

BYLAWS
OF
MOSAIC LOT 6 RESIDENTIAL ASSOCIATION, INC.

ARTICLE I

DEFINITIONS

Unless otherwise defined herein, the words, phrases and terms used in these bylaws (the “Residential Bylaws”) shall have the meanings as set forth in the Declaration of Mosaic Lot 6 Residential Condominium, recorded in the Office of the Register of Deeds of Chatham County, North Carolina (the “Residential Declaration”).

ARTICLE II

ADMINISTRATION OF CONDOMINIUM

Section 2.01 Condominium Regime. The Property has been, by the Declaration of Mosaic Lot 6 Condominium (the “Master Declaration”), submitted to the provisions of the North Carolina Condominium Act (the “Condominium Act”) and is known as Mosaic Lot 6 Condominium (the “Master Condominium”). The Master Condominium is administered by the nonprofit association known as Mosaic Lot 6 Condominium Association, Inc. (the “Master Association”). The Master Residential Unit located within the Master Condominium has also been submitted to the provisions of the Condominium Act and is known as Mosaic Lot 6 Residential Condominium (the “Residential Condominium”).

Section 2.02 Residential Association. In conjunction with the creation of the Residential Condominium, there also has been incorporated under the laws of the State of North Carolina a nonprofit association known as Mosaic Lot 6 Residential Association, Inc. (the “Residential Association”), which shall, pursuant to the provisions of the Residential Declaration, constitute the incorporated condominium owner’s association for the Residential Condominium. Except as otherwise specifically provided in the Condominium Documents, the Residential Association shall have the responsibility of administering the Residential Condominium, establishing the means and methods of collecting assessments and charges for Common Expenses, arranging for the management of the Residential Association and Common Elements and performing all of the other acts that may be required or permitted to be performed by the Community Association, the Master Association, the Residential Association, the Community Declaration, the Master Declaration, the Residential Declaration and these Residential Bylaws.

Section 2.03 Mosaic. The Master Condominium and the Residential Condominium are part of the Mosaic mixed-use planned development, a 44-acre entertainment and lifestyle destination development (the “Community”), which Community is subject to the Master Declaration of Covenants, Conditions, and Restrictions for Mosaic, recorded in the Office of the

Register of Deeds of Chatham County, North Carolina (the “Community Declaration”) and administered by the Mosaic Master Owners Association, Inc. (the “Community Association”).

Section 2.04 Official Action. Unless specifically required in the Condominium Documents, all actions taken or to be taken by the Residential Association shall be valid when such are approved by the Residential Board as hereinafter set forth or when taken by the committee, person or entity to whom such authority has been duly delegated by the Residential Board as set forth in the Condominium Documents or these Residential Bylaws. The Residential Association, its Residential Board, officers and members shall at all times act in conformity with the Nonprofit Corporation Act of the State of North Carolina (the “Nonprofit Act”), the Condominium Documents, and the Condominium Act.

ARTICLE III

OFFICES – FISCAL YEAR

Section 3.01 Principal Office and Registered Office. The initial principal office and registered office of the Residential Association shall be located at _____.

Section 3.02 Other Offices. The Residential Association may have other offices at such other places within the State of North Carolina as the Residential Board may from time to time determine or as the affairs of the Residential Association may require.

Section 3.03 Fiscal Year. The fiscal year of the Residential Association shall be the calendar year.

ARTICLE IV

MEMBERSHIP AND MEETINGS

Section 4.01 Membership Eligibility. Membership in the Residential Association shall be limited to the Owners, and every Owner of a Unit shall automatically be a member of the Residential Association. Membership in the Residential Association shall be appurtenant to and may not be separated from Unit ownership. If Unit ownership is vested in more than one person, then all of the persons so owning such Unit shall agree upon the designation of one of the Co-owners of such Unit to act as the designated member of the Residential Association. If Unit ownership is vested in a corporation, limited liability company, partnership, trust, unincorporated association or other entity, said corporation, limited liability company, partnership, trust, unincorporated entity or other entity must designate an individual officer, manager, partner or employee of the same to act as a member of the Residential Association on behalf of such entity. Such designation shall be delivered in writing to the Secretary of the Residential Association.

Section 4.02 Place of Meetings. All meetings of the membership shall be held at the principal office of the Residential Association or at such other suitable place in Chatham County, North Carolina designated by the Residential Board.

Section 4.03 Annual Meetings. There shall be one regular annual meeting of the Residential Association. The first annual meeting of the Residential Association shall be held on the date and hour designated by the Declarant. Thereafter, the annual meeting of the Residential Association shall be held at the call of the President during the month of November or at such other time as Unit Owners representing twenty percent (20%) of the total Common Interests may agree upon. At such meetings, the Residential Board shall be elected in accordance with Article VI of these Residential Bylaws, and the members shall transact such other business as may properly come before them.

Section 4.04 Special Meetings. After the first annual meeting of the members, it shall be the duty of the Secretary of the Residential Association to call a special meeting of the Unit Owners (i) as directed by the President, (ii) by resolution of the majority of the Residential Board, (iii) or upon a petition signed by Unit Owners representing twenty percent (20%) of the total Common Interests having been presented to the Secretary. A notice of any special meeting shall state the time and place of such meeting and the items on the agenda, including the general nature of any proposed amendment to the Residential Declaration or Residential Bylaws, any budget changes, and any proposal to remove a director or officer. No business shall be transacted at a special meeting except as stated in the notice of such meeting.

Section 4.05 Notice of Meetings. It shall be the duty of the Secretary to mail a notice of each annual or special meeting to each Unit Owner of record, stating the time and place where the meeting is to be held, the items on the agenda, the general nature of any proposed amendment to the Residential Declaration or these Residential Bylaws, any budget changes and any proposal to remove a director or officer. If proxies are permitted, the notice shall also state the procedures for appointing proxies. Notice shall be made by hand delivery or sent first class, registered or certified mail, or by electronic mail to an electronic mail address provided to the Residential Association in writing by the Unit Owner. Notice shall be deemed given upon deposit in the mail depository of each Unit or by electronic mail on the date stated on the associated delivery receipt. Notice shall be delivered at least ten (10) days, but not more than sixty (60) days prior to any membership meeting. Notice given to any one tenant in common, tenant by entirety or other joint Owner of a Unit shall be deemed notice to all joint Owners of the subject Unit.

Section 4.06 Waiver of Notice. Before or at any meeting of the members, any member may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member at any meeting shall be a waiver of notice by him or her of the time, place and purpose thereof unless the member at the beginning of the meeting (or promptly upon his or her arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

Section 4.07 Adjourned Meeting. Any meeting of the Residential Association membership may be adjourned from time to time for periods not exceeding ten (10) days by vote of the members holding the majority of the votes represented at such meeting, regardless of whether a quorum is present. Any business which could be transacted properly at the original session of the meeting may be transacted at a reconvened session, and no additional notice of such reconvened session shall be required.

Section 4.08 Order of Business. All meetings of the Residential Association shall be conducted in accordance with the most recent edition of Robert's Rules of Order, unless the Owners present at a particular meeting vote to suspend Robert's Rules of Order at that meeting.

ARTICLE V

VOTING; QUORUM; PROXIES

Section 5.01 Voting. Members shall have such voting rights as are set forth in the Residential Declaration, which provisions are specifically incorporated by this reference. No member shall be eligible to vote if that member's Unit is shown on the books or management accounts of the Residential Association to be more than sixty (60) days delinquent in any payment due to the Residential Association or if the member has had its voting rights suspended for the infraction of any provision of the Residential Declaration, these Residential Bylaws or any rules of the Residential Association. If the voting rights of any member has been suspended, that member shall not be counted as an eligible vote for purposes of establishing a majority or a quorum.

Section 5.02 Majority Vote. The casting of a majority of the votes represented at a meeting at which a quorum is present, in person or by proxy, shall be binding for all purposes except where a different percentage vote is stipulated by these Residential Bylaws, the Residential Declaration, the Articles of Incorporation of the Residential Association (the "Residential Articles") or the Condominium Act. Unless otherwise specifically stated, the words "majority vote" mean more than fifty percent (50%) of the votes exercised by those voting in person or by proxy. Except as otherwise specifically provided in the Residential Declaration or these Residential Bylaws, all decisions shall be by majority vote.

