors in the Declaration, the Articles of Incorporation or these Bylaws.

Any action of the Association or its Board of Directors or officers, including matters involving investments of the Association, shall require the approval of a majority of the directors.

Section 2. Number, Term and Qualifications. The number of directors constituting the Board of Directors shall be four (4). The initial Board of Directors shall be Timothy Baker, Elijah T. Morton, Sr., Toni LePage and Julie Smith. Subsequent members of the Board of Directors shall be elected at the annual meeting of the Association. The term of service for each director shall be one (1) year. Each director shall hold office until his/her death, resignation, retirement, removal, disqualification, or his/her successor shall have been elected and qualified.

Section 3. Election of Directors and Compensation. The directors shall be elected at the annual meeting of Members. The Board of Directors shall receive no compensation for their services unless expressly allowed by the affirmative vote of seventy-five percent (75.0%) of the Members.

Section 4. Resignation and Removal. A director may resign at any time by giving written notice to the Board, the President or the Secretary of the Association. The acceptance of the resignation shall not be necessary to make it effective. A director may be removed from office with or without cause by the affirmative vote of the Members having sixty percent (60.0%) of the total votes entitled to vote at an election of directors. If any directors are so removed, new directors may be elected at the same meeting to serve the balance of the term of the director(s) removed.

Section 5. Quorum. At any meeting of the directors a majority of the directors shall be required to constitute a quorum for the transaction of business.

ARTICLE IV.

MEETING OF DIRECTORS

Section 1. Regular Meetings. A regular meeting of the Board of Directors shall be held immediately after, and at the same place as, the annual meeting of the Members. In addition, the Board of Directors may provide, by resolutions, the time and place, either within or without the State of North Carolina, for the holding of additional regular meetings.

Section 2. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any director. Such a meeting may be held either within or without the State of North Carolina as fixed by the person or persons calling the meeting.

Section 3. Waiver of Notice. Any director may, at any time, waive notice of any meeting of the Board of Directors in writing and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof, except where a director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting was not lawfully called. If all directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting.

Section 4. Manner of Acting and Quorum. Except as otherwise provided in these Bylaws, the Articles of Incorporation or the laws of the State of North Carolina, the act of a majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors. A majority of the number of directors fixed by these Bylaws shall be required for and shall constitute a quorum for the transaction of business at any meeting of the Board of Directors.

Section 5. Minutes. The Board shall keep minutes of its proceedings.

Section 6. Fidelity Bonds. In the event the Board determines it to be in the best interest of the Association to procure a fidelity bond or bonds for its officers, employees, agents or independent contractors handling or responsible for funds of the Association, the premium for such bond or bonds shall be deemed a Common Expense.

Section 7. Liability of the Board of Directors. The members of the Board of Directors shall not be liable to the Members for any mistake of judgment, negligence, or otherwise except for their own individual willful misconduct or bad faith. The Members shall indemnify and hold harmless each of the members of the Board against all contractual liability to others arising out of contracts made by the Board on behalf of the Association, unless any such contract shall have been made in bad faith or contrary to the provisions of the Declaration or these Bylaws.

It is intended that the members of the Board of Directors shall have no personal liability with respect to any contract made by them on behalf of the Association, except to the extent that they are Lot Owner(s). It is also intended that the liability of any Lot Owner arising out of any contract made by the Board of Directors or out of the aforesaid indemnity in favor of the members of the Board shall be limited to such proportion of the total liability thereunder as his interest in the Lots of Subdivision bears to the interests of all the Members in the Lots of the Subdivision. Every agreement made by the Board on behalf of the Association shall provide that the members of the Board, or the managing agent, as the case may be, are acting only as agents for the Members and shall have no personal liability thereunder (except as Members), and that each Lot Owner's liability thereunder shall be limited to such proportion of the total liability as his interest in the Lots of the Subdivision bears to the interest of all Members in the Lots of the Subdivision.

