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EXHIBIT B

BYLAWS

ARTICLE I
GENERAL PROVISIONS

Section 1.1 Name. These are the Bylaws of the Skyloft Asheville Condominium Association, Inc., a North Carolina nonprofit corporation (the "Association").

Section 1.2 Office. The office of the Condominium, the Association, and the Board of Directors shall be located in Buncombe County, North Carolina, or at such other place as may be designated from time to time by the Board of Directors.

Section 1.3 Definitions. For purposes of these Bylaws, terms specifically defined in the Declaration of Condominium for Skyloft Asheville Condominium (the "Declaration") or the North Carolina Condominium Act, Chapter 47C, North Carolina General Statutes (the "Act") shall have the same meaning herein.

ARTICLE II
QUALIFICATIONS AND RESPONSIBILITIES
OF MEMBERS

Section 2.1 Composition of Association. Each Unit Owner shall be a Member of the Association and shall remain a Member until he ceases to be a Unit Owner. The Association shall have the responsibility of administering the Condominium, establishing the means and methods of collecting assessments and charges for Common Expenses, arranging for the management of the Association and Common Elements and performing all other acts that may be required or permitted to be performed by the Association by the Declaration and these Bylaws. The foregoing responsibilities shall be performed by the Board of Directors or Managing Agent.

Section 2.2 More Than One Owner. When there is more than one Unit Owner of a Unit, all such persons shall be collectively a Member of the Association.

Section 2.3 Registration. It shall be the duty of each Unit Owner to register his name and the number of his Unit with the Secretary of the Association.

Section 2.4 Prohibition of Assignment. The interests of a Member in the Association cannot be transferred or encumbered except as an appurtenance to his/her Unit.

ARTICLE III
MEETINGS AND VOTING

Section 3.1 Place of Meetings. Meetings of the Association shall be held in Asheville, North Carolina, at such place as may be designated by the Board of Directors in the notice of the meeting.

Section 3.2 Annual Meetings. The Members shall meet at least once each year as specified in the notice of such meeting given pursuant to Section 3.4. At each annual meeting the members shall appoint the Members of the Board of Directors ("Board" or "Directors") pursuant to Section 4.1 and may transact any other business properly coming before them.

Section 3.3 Special Meetings. Special meetings of the Association may be called at any time by the President or by the Board: (i) if so directed by resolution of the Board; or (ii) upon a petition signed and presented to the Secretary by Members owing not less than fifty-one percent (51%) of the aggregate Common Element Interests. The signatures on a petition requesting a special meeting shall be valid for a period of one hundred eighty (180) days after the date of the first such signature. Such resolution or petition must (i) specify the time and place at which the meeting is to be held, (ii) specify the date on which the meeting is to be held, (iii) specify the purposes for which the meeting is to be held, and (iv) be delivered to the Secretary. The notice of any special meeting shall state the time, place, and purpose thereof. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

Section 3.4 Notices of Meetings. Notice of all meetings of the Members, stating the time and place, and accompanied by a complete agenda thereof, shall be given by the President or Secretary to each Member (i) at least twenty-one (21) days but not more than fifty (50) days prior to such any annual or regularly scheduled meeting, and (ii) at least ten (10) days but not more than fifty (50) days prior to any special meeting. Such notice shall be in writing, and shall be hand delivered or sent by United States mail to the Members at the addresses of their respective Units and to other addresses as any Member may have designated to the Association.

Section 3.5 Quorum; Adjournment If No Quorum. A quorum shall consist of Members present, in person or by proxy, entitled to cast at least fifty percent (50%) of the total votes in the Association. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present.

Section 3.6 Votes.

(a) Voting at all meetings of the Association shall be on a one vote per Unit basis. Where the ownership of a Unit is in more than one (1) Person, the Person who shall be entitled to cast the vote of such Unit shall be the Person named in a certificate executed by all of the owners of such Unit and filed with the Secretary or, in the absence of such named Person from the meeting, the Person who shall be entitled to cast the vote of such Unit shall be the Person owning an interest in such Unit who is present. If more than one (1) Person owning such Unit is present, then such vote shall be cast only in accordance with their unanimous agreement. A fiduciary shall be entitled to cast a vote for a Unit owned in a fiduciary capacity. If a Member is not a natural person, the vote for such Unit may be cast by (i) any natural person having authority to execute deeds on behalf of such Person, pursuant to N.C.G.S. Chapter 47, or (ii) any other natural person designated by power of attorney for the natural person referred to in subsection (i) above. The natural person referred to in subsection (i) above shall be named in a certificate signed by an authorized officer of the non-natural person, and the natural person referred to in subsection (ii) above shall be named in a power of attorney signed by the natural person referred to in subsection (i) above. The aforesaid certificate and power of attorney shall be valid until revoked by a subsequent certificate or power of attorney similarly executed and filed.