Section 5.03 Quorum. Except as otherwise provided in these Residential Bylaws or the Residential Declaration, the presence, in person or by proxy, of persons entitled to cast at least twenty percent (20%) of the votes in the Residential Association shall constitute a quorum at all meetings of the Residential Association membership, and the casting of ballots or written consents representing at least twenty percent (20%) of the total votes in the Residential Association shall constitute a quorum for any election or other membership vote conducted by means other than at a meeting. Provided, however, if a quorum is not represented at any meeting or vote when originally called, then the meeting or vote may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy, and the quorum requirement at the next meeting or vote shall be one-half of the quorum requirement applicable to the meeting or vote adjourned for lack of a quorum. This provision shall continue to reduce the quorum by one-half from that required at the previous meeting or vote, as previously reduced, until such time as a quorum is present and business can be conducted.

Section 5.04 Proxies. To the extent permitted by North Carolina law, votes may be cast in person or by proxy. Every proxy must (i) be in writing, (ii) identify the Unit for which it is given, (iii) be signed by the member or his or her duly authorized attorney-in-fact, (iv) be dated, and (v) be filed with the Secretary of the Residential Association before the meeting is called to order. Unless otherwise specifically provided in the proxy, a proxy shall be presumed to cover all votes which the member giving such proxy is entitled to cast, and in the event of any conflict

between two (2) or more proxies purporting to cover the same voting rights, the later dated proxy shall prevail, or if dated as of the same date, both shall be deemed invalid. A proxy holder may not appoint a substitute proxy holder unless expressly authorized to do so in the proxy.

Every proxy shall be revocable unless otherwise specifically stated in the proxy and coupled with an interest that has not been extinguished. A proxy shall automatically terminate upon: (a) transfer of title to any Unit for which it was given; (b) receipt by the Secretary of written notice of revocation of a revocable proxy or the death or judicially declared incompetence of the member who signed the proxy; (c) attendance and voting by the member at the meeting; or (d) twelve (12) months from the date of the proxy, unless a different period is specified in the proxy, in which case the period specified in the proxy shall control, subject to termination as set forth in this paragraph.

Section 5.05 Ballots. A written ballot shall set forth each proposed action and provide an opportunity to vote for or against each proposed action. Approval by written ballot shall be valid only when the number of votes cast by ballot equals or exceeds the number of votes that would be required to approve the matter at a meeting at which the total number of votes cast was the same as the number of votes cast by ballot. All solicitations for votes by written ballot shall: (i) indicate the number of responses needed to meet the quorum requirements; (ii) state the percentage of approvals necessary to approve each matter other than election of directors; and (iii) specify the time by which a ballot must be received by the Residential Board in order to be counted. A written ballot may not be revoked. The Residential Association shall maintain such ballots in its file for at least three (3) years.

Section 5.06 Actions Without Meeting. Any action which may be taken at a meeting of the Residential Association membership may be taken without a meeting if consent or ratification, in writing, setting forth the action so taken or to be taken shall be signed by all of the persons who would be entitled to vote upon such action at a meeting and such meeting is filed with the Secretary of the Residential Association and inserted in the minute book of the Residential Association.

ARTICLE VI

THE RESIDENTIAL BOARD

Section 6.01 Composition and Selection of the Residential Board.

1. Composition and Eligibility. The affairs of the Residential Association shall be governed by a Board of Directors (the "Residential Board" or "Board") or by such committees as the Residential Board may establish pursuant to Article VII herein. Except for directors appointed by the Declarant hereunder, the directors shall be members of the Residential Association. No member shall be eligible to be elected to or continue to serve on the Residential Board if that member's Unit is shown on the books or management accounts of the Residential Association to be more than sixty (60) days delinquent in any payment due to the Residential Association or if the member has had its voting rights suspended for the infraction of any provision of the Residential Declaration, these Residential Bylaws or any rules of the Residential Association. Excepting the directors appointed by the Declarant, whose terms shall be determined by the Declarant in its sole discretion, directors shall not be eligible to serve more than two (2)

consecutive three (3) year terms without first resigning from the Residential Board for a time period which shall be the lesser of: (a) one (1) year; or (b) the period of time from the end of one (1) annual meeting of the Residential Association to the beginning of the next annual meeting of the Residential Association.

2. Period of Declarant Control.

(a) The Declarant shall appoint the initial three (3) directors of the Residential Board. These appointments by Declarant will be temporary and will continue only in accordance with the requirements of the Condominium Act relating to the Period of Declarant Control. As stated in the Condominium Act, the Period of Declarant Control terminates no later than the earlier of: (i) one hundred and twenty (120) days after conveyance of seventy five percent (75%) of the Units (including Units which may be created pursuant to Special Declarant Rights); (ii) two (2) years after Declarant has ceased to offer Units for the sale in the ordinary course of business; or (iii) two (2) years after any development right to add new Units, if any, was last exercised. Declarant may voluntarily surrender the right to appoint and remove officers and members of the Residential Board before termination of this period, but in that event, Declarant may require, for the duration of the Period of Declarant Control, that specified actions of the Residential Association or Residential Board, as described in recorded instruments executed by the Declarant, be approved by the Declarant before they become effective.

(b) Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units (including Units which may be created pursuant to Special Declarant Rights) to Unit Owners other than Declarant, the Owners shall hold a special meeting to elect one (1) director to the Residential Board, which director shall replace a Declarant appointee.

3. Election of Residential Board.

(a) Within sixty (60) days prior to the expiration of the Period of Declarant Control, the Residential Association shall call a meeting to be held at which the members shall elect three (3), five (5), or seven (7) persons, the exact number as determined by resolution of the Residential Board. If such meeting is not the annual meeting, the directors elected shall serve until the next annual meeting. At the first annual meeting after Declarant has surrendered control of the Residential Association, the directors shall be elected as follows:

(b) If there are three (3) directors, the one (1) director receiving the most votes from the Residential Association membership shall be elected to serve for a term of three (3) years, one (1) director receiving the next highest number of votes shall be elected to serve a term of two (2) years, and one (1) director receiving the next highest number of votes shall serve a term of one (1) year; or

(c) If there are five (5) directors, two (2) directors receiving the most votes from the Residential Association membership shall be elected to serve for terms of three (3) years each, two (2) directors receiving the next highest number of votes shall be elected to serve terms of two (2) years each, and one (1) director receiving the next highest number of votes shall serve a term of one (1) year; or

(d) If there are seven (7) directors, three (3) directors receiving the most votes from the Residential Association membership shall be elected to serve for terms of three (3) years each, two (2) directors receiving the next highest number of votes shall be elected to serve terms of two (2) years each, and two (2) directors receiving the next highest number of votes shall serve a term of one (1) year each; or

Thereafter, at each annual meeting of the Residential Board, the Residential Board shall elect directors to fill expiring terms, each director to hold office for a term of three (3) years. Directors shall hold office until their successors are elected and qualified.

4. Residential Section Representative. Of the initial members of the Residential Board who were elected for three (3) year terms (the “Initial Three-Year Members”), the one receiving the greatest number of votes shall also serve as the “Section Representative” for the Executive Board of the Master Association in accordance with the Master Association’s Bylaws. From each election thereafter for the directors who succeed the Initial Three-Year Members, the member elected with the greatest number of votes shall serve as the Section Representative of the Executive Board of the Master Association.

5. Vacancies. Vacancies in the Residential Board caused by reason other than the removal of a member of the Residential Board pursuant to Section 6.01(5) of this Article shall be filled as follows: (i) if the member vacating was appointed by the Declarant, by an appointment by the Declarant; or (ii) if the member vacating was appointed by the Residential Association, by the majority vote of the remaining directors, even though there may be less than a quorum. Each director elected in accordance with this section shall be a member of the Residential Board for the remainder of the term of the predecessor member, and until a successor shall be elected.