Section 8. Informal Action by Directors. Action taken by a majority of the directors without a meeting is nevertheless Board action if written consent to the action in question is signed by all the directors and filed with the minutes of the proceedings of the Board, whether done before or after the action is taken.

ARTICLE V.

OFFICERS

Section 1. Officers of the Corporation. The officers of the Corporation shall be a President, Vice-President, Secretary and Treasurer each of whom shall be elected by the director(s). The offices of Secretary and Treasurer may be combined at the election of the Board of Directors. Assistants for the offices of Secretary and Treasurer may be elected or appointed by the Board of Directors. An individual may hold more than one office, provided that no individual shall hold the office of President and Secretary at the same time.

Section 2. Election and Term. The officers of the Corporation shall be elected by the Board of Directors annually immediately following the annual meeting of the Members and each officer shall hold office until his death, resignation, retirement, removal, disqualification or his successor shall have been elected and qualified.

Section 3. Compensation of Officers. No officer shall receive any compensation from the Association for acting as such, unless otherwise unanimously approved by the Members.

Section 4. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board whenever in its judgment the best interests of the Association will be served thereby; but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

Section 5. President. The President shall be the Chairman of the Board of Directors and the principal executive officer of the Association and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Association. (S)he shall, when present, preside at all meetings of the Members. (S)he shall sign, with the Secretary, or other proper officer of the Association thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these by-laws to some other officer or agent of the Association, or shall be required by law to be otherwise signed or executed; and in general he shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors from time to time.

Section 6. Vice President. In the absence of the President or in the event of his death, inability or refusal to act, the Vice President, unless otherwise determined by the Board of Directors, shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. The Vice President may sign, with the Secretary, certificates for shares of the Corporation; and shall perform such other duties as from time to time may be assigned to him/her by the President or Board of Directors.

Section 7. Secretary. The Secretary shall (a) keep the minutes of the meetings of the Members, of the Board of Directors and of all Executive Committees in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these by-laws or as required by law; (c) be custodian of the corporate records and of the seal of the Association and see that the seal of the Association is affixed to all documents the execution of which on behalf of the Association under its seal is duly authorized; (d) keep a register of the post office address of each Member which shall be furnished to the Secretary by each Member; (e) keep or cause to be kept in the State of North Carolina at the Association's registered office or principal place of business, a record of the Association's Members, giving the names and addresses of all Members; and (f) in general perform all duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 8. Treasurer. The Treasurer shall: (a) have charge and custody of and be responsible for all funds and securities of the Association; receive and give receipts for monies due and payable to the Association from any source whatsoever, and deposit all such monies in the name of the Association in such depositories as shall be selected by the Board of Directors; (b) prepare, or cause to be prepared, a true statement of the Association's assets and liabilities of the close of each fiscal year, all in reasonable detail, which statement shall be made and filed at the Association's registered office or principal place of business in the State of North Carolina within four (4) months after the end of such fiscal year and thereat kept available for inspection by all Members for a period of at least five (5) years; and (c) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President or by the Board of Directors, or by these by-laws.

ARTICLE VI.

OPERATION OF THE PROPERTY

Section 1. Determination of Common Expenses and Fixing of the Common Charges. The Board of Directors shall from time to time, and at least annually, prepare a budget for the Association, determine the amount of the common charges payable by the Members to meet the common expenses of the Association, and allocate and assess such common charges among the Members as set forth in the Declaration. The common expenses shall include, among other things, the cost of all insurance premiums for all policies of insurance required to be or which have been obtained by the Board of Directors pursuant to the provisions of these Bylaws or the Declaration. The common expenses may also include such amounts as the Board may deem proper for the operation and maintenance of the Common Areas, compliance with the Stormwater Permit, Sedimentation and Erosion Control Permit, and any Sign Easement, or Fence Easement, including the landscaping thereof, including without limitation, an amount for working capital of the Common Areas, for a general operating reserve, for a reserve fund for replacements, and to make up any deficit in the common expenses for any prior year. The limited common expenses shall include all amounts expended by the Association for the maintenance, repair, restoration and replacement of the force main/supply lines for wastewater treatment systems situated within the sanitary sewer and access easements dedicated for such purpose for Lots in the subdivision with off-site septic systems. The Board of Directors shall advise all Members, promptly in writing, of the amount of common expenses and limited common expenses payable by each of them, respectively, as determined by the Board of Directors, as aforesaid, and shall furnish copies of each budget on which such common expenses and limited common expenses are based upon request, to any Member.