(b) Except where a greater number is required by the Condominium Instruments, or where the consent of a certain percentage of Members or any percentage of Mortgagees is required pursuant to the Declaration or these Bylaws, a Majority Vote is required to adopt decisions at any meeting of the

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Association. If the Declarant owns or holds title to one (1) or more Units, the Declarant shall have the right at any meeting of the Association to cast the votes to which such Unit(s) is entitled.

(c) No Member may vote at any meeting of the Association if payment by such member of any bona fide financial obligation to the Association is delinquent more than sixty (60) days after written notice has been given to such member and the amount necessary to bring the account current has not been paid at the time of such meeting or election.

Section 3.7 Manner of Casting Votes. Votes may be cast in person or by proxy. A proxy may be given to another Member of the Association, an Officer, the Declarant, the managing Agent, such Member's Mortgagee, or such Member's attorney. Proxies shall be duly executed in writing, shall be dated, shall be signed by a person having authority at the time of the execution thereof to execute deeds on behalf of that person, and must be filed with the Secretary. Such proxy shall be deemed revoked only upon actual receipt by the person presiding over the meeting of notice of revocation from any of the persons owning such Unit. Any proxy shall terminate automatically upon the final adjournment of the first meeting held on or after the date of that proxy, however such proxy shall remain valid for any meeting that is recessed for up to forty-eight (48) hours. Except with respect to proxies in favor of a tenant or Mortgagee, no proxy shall in any event be valid for a period in excess of one hundred and eighty (180) days after the execution thereof. Any form of proxy which is sufficient in law may be used, but the following form of proxy shall be deemed sufficient:

The undersigned hereby irrevocably constitute and appoint _____ their attorney-in-fact and proxy for the sole purpose of casting the vote allocated to Unit _____, on all matters submitted to vote at that meeting of _____, to be held on _____, 20____. The undersigned hereby ratify and confirm all such votes cast on behalf of said Unit at that meeting, and certify that they are fully authorized to execute this instrument of proxy on behalf of all owners of any fee interest in said Unit.

This the ____ day of _____, 20____.
(Signature) _____

Section 3.8 Action by Members Without Meeting. Any action that may be taken at a meeting of the Members may be taken without a meeting if such action is authorized in a writing setting forth the action taken, signed by all Members entitled to vote on the action. The action shall be evidenced by one or more written consents describing the action taken, signed before or after such action by all Members entitled to vote thereon, and delivered to the Association for inclusion in the minutes or filing with the Association records. The record date for determining Members entitled to take action without a meeting is the date the first Member signs the consent. A consent signed under this Section has the effect of a meeting vote and may be described as such in any document.

ARTICLE IV
BOARD OF DIRECTORS

Section 4.1 Number. The Board of Directors shall be composed of not less than three (3) or more than five (5) persons. The initial Board, who shall serve until Unit Owners other than Declarant elect a majority of the Board as is hereafter provided, shall be composed of three (3) persons who need not be Members of the Association. As is hereinafter provided in Section 4.5 of this Article, at the meeting in which the Members other than Declarant are entitled to elect a majority of the members of the Board, the number of directors on the Board shall be increased from three (3) to five (5). Subsequent to the Declarant Control Period, the number of members of the Board of Directors may be increased or

decreased from time to time upon the affirmative vote of persons entitled to seventy-five percent (75%) of the votes in the Association; provided, however, pursuant to § 47C-3-103(f) of the Act, the Board of Directors shall not be composed of less than three (3) persons.

Section 4.2 Qualification and Term. Except for members of the Board of Directors designated and appointed by Declarant as is hereinafter provided, all directors shall be a Member or the individual nominee of said Member, if said Member is not an individual. Other than the directors appointed by Declarant, each director shall hold office for a term of one (1) year, or until his death, resignation, retirement, removal, disqualification or until his successor is elected and qualified.

Section 4.3 Removal of Members of the Board. At any regular or special meeting duly called, any one or more of the members of the Board of Directors may be removed with or without cause by Members owning a majority of the votes in the Association and a successor may then and there be elected to fill the vacancy thus created. Any director whose removal has been proposed by the Members shall be given at least seven (7) days notice of the time, place and purposes of the meeting and shall be given the opportunity to be heard at the meeting. Notwithstanding anything in this Section to the contrary, no person selected and appointed by the Declarant as a member of the Board of Directors may be removed without the written consent of the Declarant, and in such event the Declarant shall select and designate his successor.