6. Removal of Directors. During the period that the Declarant has the authority to appoint directors, the Declarant shall designate the successor to any removed member of the Residential Board. Except for members of the Residential Board appointed by the Declarant, the directors of the Residential Board may be removed at any regular or special meeting of the Residential Association duly called, with or without cause, by a majority of the Residential Association membership entitled to elect said director. A successor may then and there be elected to fill the vacancy thus created and shall serve for the remainder of the term of the predecessor member who has been removed and until a successor has been elected.

Any member of the Residential Board whose removal has been proposed shall be given an opportunity to be heard at the Residential Association meeting, where his or her removal will be considered. No Residential Board member who was a Unit Owner or representative of a Unit Owner at the beginning of his or her tenure shall continue to serve on the Residential Board if during the term of office, he or she shall cease to be a Unit Owner (except as provided above regarding Declarant’s appointees). Further, any directors whose Unit is shown on the books or management accounts of the Residential Association to be more than sixty (60) days delinquent in any payment due to the Residential Association shall be automatically removed from the Residential Board, even if the Owner subsequently pays the amount owed, and the vacancy shall be filled as provided herein. Any director who has had three (3) consecutive unexcused absences from regularly scheduled Residential Board meetings may be removed by the vote of a majority of the other directors. Any director whose removal has been proposed shall be given at least ten

(10) days' notice of the calling of the meeting to consider his or her removal and the purpose thereof and shall be given an opportunity to be heard at the meeting.

7. Conflicts of Interest. Nothing herein shall prohibit a director or an entity affiliated with a director from entering into a contract and being compensated for services or supplies furnished to the Residential Association in a capacity other than as director, provided that the director's interest is disclosed to the Residential Board and the contract is approved by a majority of the directors who are at a meeting of the Residential Board at which a quorum is present, excluding the director with whom the contract is made. The interested director shall not count for purposes of establishing a quorum of the Residential Board. The interested director shall be entitled to be present at any meeting at which the proposed contract is discussed but shall not be entitled to discuss the proposed contract during the discussion. Notwithstanding anything herein to the contrary, the directors, during the Period of Declarant Control, shall be authorized on behalf of the Residential Association to enter into contracts with the Declarant and its affiliates as set forth in the Residential Declaration.

8. Elections. All members entitled to vote shall be entitled to cast their entire vote for each directorship to be filled. There shall be no cumulative voting. The directorships for which elections are held shall be filled by that number of candidates receiving the most votes. Voting for election of Residential Board members shall be by written ballot (unless dispensed by unanimous consent at such meeting at which such voting is conducted).

9. Compensation. No member of the Residential Board shall receive any compensation from the Residential Association for acting as such, except for reasonable out-of-pocket expenses incurred by Residential Board members acting in their official capacity and approved by the Residential Board.

Section 6.02 Meetings of the Residential Board.

1. Regular Meetings. Regular meetings of the Residential Board may be held at such time and place as shall be determined, from time to time, by a majority of the Residential Board, but at least one (1) such meeting shall be held each fiscal year. Notice of regular meetings of the Residential Board shall be given by the Secretary of the Residential Association or other person designated by the Residential Board, to each Residential Board member, personally or by mail, telephone, or electronic mail, at least ten (10) days prior to the day named for such meeting.

2. Special Meetings. Special meetings of the Residential Board may be called by the President of the Residential Association on three (3) days' notice to each director, given personally or by mail, telephone, or electronic mail, which notice shall state the time, place (as hereinabove provided), and the purpose of the meeting. Special meetings of the Residential Board shall be called by the President, Vice President, or Secretary in like manner and on like notice on the written request of at least two (2) directors.

3. Waiver of Notice. Before or at any meeting of the Residential Board, any director may, in writing, waive notice of such meeting and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director at any meeting of the Residential Board shall be a waiver of notice by him or her of the time, place and purpose thereof unless the member at

the beginning of the meeting (or promptly upon his or her arrival) objects to holding the meeting or transacting business at the meeting and does not thereafter vote for or assent to action taken at the meeting.

4. Conduct of Meetings. The President shall preside over all meetings of the Residential Board and the Secretary shall keep a minute book recording therein all resolutions adopted by the Residential Board and a record of all transactions and proceedings occurring at such meetings. All meetings of the Residential Board (regular and special) shall be conducted in accordance with the most recent edition of Robert's Rules of Order.

5. Open Meetings. All meetings of the Residential Board shall be open to all Residential Association members, but Residential Association members other than directors may not participate in any discussion or deliberation unless expressly so authorized by the Residential Board. Notwithstanding the foregoing, the Residential Board may adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Residential Association is or may become involved, and orders of business of a similar nature. The nature of any and all business to be considered in executive session shall first be announced in open session.

6. Residential Board Quorum. At all meetings of the Residential Board, a majority of the directors then in office immediately before a meeting begins shall constitute a quorum for the transaction of business. Acts of the majority of the directors present at a meeting at which a quorum is present shall be the acts of the Residential Board. One or more directors who participate in a meeting by means of telephone or electronic communication shall be deemed present and in attendance for all purposes at such meeting, provided all persons participating in the meeting can hear each other. Provided, however, if a quorum is not represented at any meeting of the Residential Board when originally called, then the meeting may be adjourned to a later date by the affirmative vote of a majority of those present in person or by proxy, and the quorum requirement at the next meeting shall be one-half of the quorum requirement applicable to the meeting adjourned for lack of a quorum. This provision shall continue to reduce the quorum by one-half from that required at the previous meeting, as previously reduced, until such time as a quorum is present and business can be conducted.

7. Actions Without Meeting. Any action by the Residential Board required or permitted to be taken at any meeting may be taken without a meeting if a majority of the directors consent to such action in writing. Such consents must describe the action taken, be signed by no fewer than a majority of the directors, and filed with the minutes of the Residential Board.

Section 6.03 Powers and Duties of the Residential Board.

1. Powers and Duties. The Residential Board shall have the authority to exercise all powers and duties of the Residential Association necessary for the administration of the affairs of the Residential Condominium except such powers and duties as by law or by the Condominium Documents may not be delegated by the Owners to the Residential Board. The powers and duties to be exercised by the Residential Board shall include, but shall not be limited to, the following:

(a) Operation, care, upkeep and maintenance of the Common Elements to the extent such operation, care, upkeep, and maintenance is not the obligation of the Owners;

(b) Determination of the funds required for operation, administration, maintenance and other affairs of the Residential Condominium and collection of the Common Expenses, and expenses allocated to the Limited Common Elements as provided in the Condominium Documents, as well as funds required to be paid to the Master Association as provided in the Master Declaration;

(c) Employment and dismissal of personnel (including without limitation the Independent Manager) necessary for the efficient operation, maintenance, repair, and replacement of the Common Elements;

(d) Adoption of rules and regulations covering the details of the operation, maintenance, repair, replacement, use and modification of the Common Elements;

(e) Opening of bank accounts on behalf of the Residential Association and designating the signatories required therefor;

(f) Obtaining insurance as required or permitted under the terms of the applicable provisions of the Residential Declaration;

(g) Keeping detailed, accurate records of the receipts and expenditures of the Residential Association; obtaining annual audits of the financial records of the Residential Association from the Residential Association's public accountant; furnishing the annual reports; and furnishing current budgets. All books and records shall be kept in accordance with good and accepted accounting practices and the same shall be available for examination by all Owners or their duly authorized agents or attorneys, at convenient hours on working days; Keeping a complete record of the minutes of all meetings of the Residential Board and the Residential Association in which minute book shall be inserted actions taken by the Residential Board and/or the Residential Association membership by consent without meeting;

(h) Supervising all officers, agents and employees of the Residential Association and insuring that their duties are properly performed;