Section 2. Limitation on Increased Common Charges. Should the Board of Directors determine that the estimated aggregate amount of the common expenses to be assessed for any fixed year requires aggregate common charges payable by the Members which exceed twenty (20.0%) of those levied in the preceding fiscal year, the proposed budget requiring such increased charges shall be submitted to the Members for approval at the annual meeting or a Special Meeting called for such purpose. If, at such meeting, two-thirds (2/3) of the votes cast approve such budget, the charges shall be made in accordance with such proposed budget. If the proposed budget is not approved by two-thirds (2/3) of the votes cast at such meeting, the Board of Directors shall make reductions in the proposed budget until either (a) the proposed budget is approved by two-thirds (2/3) of the votes cast in a meeting called for such purpose or (b) the required increased charges do not exceed 20.0% of that levied in the preceding year.

Section 3. Payment of Common Charges. All Members shall be obligated to pay the common expenses, and all Members who are owners of Lots with off-site septic systems, if any, shall be obligated to pay limited common expenses, assessed by the Board of Directors pursuant to the provisions of the Declaration and Section 1 of this Article VI at such time or times as the Board shall determine.

No Lot Owner shall be liable for the payment of any part of the common expenses or limited common expenses assessed against his/her Lot subsequent to a sale, transfer or other conveyance by him/her (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such Lot. Except for a mortgagee or other transferee in foreclosure proceedings (or proceedings in lieu of foreclosure), a purchaser of a Lot shall be jointly and

severally liable with the seller for the payment of common expenses assessed against such Lot prior to the acquisition by the purchase of such Lot without prejudice to the purchaser's right to recover from the seller the amounts paid by the purchaser therefor. Provided that a mortgagee or other purchaser of a Lot at a foreclosure sale of such Lot shall not be liable for the payment of common expenses or limited common expenses assessed prior to the foreclosure sale. Such unpaid common expenses and/or limited common expenses shall be deemed to be common expenses collectible from all of the Members including such purchaser, his successors and assigns.

Section 4. Collection of Assessments. The Board of Directors shall assess common expenses against the Members from time to time and at least yearly and shall take prompt action to collect any common expenses or limited common expenses which remain unpaid for more than thirty (30) days from the due date for payment thereof.

The Board of Directors may notify the holder of the first mortgagee on any Lot (of which it has notice) for which any common expenses or limited common expenses assessed pursuant to these Bylaws remain unpaid for more than thirty (30) days from the due date for payment thereof and in any other case where the Lot Owner of such Lot is in default with respect to the performance of any other obligation hereunder for a period in excess of thirty (30) days.

Section 5. Default in Payment of Common Expenses. In the event of default by a Lot Owner in paying to the Board of Directors the common expenses or limited common expenses as determined by the Board, such Lot Owner shall be obligated to pay a late payment charge and interest on such common expenses from the due date thereof at the maximum legal rate of interest; together with all expenses, including reasonable attorney's fees (if permitted by law), incurred by the Board in any proceedings brought to collect such unpaid common expenses or limited common expenses. The Board shall have the right and duty to attempt to recover such common expenses, together with late payment charges and interest thereon, and the expenses of the proceedings, including reasonable attorney's fees (if permitted by law), in an action to recover a money judgement for the same brought against such Lot Owner, or by foreclosure of the lien on such Lot in like manner as a deed of trust or mortgage of real property. The Board of Directors shall also have the right to impose uniform late payment charges for delinquent common expense payments and limited common expense payments, which charges shall also be recoverable by the proceedings specified above.