Section 4.4 Vacancies. Vacancies on the Board of Directors caused by any reason other than the removal of a Director by a vote of the Members shall be filled at a special meeting held for that purpose promptly after the occurrence of any such vacancy. The aforementioned elections shall take place and the results thereof shall be binding even though the Members present at such meeting may constitute less than a quorum. Each person elected in accordance with this Section shall be a member of the Board of Directors for the remainder of the term of the predecessor member, and until a successor shall be elected. The Declarant shall designate the successor to any director previously designated by the Declarant who resigns or is removed by the Declarant.

Section 4.5 Appointment of Board by Declarant.

(a) Subject to the provisions of subparagraph (b) of this Section 4.5, Declarant shall have the right to designate, select and appoint all officers of the Association, and all the members of the Board of Directors of the Association during the Declarant Control Period. Declarant shall have the right to remove any person appointed by it to serve as a director and to replace such person with another person selected by Declarant to act and serve in the place of any director so removed. Any representative of Declarant serving on the Board shall not be required to disqualify himself from any vote upon a management contract or any other contract or lease between Declarant and the Association where the Declarant may have a pecuniary or other interest. Declarant shall designate, appoint, remove, and reappoint directors when entitled to do so by written statement addressed to the Association, and a copy of such statement shall be placed in the minute book.

The Declarant can turn over control of the Association prior to the expiration of the Declarant Control Period by causing all or part of its appointed directors to resign and by not appointing replacement directors, whereupon it shall be the affirmative obligation of the Members to elect directors and assume control of the Association. Declarant shall give written notice of its intention to so surrender control of the Association to the Board and the Members of the Association and provided that, at least thirty (30) days notice of Declarant's decision to cause its appointees to resign without replacement is given to the Members, neither the Declarant, nor such appointees, shall be liable in any manner in connection with such resignations even if the Members other than Declarant refuse or fail to assume control.

(b) Notwithstanding anything to the contrary in subparagraph (a) of this Section 4.5, no later than sixty (60) days after conveyance by Declarant of twenty-five percent (25%) of all Units to Unit Owners other than Declarant, at least one member and not less than twenty-five percent (25%) of the members of the Board of Directors of the Association shall be elected by Members at a special meeting of the Association called for such purpose. Notwithstanding anything to the contrary in subparagraph (a) of this Section 4.5, no later than sixty (60) days after conveyance by Declarant of fifty percent (50%) of all Units to Unit Owners, not less than thirty-three percent (33%) of the members of the Board of Directors of the Association shall be elected by Members at a special meeting of the Association called for such purpose. Any member of the Board elected by Unit Owners other than Declarant pursuant to this provision shall serve for a term of one (1) year or until the expiration of the Declarant Control Period, whichever is shorter, provided that the first director elected hereunder by Unit Owners other than Declarant shall be elected for a term which expires at the next annual meeting of the Members so that thereafter this member of the Board may be elected at the annual meeting of the Association.

(c) Upon the expiration of the Declarant Control Period or if the Declarant should sooner decide to voluntarily surrender its control of the Association, the Board shall notify the Members of a special meeting of the Association for the purpose of electing directors of the Association and such other matters as may be specified in the notice. Notice of such meeting shall be given by the Secretary in accordance with the provisions of these Bylaws. At the time of such meeting of the Association where the Members are entitled to elect a majority of the members of the Board, the number of Directors shall be increased from three (3) persons to five (5) persons. All five (5) positions on the Board shall be filled at this special meeting of the Members.

Section 4.6 Regular Meetings. Regular meetings of the Board of Directors shall be held at such time on the Property, or other convenient location in the Asheville, North Carolina, as shall be determined from time to time by a majority of the directors, but such meetings shall be held at least quarterly during each fiscal year.

Section 4.7 Special Meetings. Special meetings of the Board of Directors may be called by the President on three (3) business days notice to each director given personally or by mail, facsimile or telephone, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board of Directors shall be called by the President or Secretary in like manner and on like notice on the written request of all the directors. No business shall be transacted at a special meeting except that which is stated in the notice thereof.

Section 4.8 Quorum; Adjournment If No Quorum. A majority of the Board shall constitute a quorum for the transaction of business at any meeting of the Board. If a quorum is not present, the meeting shall be adjourned from time to time until a quorum is present. The signing by a Director of the minutes of a meeting shall constitute the presence of such director at that meeting for the purpose of determining a quorum.