(i) Enforcing, on behalf of the Residential Association, the obligations and assessments provided in the Residential Declaration, including, but not limited to, the institution of civil actions to enforce payment of the assessments as provided in the Residential Declaration, the institution of actions to foreclose liens for such assessments in accordance with the terms of N.C.G.S. §47C-3-116, the imposition of charges for late payment of assessments, and after notice and an opportunity to be heard, levying reasonable fines not to exceed One Hundred and No/100 Dollars (\$100.00) for violations of the Residential Declaration, Residential Bylaws and rules and regulations of the Residential Association;

(j) Enforcing by any legal means or proceeding the provisions of the Articles of Incorporation of the Residential Association, these Residential Bylaws, the Residential Declaration or the rules and regulations hereinafter promulgated governing use of the Common Elements;

(k) Enforcing, on behalf of the Residential Association, any other rights or remedies of the Residential Association, including, but not limited to, the institution of civil actions; provided, however, that no civil action may be brought by the Residential Association that seeks more than \$25,000.00 in damages without the written consent of at least sixty-seven (67%) of the votes entitled to be cast by the Residential Association membership;

(l) Hiring attorneys and other professionals;

(m) Paying all taxes and assessments which are or may become liens against any part of the Residential Condominium, other than the Units, and to assess the same against the Owners in the manner herein provided;

(n) Making of repairs, additions, and improvements to or alterations or restoration of the Residential Condominium in accordance with the other provisions of these Residential Bylaws and the Residential Declaration, after damage or destruction by fire or other casualty, or as a result of a condemnation or eminent domain proceeding;

(o) Maintaining and repairing any Unit, if such maintenance or repair is required by the Residential Declaration or is necessary in the discretion of the Residential Board to protect the Common Elements or any other Unit or if the Owner of such Unit 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 has been delivered or mailed or emailed by the Residential Board to said Owner, provided that the Residential Board shall levy a special assessment against such Owner for the costs of said maintenance or repair;

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

(q) Borrowing money from financial institutions or other sources for on such terms and for such purposes as approved by the Residential Board and pursuant to requirements of the Condominium Act. 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 Residential Board. In the absence of such determination by the Residential Board, such documents shall be signed by the Treasurer of the Residential Association, and countersigned by any Residential Board member;

(r) Furnishing certificates setting forth the amounts of unpaid assessments that have been levied upon a Unit to the Owner or Mortgagee of such Unit, or a proposed purchaser or Mortgagee of such Unit, and imposing and collecting reasonable charges therefor; and

(s) Exercising any other powers and duties reserved to the Residential Association exercisable by the Residential Board in the Residential Declaration, the Articles of Incorporation of the Residential Association, these Residential Bylaws, or the Condominium Act.

Notwithstanding anything to the contrary contained herein, the Residential Board may, without a vote of the Unit Owners, (i) initiate actions brought to enforce the provisions of the Residential Declaration (including, without limitation, the foreclosure of liens) or these Residential Bylaws; (ii) initiate proceedings for the imposition and collection of assessments and fines as provided herein; (iii) initiate proceedings involving challenges to ad valorem taxation; and (iv) defend claims in proceedings initiated against the Residential Association and counterclaims brought by the Residential Association in proceedings instituted against it.

Except as otherwise expressly provided in these Residential Bylaws or the other Condominium Documents, all of the powers delegated to the Residential Board herein may be delegated by the Residential Board, on behalf of the Residential Association, to: (i) the Community Association; (ii) the Master Association; or (iii) any Independent Manager pursuant to Section 6.03(2) herein below. The delegation of power to the Community Association or the Master Association by the Residential Board is revocable as follows: In the event the Residential Board reasonably determines that the Community Association or the Master Association, as the case may be, is acting to the detriment of the Residential Condominium, then the Residential Board shall provide the Community Association or the Master Association, as the case may be, written notice and ninety (90) days to cure the problem. If after ninety (90) days the Community Association or the Master Association, as the case may be, has not cured the problem or non-compliance identified by the Residential Board, then by resolution, the Residential Board may revoke such delegated power or powers and proceed to act directly. In the event of emergency, as determined by the Residential Board, the Residential Board shall have the power to act immediately without notice to cure the problem.

2. Independent Manager. The Residential Association, the Community Association, or the Master Association may employ or enter into a management contract with any individual, firm or entity it deems appropriate and in the best interest of the Residential Condominium, including the Residential Association concerning the routine management of the Residential Condominium. The Residential Association, the Community Association, or the Master Association may delegate to such person, firm or entity (referred to in these Residential Bylaws as “Independent Manager”) such duties and responsibilities in the management of the Residential Condominium, as the Residential Board deems appropriate. Provided, the Residential Association, the Community Association, or the Master Association may not delegate to the Independent Manager the complete and total responsibilities and duties of the Residential Association in violation of the Nonprofit Act or the Condominium Act. **Furthermore, the Independent Manager’s contract shall provide that such contract is terminable by the Residential Association, the Community Association on behalf of the Residential Association, or the Master Association on behalf of the Residential Association, with cause, upon not more than ninety (90) days’ prior written notice and without payment of any penalty, and any such contract entered into during the Period of Declarant Control also shall be terminable as required by N.C.G.S. §47C-3-105.** The Residential Association, the Community Association, or the Master Association shall have authority to fix the reasonable compensation for the Independent Manager. The Independent Manager shall at all times be answerable to the Residential Association, the Community Association on behalf of the Residential Association, and/or the Master Association on behalf of the Residential Association, and subject to its direction.

3. Liability of Directors. It is intended that the directors shall have no personal liability with respect to any contract made by them on behalf of the Residential Association. It is understood and permissible for the Residential Board, elected by the Declarant during the Period of Declarant Control, to contract with Declarant and affiliated entities without fear of being charged with self-dealing. Neither the Residential Association nor the Residential Board shall be liable for any failure of any utilities or other services to be obtained by the Residential Association or paid for as a Common Expense, or for injury or damage to person or property caused by any Unit Owner, or any other person, or resulting from electricity, water, snow or ice which may leak or flow from or over any portion of the Residential Condominium or from any pipe, drain, conduit, appliance or equipment. Neither the Residential Association nor the Residential Board shall be liable to any Unit Owner or any other person for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Residential Condominium. No diminution or abatement of any assessments, as herein elsewhere provided, shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the Residential Condominium or from any action taken by the Residential Association to comply with any law, ordinance, or with the order or directive of any governmental authority.

4. Indemnification. To the extent permitted by the provisions of the Nonprofit Act in effect at the applicable time, each director is hereby indemnified by the Residential Association with respect to any liability and expense of litigation arising out of his or her activities as a member of the Residential Board. Such indemnity shall be subject to approval by the members of the Residential Association only when such approval is required by the Nonprofit Act.

ARTICLE VII

COMMITTEES

Section 7.01 Creation. The Residential Board, by resolutions adopted by a majority of the number of directors then holding office, may create such committees as they deem necessary and appropriate in aiding the Residential Board to carry out its duties and responsibilities with respect to the management of the Residential Condominium. The members of each such committee shall be appointed by the Residential Board and shall serve at the pleasure of the Residential Board.

Section 7.02 Vacancy. Any vacancy occurring on a committee shall be filled by a majority of the number of Residential Board members then holding office at a regular or special meeting of the Residential Board.

Section 7.03 Removal. Any member of a committee may be removed at any time with or without cause by a majority of the number of Residential Board members then holding office.

Section 7.04 Minutes. Each committee shall keep regular minutes of its proceedings and report the same to the Residential Board.

Section 7.05 Responsibility of Residential Board Members. The designation of committees and the delegation thereto of authority shall not operate to relieve the Residential Board or any member thereof of any responsibility or liability imposed upon it or him by law. If action taken by a committee is not thereafter formally considered by the Residential Board, a

Residential Board member may dissent from such action by filing his or her written objection with the Secretary with reasonable promptness after learning of such action.

ARTICLE VIII

OFFICERS

Section 8.01 Designation. The principal officers of the Residential Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Residential Board. Officers appointed by the Declarant need not be Residential Board members or members of the Residential Association, but officers elected by the Residential Board members after the Period of Declarant Control must be members of the Residential Association and the Residential Board.