Section 6. Lien and Personal Obligation. All common expenses provided for in this Article, together with the interest and expenses, including reasonable attorney's fees (if permitted by law), as provided for herein, shall be a charge and continuing lien upon the Lot against which the assessment is made, which such lien shall be prior to all other liens excepting only (i) tax liens on the Lot in favor of any governmental assessing authority and (ii) all sums unpaid on a first mortgage of record. Such lien shall become effective when a notice thereof has been filed in the Office of the Clerk of the Superior Court of Onslow County, North Carolina, provided such notice of lien shall not be filed until such sums assessed remain unpaid for a period of more than thirty (30) days after the same shall become due and any prior notice has been delivered to the Member in accordance with applicable law. Such notice of lien shall also secure all assessments against the Lot becoming due thereafter until the lien has been satisfied. In addition, each Lot Owner shall be personally liable for any assessment against his Lot. No Lot Owner may exempt himself from such liability by non-use or enjoyment of any portion of the Common Areas and facilities or by the abandonment or sale of his Lot.

Section 7. Foreclosure of Liens for Unpaid Common Expenses. In any action brought by the Board to foreclose on a Lot because of unpaid common expenses and/or limited common expenses, the Lot Owner shall be required to pay a reasonable rental for the use of his Lot and the plaintiff in such foreclosure action shall be entitled to

the appointment of a receiver to collect the same. The Board, acting on behalf of all Members, or on behalf of any one or more individual Members if so instructed, shall have the power to purchase such Lot at the foreclosure sale and to acquire, hold, lease, mortgage, vote the vote appurtenant to, convey or otherwise deal with the same subject, however, to applicable restrictions of record. A suit to recover a money judgement for unpaid common expenses or limited common expenses shall be maintainable without foreclosure or waiving the lien securing the same.

In the event the mortgagee or other purchaser (other than the Association) purchases and takes title to a Lot pursuant to foreclosure, or proceedings held in lieu of foreclosure by the mortgagee, with respect to the first mortgage on such Lot, such purchaser, his successors and assigns, shall not be liable for the share of the assessment for common expenses or limited common expenses of the Association chargeable to such Lot which became due prior to the acquisition of title to such Lot by such purchaser. However, such unpaid share of common expenses or limited common expenses shall be deemed a common expense collectible from all Members pro-rata, their heirs, successors and assigns.

Section 8. Statement of Common Charges. The Board of Directors shall promptly provide any Lot Owner, so requesting the same in writing, with a written statement of all unpaid common expenses due from such Lot Owner.

Section 9. Abatement and Enjoinment of Violation by Members. The violation of any rule or regulation adopted by the Board or the breach of any Bylaws contained herein, or the breach of any provision of the Declaration, shall give the Board the right, in addition to any other rights set forth in these Bylaws: (a) to enter the Lot in which, or as to which, such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Lot Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board shall not thereby be deemed guilty in any manner of trespass; and/or (b) to enjoin, abate or remedy by appropriate legal proceedings, either by law or in equity, the continuance of any such breach at the expense of the defaulting Lot Owner.

Section 10. Maintenance and Repair. (a) All maintenance, repair and replacement to any Lot, whether ordinary or extraordinary (other than maintenance of and repairs to any common areas and facilities contained therein and not necessitated by the negligence, misuse or neglect of the Owner of such Lot), shall be made by the Lot Owner of such Lot. Each Lot Owner shall be responsible for all damages to any and all other Lots and/or to the common areas and facilities caused by his failure to properly maintain, repair and make replacements to his Lot. (b) All maintenance, repairs and replacements to the common areas and facilities (unless necessitated by the negligence, misuse or neglect of a Lot Owner, in which case such expenses shall be charge to and paid by such Lot Owner), shall be made by the Board and charged to all the Members as a common expense; provided, however there is excluded from the provisions contained in this section any repairs necessitated by casualty insured against by the Board of Directors to the extent the Board receives insurance proceeds for such repairs.