Section 4.9 Manner of Acting. Each Director shall be entitled to one (1) vote. The act of a majority of the directors present at a meeting where a quorum is present shall constitute the act of the Board unless the act of a greater number is required by the provisions of applicable law, the Declaration, or these Bylaws.

Section 4.10 Board Action Without Meeting. Any action by the Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the directors shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Board of Directors.

Section 4.11 Compensation of Directors Restricted. No director shall receive any compensation from the Association for acting as such, unless such compensation is approved by a majority of the Members, in which event such compensation shall be reasonable and customary. Reimbursement of expenses incurred by directors on behalf of the Association shall be permissible.

Section 4.12 Powers and Duties of Board. The Board shall have all of the powers and duties necessary for the administration of the affairs of the Association. The Board of Directors shall delegate to one or more of its members, or to a person employed for such purpose the authority to act on behalf of the Board on such matters relating to the duties of the Managing Agent which may arise between meetings of the Board as the Board deems appropriate. Such powers and duties shall be exercised in accordance with the provisions of applicable law, including Section 47C-3-102 of the Act, the Declaration, and these Bylaws, and shall include, but not be limited to, the following:

(a) To prepare and adopt an annual budget, in which there shall be expressed the assessments of each Unit Owner for the Common Expenses.

(b) To make assessments against Unit Owners to defray the costs and expenses related to the maintenance and operation of the Common Elements, establish the means and methods for collecting such assessments from the Unit Owner and establish the period of the installment payment of the annual assessment for said expenses.

(c) To provide for the operation, care, upkeep and maintenance of the Common Elements.

(d) To designate, hire and dismiss the personnel necessary for the maintenance, operation, repair and replacement of the Common Elements and, where appropriate, provide for the compensation of such personnel and for the purchase of equipment, supplies and material to be used by such personnel in the performance of their duties, which supplies and equipment shall be deemed part of the Property.

(e) To collect the Common Expense assessments against the Unit Owners, deposit the proceeds thereof in bank depositories designated by the Board of Directors and use the proceeds to carry out the administration of the Property.

(f) To adopt and amend any Rules and Regulations pertaining to the operation or use of the Common Elements provided, however, that such Rules and Regulations shall not be in conflict with the Condominium Instruments.

(g) To open bank accounts on behalf of the Association and designate the signatories thereon.

(h) To make, or contract for the making of, repairs, additions and improvements to or alterations or restoration of the Common Elements in accordance with these Bylaws and the Declaration.

(i) To enforce by legal means the provisions of the Declaration, these Bylaws and the Condominium Rules, act on behalf of the Members with respect to all matters arising out of any condemnation or eminent domain proceeding affecting the Common Elements, and notify the Members of any litigation against the Association involving a claim in excess of ten percent (10%) of the amount of the annual budget for the Association.

(j) To obtain and carry insurance against casualties and liabilities, including either (i) 100% replacement coverage on the Building (less a commercially reasonable deductible not to exceed \$10,000),

liability insurance with coverage of at least \$1,000,000 per occurrence, and fidelity bond coverage or (ii) the coverages required by the North Carolina Condominium Act, whichever are more, pay the premiums therefor and adjust and settle any claims thereunder.

(k) To pay the cost of all authorized services rendered to the Association and not billed to Unit Owners.

(l) To keep books with accounts affecting the Common Elements and the administration of the Common Elements. Such books and vouchers accrediting the entries therein shall be available for examination by the Members, their attorneys, accountants, Mortgagees and authorized agents during normal business hours on business days at the times and in the manner set and announced by the Board of Directors for the general knowledge of the Members. All books and records shall be kept in a manner verifiable upon an audit and shall be subjected to an independent financial review at least annually by an independent auditor retained by the Board of Directors who shall not be a resident of the Condominium or a Member or an employee or agent of any Member. The books and records shall be subject to an independent audit upon the request of Members to which at least 51% of the votes in the Association appertain. The cost of such audit shall be a Common Expense. The Board, on behalf of the Association, shall also keep current copies of the Declaration, Bylaws and Condominium Rules and Regulations.

(m) To borrow money on behalf of the Condominium when required in connection with the operation, care, upkeep and maintenance of the Common Elements provided, however, that (except during the Declarant Control Period) a vote in writing by Members of Units to which more than fifty one percent (51%) of the votes in the Association appertain shall be required to borrow any sum in excess of ten percent (10%) of the total annual assessment for Common Expenses for that fiscal year.