Section 8.02 Election and Term. Until the Period of Declarant Control has terminated, Declarant may appoint officers. Thereafter, the officers of the Residential Association shall be elected annually by the Residential Board at the organizational meeting of each new Residential Board and shall hold office at the pleasure of the Residential Board.

Section 8.03 Removal. Until the Period of Declarant Control has terminated, Declarant may remove officers. Thereafter, upon an affirmative vote of a majority of the members of the Residential Board, any officer may be removed either with or without cause, and his or her successor shall be elected at any regular meeting of the Residential Board, or at any special meeting of the Residential Board called for such purpose.

Section 8.04 President. The President shall be the chief executive officer of the Residential Association. He or she shall preside at all meetings of the Residential Association and of the Residential Board. He or she shall have all the general powers and duties which are incident to the office of the president of a condominium or incorporated association under North Carolina law.

Section 8.05 Vice President. The Vice President shall take the place of the President and perform his or her duties when the President is absent or unable to act. If neither the President nor the Vice President is able to act, the Residential Board shall appoint some other member of the Residential Board to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him or her by the Residential Board.

Section 8.06 Secretary. The Secretary shall keep the minutes of all meetings of the Residential Board and the minutes of all meetings of the Residential Association, and shall have charge of all books, records and papers of the Residential Association and shall, in general, perform all duties incident to the office of the secretary of a corporation organized under North Carolina law.

Section 8.07 Treasurer. The Treasurer shall have responsibility for the Residential Association's funds and securities and shall be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, for preparing all financial statements and tax returns, and for the deposit of all monies and other valuable effects in the name of the Residential Association or an Independent Manager in such depositories as may from time

to time be designated by the Residential Board. The Treasurer shall be responsible for the preparation of the budget as provided in the Declaration. The Treasurer may delegate all or part of the preparation and notification duties associated with the above responsibilities to an Independent Manager.

Section 8.08 Agreements, Contracts, Deeds, Leases, Etc. All agreements, contracts, deeds, leases, checks, promissory notes, and other instruments of the Residential Association shall be executed by at least two (2) officers or by such other person or persons as may be designated by resolution of the Residential Board.

Section 8.09 Compensation. No officer shall receive any compensation from the Residential Association for acting as such officer, except for reasonable out-of-pocket expenses incurred by officers acting in their official capacity.

Section 8.10 Indemnification. To the extent permitted by the provisions of the Nonprofit Act, each officer is hereby indemnified by the Residential Association with respect to any liability and expense of litigation arising out of his or her activities as an officer. Such indemnity shall be subject to approval by the members of the Residential Association only when such approval is required by the Nonprofit Act.

ARTICLE IX

OPERATION OF THE RESIDENTIAL CONDOMINIUM

Section 9.01 Determination of Common Expenses and Assessments Against Members. The Residential Board shall from time to time, and at least annually, prepare and adopt a proposed budget for the Residential Condominium, determine the amount of the Common Expenses payable by the Owners to meet the proposed budget of the Residential Condominium, and allocate and assess such proposed Common Expenses among the Owners in the manner set forth in Article VII of the Declaration, all in accordance with the procedure set forth in this Section 9.01, but subject to the limitations set forth in the Residential Declaration. The Common Expenses shall include, among other things, the cost of all insurance premiums on all policies of insurance required to be or which have been obtained by the Residential Board pursuant to the provisions of the Residential Declaration. The Common Expenses shall also include such amounts as the Residential Board deems necessary for the operation and maintenance of the Residential Condominium, including without limitation, an amount for working capital of the Residential Condominium; an amount for a general operating reserve; an amount for a reserve fund for losses due to insurance deductibles; an amount for a reserve fund for repair and replacement of the Common Elements; and such amounts as may be necessary to make up any deficit in the Common Expenses for any prior year.

Within thirty (30) days after adoption of any proposed budget for the Residential Condominium, the Residential Board shall provide a summary of the budget to all the Owners, (which may be provided by electronic mail) and shall set a date for a meeting of the Owners to consider ratification of the budget no less than ten (10) nor more than sixty (60) days after mailing of the summary. Notwithstanding any other provisions of these Residential Bylaws, there shall be no requirement that a quorum be present at such meeting. Notwithstanding any other provision of these Residential Bylaws to the contrary, the proposed budget shall be deemed ratified unless at

that meeting a majority of all the members present and entitled to cast a vote reject the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Residential Association membership ratifies a subsequent budget proposed by the Residential Board.

The Residential Association, acting through the Residential Board, may levy a special assessment during any calendar year for the purpose of defraying, in whole or in part, the cost of any construction, reconstruction, repair or replacement of any capital improvement comprising or to comprise a portion of the Common Elements, including fixtures and personal property; provided, however, such assessment shall not be payable if Owners holding seventy five percent (75%) of the Common Interest present at any meeting at which there is a quorum vote against such assessment at a special meeting held within forty-five (45) days of delivery of notice of the special assessment to Owners. If a vote against the proposed special assessment is not sustained, the special assessment shall be due and payable ten (10) days after expiration of the forty-five (45) day period in which the Owners may consider action to veto a special assessment.

The Declarant, as the agent of the Residential Association, shall collect from each initial purchaser of a Unit at the time of closing an "initial capital assessment" equal to twice the estimated monthly assessment for Common Expenses. Such funds shall not be considered advance payments of assessments. The Declarant will deliver any funds so collected to the Residential Association to provide working capital for the Residential Association. Such funds may be used for certain prepaid items, initial equipment and supplies, organizational expenses and other start-up costs, and to pay such other Common Expenses as the Residential Board may determine. Except for the permitted reimbursement of prepaid contributions referred to above, the Declarant may not use the working capital fund to defray any of the Declarant's expenses, reserve contributions, or construction costs, or to make up any budget deficits of the Residential Association during the Period of Declarant Control.

Section 9.02 Payment of Common Expenses. All Owners shall be obligated to pay the Common Expenses assessed by the Residential Board at such time or times as the Residential Board shall determine. No Owner shall be liable for the payment of any part of the Common Expenses assessed against his or her Unit subsequent to a sale, transfer or other conveyance by him (made in accordance with the provisions of the Declaration and applicable restrictions of record) of such Unit. A purchaser of a Unit shall be jointly and severally liable with the seller for the payment of Common Expenses assessed against such Unit prior to the acquisition by the purchaser of such Unit without prejudice to the purchaser's rights to recover from the seller the amounts paid by the purchaser therefor.

Section 9.03 Collection of Assessments. The Residential Board shall assess Common Expenses against the Units from time to time and at least monthly in accordance with the allocations set forth in the Residential Declaration. The Residential Board shall take prompt action to collect any Common Expenses which remain unpaid for more than thirty (30) days from the due date for payment thereof.

The Residential Board shall notify the holder of the Mortgage on any Unit (of which it has notice) for which any Common Expenses assessed pursuant to these Residential Bylaws remain unpaid for more than thirty (30) days from the due date for payment thereof and in any

other case where the Owner of such Unit is in default with respect to the performance of any other obligation hereunder for a period in excess of thirty (30) days.

Section 9.04 Default in Payment of Common Expenses; Remedies. In the event of default by any Owner in paying to the Residential Association the Common Expenses as determined by the Residential Board, such Owner shall be obligated to pay interest on such Common Expenses from the due date thereof at the rate of eighteen percent (18%) per annum, together with all expenses, including reasonable attorney's fees (if permitted by law), incurred by the Residential Board in any proceeding brought to collect such unpaid Common Expenses. In addition, the Residential Board shall have the authority to levy a late charge on any assessment not paid within fifteen (15) days after its due date, in the amount of four percent (4%) of the overdue assessment.

The Residential Board shall have the right and duty to attempt to recover such Common Expenses, together with interest thereon, and the expenses of the proceedings, including reasonable attorneys' fees (if permitted by law), in an action to recover a money judgment for the same brought against such Owner, or by foreclosure of the lien on such Unit in like manner as a deed of trust or mortgage of real property. The Residential Board shall also have the right to impose uniform late payment charges for delinquent Common Expense payments, which charges shall be recoverable by the proceedings specified above.