Section 11. Additions, Alterations or Improvements by Members. No Lot Owner shall make any structural addition, alteration, or improvement in or to his Lot, or any change in the exterior appearance thereof, without the prior written consent of the Board of Directors. The Board shall have the obligation to answer any such written request by a Lot Owner within thirty (30) days after such request, and failure to do so within the stipulated time shall constitute a consent by the Board to the proposed addition, alteration, improvement or change.

Section 12. Use of Common Areas and Facilities. No Lot Owner shall interfere with the use of the common areas and facilities by the remaining Lot Owners, their tenants, immediate family (to include parents, spouse, children

and grandchildren), invitees, licensees and guests. Each Lot Owner shall be responsible for the activities of his family, invitees, licensees and guests with respect to the use of the common areas and facilities.

Section 13. Right of Access. Each Lot Owner shall grant a right of access to his Lot to the managing agent and/or any other person authorized by the Board of Directors or the managing agent, for the purpose of making inspections or for the purpose of correcting any condition originating in his Lot and threatening another Lot or the common areas and facilities, or for the purpose of performing installation, alterations or repairs to the mechanical or electrical equipment or other common areas and facilities in or adjoining his Lot; provided, however, such requests for entry (except in the case of emergencies where no request shall be required) are made in advance and where and any such entry is at a time reasonably convenient to the Lot Owner. In the case of an emergency, such right of entry shall be immediate whether the Lot Owner is present at the time or not.

Section 14. Rules of Conduct. Rules and regulations concerning the use of the Lots and the common area and facilities may be promulgated and amended by the Board with the approval initially of the Declarant, and upon the transfer of control of the Association to the Owners, of the Members owning in the aggregate at least fifty one percent (51.0%) of the Lots of the STONEBAY TOWNHOMES subdivision. Each Lot Owner and tenant of a Lot Owner shall be responsible for enforcing such rules and regulations as such may apply to his family, invitees, licensees, tenants and guests.

Section 15. Utilities. Any utilities (including water, sewer, electricity and natural gas) which may be provided to the STONEBAY TOWNHOMES subdivision through a single or common meter or facility and utilities furnished to any portion of the STONEBAY TOWNHOMES subdivision shall be paid pro rata by each Lot Owner as and when billed or, at the option of the Board, such may be paid by the Board as a common expense.

ARTICLE VII.

RECORDS AND AUDITS

The Board of Directors shall keep detailed records of the actions of the Board, minutes of the meetings of the Board of Directors, minutes of the meetings of the Members, and financial records and books of account of the Association, including a chronological listing of receipts and expenditures, as well as a separate account of each Lot which, among other things, shall contain the amount of each assessment of the common expenses and limited common expense against each Lot, the date when due, the amounts paid thereof, and the balance remaining. The financial records and the books of account shall be available for examination by all Members, their mortgagees and their duly authorized agents or attorneys at convenient hours. A written report summarizing all receipt and expenditures of the Association shall be rendered by the Board to all Members, and to all mortgagees of the Lots who have requested the same, within ninety (90) days following the end of each fiscal year.

ARTICLE VIII.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND OTHERS

The Association shall indemnify any director or officer of former director or officer of the Association or any person who may have served at the request of the Association as a director or officer of another corporation, whether for profit or not for profit, against expenses (including attorney's fees) or liabilities actually or reasonably incurred by him in connection with the defense of or as a consequence of any threatened, pending or completed action, suit or

proceeding (whether civile or criminal) in which he is made a party or was (or is threatened to be made a party) by reason of being or having been such director (governor) or officer, except in relation to matters as to which he shall be adjudged in such action, suit or proceedings to be liable for negligence or misconduct in the performance of duty.