In the event of the failure of an Owner to pay any assessment imposed hereunder, or any installment thereof, for more than sixty (60) days after such assessment or installment thereof shall become due, in addition to the other remedies available under the Condominium Documents and the Condominium Act, the Residential Board shall have the right to declare all other Common Expense assessments, and installments thereof, with respect to such Owner's Unit that are to fall due during the then current fiscal year of the Residential Association to be immediately due and payable.

Section 9.05 Lien and Personal Obligations. All Common Expenses provided for in this Article, together with the interest and expenses, including reasonable attorneys' fees (if permitted by law), as provided for herein, shall be a charge on and a continuing lien upon the Unit against which the assessment is made, which such lien shall be prior to all other liens excepting only (i) assessments, liens and charges for real estate taxes due and unpaid on the Unit and (ii) all sums unpaid on Mortgages and other liens and encumbrances duly recorded against the Unit prior to the docketing of such lien. Such lien shall become effective when a notice thereof has been filed in the office of the Clerk of Superior Court for Chatham County, North Carolina, provided such notice of lien shall not be recorded until such sums assessed remain unpaid for a period of more than thirty (30) days after the same shall become due. Such notice of lien shall also secure all assessments against the Unit becoming due thereafter until the lien has been satisfied.

The lien for unpaid assessments shall not be affected by the sale or transfer of the Unit, except in the case of a foreclosure of a Mortgage, in which event the purchaser at foreclosure shall not be liable for any assessments against such Unit that became due prior to the date of acquisition of title by such purchaser. Such unpaid assessments shall be deemed Common Expenses collectible from all Owners of Units, including the purchaser at foreclosure. In addition, each Owner shall be personally liable for any assessment against his or her Unit. No Owner may

exempt himself or herself from such liability by non-use or enjoyment of any portion of the Common Elements or by the abandonment or sale of his or her Unit.

Section 9.06 Foreclosure of Liens for Unpaid Common Expenses. The Residential Association, acting through the Residential Board, has the express right to foreclose the lien for unpaid Common Expenses and special assessments, as provided in the Condominium Act, including the right through power of sale. Such rights shall be to the full extent permitted under the Condominium Act.

Section 9.07 Abatement and Enjoyment of Violations by Owners. The violation of any rule or regulation adopted by the Residential Board or the breach of any Residential Bylaw contained herein, or the breach of any provision of the Residential Declaration, shall give the Residential Board the right, in addition to any other rights set forth in the Residential Declaration, these Residential Bylaws or at law or in equity: (a) to enter the Unit in which or as to which such violation or breach exists and to summarily abate and remove, at the expense of the defaulting Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Residential Board shall not thereby be deemed guilty in any manner of trespass; provided, however, that the Residential Board shall be obligated to institute judicial proceedings before any item of construction can be altered or demolished; (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach at the expense of the defaulting Owner; and/or (c) after notice and opportunity to be heard, to levy reasonable fines not to exceed One Hundred Fifty and No/100 Dollars (\$150.00).

Section 9.08 Maintenance and Repair. Except as is specifically provided in the Residential Declaration, (a) all maintenance and any repairs to any Unit, whether ordinary or extraordinary, shall be made by the Owner of such Unit and each Owner shall be responsible for all damages to any and all other Units and/or to the Common Elements that his or her failure to do so may engender; and (b) all maintenance, repairs and replacements to the Common Elements (unless necessitated by the negligence, misuse or neglect of an Owner, in which case such expense shall be charged to and paid by such Owner), shall be made by the Residential Board; provided, however, there is excluded from the provisions contained in this section any repairs necessitated by casualty insured against by the Residential Board to the extent the Residential Board receives insurance proceeds for such repairs.

Section 9.09 Additions, Alterations or Improvements by Owners. No Owner shall make any addition, alteration, or improvement in or to his or her Unit or to any Common Element, or any change in the exterior appearance thereof, except in accordance with N.C.G.S. §47C-2-111 and in accordance with the terms of the Residential Declaration.

Section 9.10 Use of Common Elements. An Owner shall not interfere with the use of the Common Elements by the remaining Owners and their employees and invitees.

Section 9.11 Right of Access. An Owner shall grant a right of access to his or her Unit and the Limited Common Elements appurtenant thereto to the Independent Manager and/or any other person authorized by the Residential Board, the Community Association, the Master Association, or the Independent Manager for the purpose of making inspections, or for the purpose of correcting any condition originating in his or her Unit and threatening another Unit or the

Common Elements, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical equipment or other Common Elements, or for the purpose of performing installations, alterations or repairs to the mechanical or electrical equipment or other Common Elements in or adjoining his or her Unit; provided, however, such requests for entry (except in the case of emergencies where no request shall be required) are made in advance and any such entry is at a time reasonably convenient to the Owner. In the case of an emergency, such right of entry shall be immediate whether the Owner is present at the time or not.

Section 9.12 Rules of Conduct. Rules and regulations concerning the use of the Units and the Common Elements shall be promulgated and amended by the Residential Board with the approval of a majority of votes entitled to be cast by the members. Copies of such rules and regulations shall be furnished by the Residential Board to each Owner. The initial rules and regulations that exist at the time of filing of the Declaration are attached hereto as Exhibit A. Notwithstanding the foregoing, the Residential Board shall not have the right to adopt a rule or regulation that materially restricts a then-existing lawful use being conducted in a Unit without the prior written consent of the Owner of that Unit or that otherwise materially increases the obligations or materially decreases the rights of any Owner set forth in the Residential Declaration or Residential Bylaws, or that otherwise conflicts with the terms of the Residential Declaration, the Residential Bylaws, or the Residential Articles.

Section 9.13 Common Expenses for Utilities. Any utilities which may be provided to the Units through a single or common meter or facility, and utilities furnished to any portion of the Common Elements, shall be paid by each Owner as and when billed according to the extent of such Owner's use or, at the option of the Residential Board, such may be paid by the Residential Board and assessed against the Units as a Common Expense.

ARTICLE X

AMENDMENTS

These Residential Bylaws may be amended at any time by an instrument executed by the President or Vice President of the Residential Association and approved by Owners holding at least seventy-five percent (75%) of the votes in the Residential Association, which instrument shall be effective only upon recordation in the Office of the Register of Deeds of Chatham County, North Carolina. Provided, however, where a larger vote in the Residential Association is required for the Residential Association to take or refrain from taking a specific action, as set forth in the Condominium Documents, no amendment of these Residential Bylaws shall be made unless and until the Owners holding such larger percentage of the vote in the Residential Association approve. All persons or entities who own or hereafter acquire any interest in the Residential Condominium shall be bound to abide by any amendment to these Residential Bylaws which is duly passed, signed, acknowledged and recorded as provided herein. No amendment to these Residential Bylaws shall be adopted or passed which shall impair or prejudice the rights and priorities of any Mortgagee without the consent of such Mortgagee. No amendment to these Residential Bylaws shall be adopted or passed which shall impair or prejudice the rights of Declarant provided for in the Condominium Documents, without the consent of Declarant. No amendment to these Residential Bylaws shall be adopted or passed which would materially increase the obligations or

decrease the rights of any Owner set forth in the Residential Declaration or these Residential Bylaws without the consent of all affected Owners.

Notwithstanding the foregoing, so long as the Declarant remains the Owner of one or more Units in the Residential Condominium or during that period which is prior to the expiration of the Special Declarant Rights, these Residential Bylaws shall not be amended so as to affect adversely the Declarant or impair in any way the Special Declarant Rights without the Declarant's consent and joinder. In addition to the foregoing, so long as Declarant has the right to appoint the majority of the members of the Residential Board of the Residential Association, Declarant shall be entitled to unilaterally amend these Residential Bylaws. The Declarant, or, after the end of the Period of Declarant Control, the Residential Association, shall have the right to amend these Residential Bylaws to correct manifest drafting errors or to conform the Residential Bylaws with the provisions of the Residential Declaration or the Condominium Act without the consent of the Unit Owners.

ARTICLE XI

MISCELLANEOUS

Section 11.01 Severability. Invalidation of any covenant, condition, restriction or other provisions of the Residential Declaration or these Residential Bylaws shall not affect the validity of the remaining portions thereof which shall remain in full force and effect.

Section 11.02 Successors Bound. The rights, privileges, duties and responsibilities set forth in the Condominium Documents, as amended from time to time, shall run with the ownership of the Residential Condominium and shall be binding upon all persons who own or hereafter acquire any interest in the Residential Condominium.

Section 11.03 Gender, Singular, Plural. Whenever the context so permits, the use of the singular or plural shall be interchangeable in meaning and the use of any gender shall be deemed to include all genders.

Section 11.04 Nonprofit Corporation. No part of the Residential Association's assets or net income shall inure to the benefit of any of the members, the officers of the Residential Association, or the members of the Residential Board, or any other private individual either during its existence or upon dissolution except as reasonable compensation paid or distributions made in carrying out its declared nonprofit purposes as set forth in the Articles of Incorporation of the Residential Association and these Residential Bylaws.

Section 11.05 Captions. The captions contained in these Residential Bylaws are inserted as a matter of convenience and for reference, and in no way define, limit, or describe the scope of these Residential Bylaws or the intent of any provision of the Residential Bylaws.

Section 11.06 Invalidity. The invalidity of any part of these Residential Bylaws shall not impair or affect in any manner the validity, enforceability or effect of the balance of these Residential Bylaws.

Section 11.07 Conflict. These Residential Bylaws are set forth to comply with the requirements of the Condominium Act, as amended, and the Residential Declaration, as amended.

In the event of any conflict between these Residential Bylaws and the provisions of the Condominium Act or the Residential Declaration, the provisions of the Condominium Act or the Residential Declaration, as the case may be, shall control.

Section 11.08 Waiver. No restriction, condition, obligation, or covenant contained in these Residential Bylaws shall be deemed to have been abrogated or waived by reason of failure to enforce the same, irrespective of the violations or breaches thereof which may occur.

EXHIBIT A

RULES OF CONDUCT FOR MOSAIC LOT 6 RESIDENTIAL CONDOMINIUM

The following Rules of Conduct (“Rules”) are enacted in accordance with the Declaration of Mosaic Lot 6 Residential Condominium, by Mosaic Lot 6 Residential, LLC, recorded in Book 2356, page 496, Chatham County Registry, as amended by First Amendment to Declaration of Condominium for Mosaic Lot 6 Residential Condominium, recorded in Book 2362, page 1117, Chatham County Registry, and as further amended from time to time (the “Declaration”). These Rules are in addition to (i) the use restrictions set out in the Master Declaration of Covenants, Conditions and Restrictions for Mosaic, recorded in Book 2123, Page 322, Chatham County Registry, as may be amended from time to time (the “Community Declaration”), (ii) the use restrictions set out in the Declaration of Mosaic Lot 6 Condominium recorded in Book 2356, Page 418, as amended and as further amended from time to time (the “Master Declaration”), and (iii) the use restrictions set out in the Declaration. Any conflict between (y) the Rules and (z) the Community Declaration, the Master Declaration, or the Declaration, shall be controlled by the Community Declaration, the Master Declaration, or the Declaration, according to the authority and primacy defined in the Community Declaration, the Master Declaration, and the Declaration. Defined terms set out in these Rules shall have the same meaning as defined in the Declaration unless specifically defined herein.

Nothing shall be done or maintained on any part of the Property which emits foul or obnoxious odors or creates noise or other conditions which tend to disturb the quiet, safety, comfort, or serenity of the Condominium. There shall not be maintained any plants or animals or device or thing of any sort whose activities or existence in any way is noxious, dangerous, unsightly, unpleasant, or of a nature as may diminish or destroy the enjoyment of the Condominium. Each Owner of a Unit and any lessee under a lease of the Unit, which lease is entered into in accordance with these Rules (an “Approved Lessee”) and any of their guests shall exercise extreme care to avoid unnecessary noise or the use of musical instruments, radios, televisions and amplifiers that may disturb other residents.

1. In General. No Owner of a Unit or any Approved Lessee (each, a “Resident”) and/or any of their guests shall:

(a) Post any advertisements or posters of any kind in or on the Property, except as authorized by the Association;

(b) Clean dust mops, rugs or similar objects from the windows or balconies by beating on the exterior part of the Property;

(c) Install wiring for electrical or telephone installations, television or radio antenna, air conditioning fixtures, or similar objects outside of a Unit, or in a manner that protrudes through the walls or the roof of a Unit, except as authorized by the Association; or

(d) Hire any personal service providers and permit such service provider access to the Property, in each case for purposes of performing maintenance or repairs on any Common Elements or Limited Common Elements of the Condominium, without approval by the Association and without following any vendor procedures that may be adopted by the Association from time to time. Residents are unauthorized to perform maintenance or repairs on Common Elements or Limited Common Elements, which consist of any part of the Condominium other than the Units and include, without limitation (i) improvements on the Property and outside the building such as sidewalks, steps, walkways, related streetscape improvements, and parking lot improvements; (ii) all of the following, to the extent located outside of a Unit: electrical wiring, fixtures, all appliances, heating and air conditioning systems (HVAC), plumbing, fire, sprinkler, elevators, and other equipment and personal property, (iii) all materials comprising or supporting the roof and all other structural components of the Building, including but not limited to structural members, subfloors and foundations, (iv) the exterior skin of the Building, including window systems, and (v) storage units.

2. Leasing. Owners desiring to lease their Unit may do so only if they have applied for and received from the Residential Board a "Leasing Permit". Such a permit, upon its issuance, will allow an Owner to lease his or her Unit provided that such leasing is in accordance with the Declaration, Bylaws, and these Rules. All Leasing Permits shall be valid only as to a specific Unit and shall not be transferrable between Units and Owners of Units but shall be transferrable to successors in title to the same Unit. Even though a Leasing Permit may be issued to an Owner, each Owner acknowledges that other restrictions (and potentially prohibitions), on leasing of its Unit may be applicable, whether on account of mortgage financing, or insurance policy requirements, or otherwise, and the obligations to understand such other restrictions and to comply with them solely belongs to each Owner, and such obligations are hereby expressly disclaimed by Declarant and Association.

(a) Leasing Permits. An Owner's application for a Leasing Permit for a Unit shall be approved if the Owner submits a complete application form and conforms with the requirements set out below. The forms of Leasing Application and Leasing Permit are attached to these Rules. A Leasing Permit shall be automatically revoked upon the happening of any of the following events: (A) the sale or transfer of a Unit to a third party, excluding sales and transfers to (i) an Owner's spouse, (ii) a person cohabiting with the Owner, and (iii) a corporation, partnership, company or legal entity in which the Owner is a principal; or (B) the failure of an Owner to lease his or her Unit within ninety (90) days of issuance of the Leasing Permit, unless an extension is approved by the Board in its sole and absolute discretion.

(b) Lease Forms. At least ten (10) days prior to entering into the lease of a Unit, the Owner shall provide the Board with a Leasing Application and a copy of the proposed lease agreement. The Board shall have a reasonable period of time thereafter to approve or disapprove the Leasing Permit. In the event a Leasing Permit is disapproved, the Board shall inform the Owner of the requisite action to be taken to bring the Leasing Application into compliance with the Declaration, Bylaws, and these Rules. All leases must be in writing, for the entirety of the Unit, for an initial term of not less than twelve (12) months, and subject to the terms and conditions set forth in the Declaration, Bylaws and these Rules. Upon issuance of the Leasing Permit, the Owner

shall deliver a copy of the fully executed lease to the Board as soon as possible and in any event within ninety (90) days after the date of issuance of the Leasing Permit.

(c) Violations. Any Owner leasing a Unit in violation of these Rules shall be subject to a fine not to exceed fifty dollars (\$50.00) for each day the Unit is rented after notification and a due process hearing for noncompliance with the Rules. In addition, any Owner found to be in violation of these Rules shall be prohibited from applying for a Leasing Permit for at least twelve (12) months following the infraction.