The indemnification provided herein shall not be deemed exclusive of any other rights to which those indemnified may be entitled under any statute, bylaw, agreement, vote of members of disinterested Directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office, and shall continue as to a person who has ceased to be an administrator, officer, employee, or agent and shall inure to the benefit of the heirs, executors and Directors of such persons.

The Association may purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against liability.

The Association's indemnity of any person who is or was a director, officer, employee or agent of the Association, or is or was serving at the request of the Association, as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall be reduced by any amounts such person may collect as indemnification (i) under any policy of insurance purchased and maintained on his behalf by the Association or (ii) from such other corporation, partnership, joint venture, trust or other enterprise.

Nothing contained in this Article VIII, or elsewhere in these Bylaws, shall operate to indemnify any director or officer if such indemnification is for any reason contrary to any applicable state or federal law.

ARTICLE IX.

CONTINGENCY RESERVE

Separate contingency reserves shall be maintained by the Association at all times to provide for working capital improvements or major repairs respecting the common area and limited common area. The minimum amount to be maintained as a contingency reserve for the common area and limited common area shall be set by the Board of Directors at the organizational meeting of the Association. To the extent the contingency reserve for the common area and/or limited common area is depleted below the required minimum, it shall be incumbent upon and the duty of the Board of Directors to increase the assessment of common expenses and/or limited common expenses against the Lots to the extent necessary to replenish the respective contingency reserves to the minimum amount required within a maximum period of one full fiscal year after the year in which the contingency reserve is depleted below such minimum.

ARTICLE X.

ARBITRATION

Any claim which shall be made against one or more members of the Board of Directors shall be settled by arbitration except as otherwise provided herein, in the Declaration or under any applicable law, and judgment upon the award may be entered in any court having jurisdiction thereof. Such arbitration shall be commenced upon the delivery of such claim, in writing, to one or more members of the Board; and shall be before one disinterested arbitrator if one can be agreed upon, otherwise before three disinterested arbitrators, one named by the Director(s), one by the Lot Owner(s),

and one by the two thus chosen. The arbitrator or arbitrators shall determine the controversy in accordance with the laws of North Carolina as applied to the facts found by him or them. If the Director(s) or the Lot Owner(s) shall refuse or fail to so name an arbitrator within thirty (30) days after written notice from the other party requiring the naming of an arbitrator, then the arbitrator appointed by both parties for that purpose, and his award in writing signed by him shall be final. The rules of procedure for the arbitration hearing may be adopted by the arbitrators. All arbitration proceedings hereunder shall be conducted in the City of Jacksonville, North Carolina.

ARTICLE XI.

AMENDMENT

These Bylaws may be amended by a vote of sixty-six and sixty-six one hundredths percent (66.66%) of the votes cast in person or by proxy, at a meeting duly held in accordance with the provisions of the Bylaws. A description of any proposed amendment shall accompany the notice of any regular or special meeting at which such proposed amendment is to be voted upon. All which such proposed amendment is to be voted upon. All Members shall be bound to abide by any such amendment upon the same being passed.

The foregoing were adopted as the Bylaws of the STONEBAY TOWNHOMES HOA, INC., a non-profit corporation under the laws of the State of North Carolina at the organizational meeting of the Association on the 13th day of May, 2020.

STONEBAY TOWNHOMES HOA, INC.,

By: _____

Elijah T. Morton, Sr.
Secretary

STATE OF NORTH CAROLINA
COUNTY OF ONSLOW

The undersigned, a Notary Public in and for said County and State, does hereby certify that Elijah T. Morton, Sr. personally came before me this day and acknowledged that he is Secretary of STONEBAY TOWNHOMES HOA, INC., a North Carolina non-profit corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by him as its Secretary.

Witness my hand and official stamp or seal, this 13 day of May, 2020.

Notary Public

My Commission Expires: 5/4/2023