(d) Liability. Under Section 6.1(e) of the Declaration (and as more particularly provided therein), each Owner is obligated to indemnify and hold harmless every other Owner, and certain parties related to each such Owner, from any liability, costs, or claims, and expressly including attorneys' fees, arising from such Owner's, or its Permittee's (a term that includes, but is not limited to, tenants), use, possession or management of such Owner's Unit or activities therein, or arising out of any such Owner's or Permittee's use of any easement. Without limiting the terms of Section 6.1(e) of the Declaration, but as an example, in the case of leasing a Unit, such indemnity obligation means that any liability or cost that is incurred by any Owner in the Condominium that arises out of another Owner's leasing of its Unit belongs to, and is the responsibility of, that landlord Owner. Such liability shall in no event extend to the Association or Declarant, except to the extent that either such entity incurs such liability itself as an Owner.

(e) Reservation of Rights by Board to Adopt Additional Conditions on Leasing. The Residential Board reserves the right to adopt rules, regulation and/or conditions on leasing, including without limitation additional conditions as to duration or use of Leasing Permits.

3. Parking. The Declaration defines the Residential Parking Zone as a Residential limited common element comprised of sixteen (16) parking spaces, thirteen (13) of which are allocated exclusively to the eleven (11) Residential Units. Two Units (309 and 310) are allocated two (2) parking spaces each. Nine Units (301-308 and 311) are allocated one (1) parking space each. The Declaration identifies each parking space by number and then allocated by parking space number to each of the Units. Each Unit Owner shall have sole and exclusive possession of its duly allocated and numbered parking space(s). A Unit Owner shall not occupy or use its parking space(s) or permit the parking space(s) or any portion thereof to be occupied or used for any purpose other than as a parking space for one (1) licensed automobile. Each Unit Owner must deliver to the Association a copy of an automobile registration form prior to parking an automobile in the parking space. If an unregistered automobile is parked in the parking Space, the Association may, in its sole discretion, have the automobile removed from the parking space and stored in a different location, all at Unit Owner's sole risk and expense.

(a) Parking Rules. The Unit Owner shall comply with the following rules, which are subject to modification from time to time:

- i. No dangerous devices, appliances, equipment or materials, whether in solid, liquid or gaseous form, shall be maintained in any automobile occupying the Parking Space.

- ii. No boat, camper, trailer, or similar vehicle may be parked or stored in the Parking Spaces. No trucks shall be permitted except for standard 1-ton or less pickup trucks or smaller sized trucks. Any vehicles that are determined to be inoperable or to have been abandoned shall not be parked or stored in the Parking Spaces. Other reasonable rules of conduct for the operation of parking areas may be promulgated by the Association or by the Master Association and shall be applicable to Unit Owners hereunder.
- iii. The Residential Association (unless otherwise delegated by the Residential Association) has the right to tow any vehicle in violation of the applicable rules at the owner's expense.
- iv. No alteration of any kind shall be made to the Parking Space.
- v. The Unit Owner shall be responsible for the repair of any damage to the Parking Space caused by an act or omission of the Unit Owner or any agents, guests, family members or invitees.
- vi. The Unit Owner shall at all times maintain adequate liability insurance for all non-collision forms of damage caused by the automobile occupying the Parking Space.

(b) Limitations on Liability. The Unit Owner acknowledges and agrees that the Association cannot anticipate or predict specific acts and events (e.g., crime or casualty), and the Association shall have no obligation to provide any type of watchman, police or security services for the parking spaces. The Unit Owner assumes all risks associated with use of its parking space(s).

(c) Indemnification. The Unit Owner shall indemnify and hold harmless the Association from all injury, loss, claims or damage incurred by the Association, including all legal costs and fees, arising from any act or omission of Owner, its agents, guests, family members or invitees relating to the use or occupancy of its parking space.

Dated _____, 2023

Form of Leasing Application

Mosaic Lot 6 Residential Association, Inc.
Attention: President of the Board of Directors
120 Mosaic Boulevard
Pittsboro, NC 27312

Dear Board President:

This Leasing Application is submitted to request a Leasing Permit by (Name of Owner) (the "Owner") for Unit [redacted], Parking Space [redacted] and Storage Unit [redacted] (collectively, the "Unit"). The Owner hereby certifies to the Board the following:

1. Form of Lease attached, with terms, including the following:
 - a. Name of Tenant and all occupants of Unit.
 - b. Term of not less than twelve (12) months.
 - c. Use restricted to residential use only.
 - d. Covenant that Tenant shall comply with all Condominium Documents. "Condominium Documents" means all documents, covenants, and bylaws, rules and regulations that affect the Unit, including, without limitation:
 - (i) Declaration of Mosaic Lot 6 Residential Condominium recorded in Book 2356, Page 496 as amended and recorded in Book 2362, Page 1117 and Book _____, Page _____ and all amendments in effect as of the date of this Leasing Application (collectively the "Residential Declaration") recorded in the Chatham County Registry.
 - (ii) Declaration of Mosaic Lot 6 Condominium recorded in Book 2356, Page 418 as amended and recorded in Book 2362, Page 1091 and all amendments in effect as of the date of this Leasing Application (collectively, the "Master Declaration"), recorded in the Chatham County Registry.
 - (iii) Master Declaration of Covenants, Conditions and Restrictions for Mosaic recorded in Book 2123, Page 322 and all amendments in effect as of the date of this Leasing Application (collectively, the "Community Declaration") recorded in the Chatham County Registry.
 - (iv) Bylaws of Mosaic Lot 6 Residential Association, Inc. in effect as of the date of this Leasing Application (the "Bylaws").
2. Owner's signature and submission of this Leasing Application certifies that Owner has or shall deliver copies of the Condominium Documents to Tenant.
3. Covenant that Owner shall deliver a copy of the fully executed Lease not later than ninety (90) days after the date of issuance of the Leasing Permit.

This the ____ day of _____, 20__.

Owner's Signature

Form of Leasing Permit

Mosaic Lot 6 Residential Association, Inc.

120 Mosaic Boulevard
Pittsboro, NC 27312

[Owner Name]

120 Mosaic Boulevard, Unit [redacted]
Pittsboro, NC 27312

Re: Leasing Permit – Mosaic Lot 6 Residential, Unit [redacted] Parking Space [redacted] and Storage Unit [redacted] (collectively, the “Unit”);

Dear [redacted],

This letter comes in response to your application or request for issuance of a Leasing Permit for the above-defined Unit, pursuant to the Declaration of Mosaic Lot 6 Residential Condominium recorded on April 11, 2023, in Book 2356, Page 496, Chatham County Registry, (as amended and as the same may hereafter be amended, the “Declaration”). Any capitalized term that is not otherwise defined in this letter should be given the meaning assigned to such term in the Declaration.

This letter constitutes your Leasing Permit, pursuant to the Declaration and Bylaws of Mosaic Lot 6 Residential Association, Inc, as the same may hereafter be amended (the “Bylaws”). If at any time you anticipate no longer needing to lease the Unit, please contact the Association to surrender your Leasing Permit as soon as possible.

Please refer to the Declaration, in particular (but not limited to) Sections 6.1(e) and 6.1(j) thereof and the Bylaws, Exhibit A, Rules of Conduct, for the existing requirements and responsibilities applicable to leasing your Unit. Please also note that the Bylaws also authorize the Residential Board to establish additional conditions applicable to leasing the Unit. Understand that leasing of your Unit pursuant to this Leasing Permit always remains subject to the terms of the Declaration and Bylaws.

In closing, please note that the Residential Board reserves the right to limit the duration of this Leasing Permit, but in the event the Residential Board creates a durational limitation, or any other limitation, on the terms of your Leasing Permit, notice of such changes will be sent to your attention at the Unit or other address provided by you to the Residential Board together with the application.

This ____ day of _____, 20__.

Very truly yours,

[name], [office]

Mosaic Lot 6 Residential Association, Inc.