(n) Acquire, hold and dispose of Units and mortgage the same without the prior approval of the Association if such expenditures and hypothecations are included in the budget adopted by the Association.

(o) Do such other things and acts not inconsistent with the Condominium Instruments which the Board of Directors may be authorized to do by a resolution of the Association.

Section 4.13 Managing Agent. The Board of Directors may employ for the Condominium a "Managing Agent" at a compensation to be established by the Board. The Managing Agent shall perform such duties and services as the Board of Directors shall direct. The Managing Agent shall perform the obligations, duties and services relating to the management of the Property and the rights of Mortgagees in compliance with the provisions of the Declaration or these Bylaws.

Section 4.14 Common or Interested Directors. Each Director shall exercise such Director's powers and duties in good faith and with a view to the interests of the entire Condominium. A contract or other transaction between the Association and any of its Directors, or between the Association and any corporation, firm or association (including the Declarant) in which any of the directors of the Association are directors or officers or are pecuniarily or otherwise interested, is not void or voidable because any such Director is present at the meeting of the Board of Directors which authorizes or approves the contract or transaction, or because such director's vote is counted for such purpose, if any of the conditions specified in any of the following subsections exist:

(a) The fact of the common directorate or interest is disclosed or known to the Board of Directors or noted in the minutes, and the Board of Directors authorizes, approves or ratifies such contract or transaction in good faith by a vote sufficient for the purpose; or

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(b) The fact of the common directorate or interest is disclosed or known to at least a majority of the Members, and the Members approve or ratify the contract or transaction in good faith by a vote sufficient for the purpose; or

(c) The contract or transaction is commercially reasonable to the Association at the time it is authorized, ratified, approved or executed.

Any common or interested directors may be counted in determining the presence of a quorum of any meeting of the Board of Directors or committee thereof which authorizes, approves or ratifies any contract or transaction, and may vote at the meeting to authorize any contract or transaction with like force and effect as if such director of the Association were not an officer or director of such other corporation, firm or association or not so interested.

Section 4.15 Committees. The Board of Directors may create and appoint Members to such committees as they determine appropriate.

Section 4.16 Notice and Waiver. Notice of meetings of the Board of Directors shall be given to each director, personally or by mail, facsimile or telephone, at least three (3) business days prior to the day named for such meeting. Any director may at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a director, in person or by telephone communication, at any meeting of the Board of Directors shall constitute a waiver of notice by such director of the time, place and purpose of such meeting. If all directors are present at any meeting of the Board of Directors, no notice shall be required and any business may be transacted at such meeting

Section 4.17 Legal Proceedings. The Board of Directors shall have the exclusive right to initiate any form of legal proceedings as it deems necessary and appropriate related to the use, operation, or maintenance of the Property, subject to the following requirements. "Legal Proceedings" as used in this Section shall mean any form of action or suit, including, but not limited to, demands for performance of Declarant obligations hereunder, under the Condominium Instruments, or contained in any statute, regulation or ordinance or at common law; and shall include the assertion, through litigation, arbitration, or otherwise, or the defense of any claims or actions related to the Property. Notwithstanding the foregoing, the filing and enforcement of liens, the initiation of legal action for routine Common Expense assessment collection matters or legal actions required to enforce provisions of the Declaration, Bylaws or Condominium Rules and Regulations with respect to the Property shall not be deemed Legal Proceedings for purposes of this Section and such actions shall not be subject to the requirements of this Section.

Section 4.18 Board of Directors as Agent. The Board of Directors shall have the power to act as agent for the Unit Owners of all of the Units and for each of them, to manage, control and deal with the interests of such Unit Owners in the Property or the Condominium to permit the Board of Directors to fulfill all of its powers, rights, functions and duties. The Board of Directors shall have the power to act as agent for each Unit Owner, each Mortgagee, other named insured and their beneficiaries and any other holder of a lien or other interest in the Condominium or the Property to: (i) adjust and settle all claims arising under insurance policies purchased by the Board of Directors with respect to the Property, (ii) execute and deliver releases upon the payment of claims, and (iii) act on their behalf in any condemnation proceeding or action of eminent domain affecting the Property.

ARTICLE V
OFFICERS

Section 5.1 Designation of Officers. The Officers of this Association shall be a President, a Vice-President, a Secretary, and a Treasurer. Each Officer shall be a Unit Owner or the individual nominee of the Unit Owner, if the Unit Owner is not an individual; provided, however, the Officers elected by the initial Board or by any Board to which Declarant is entitled to appoint a majority of the directors are not required to be Unit Owners. A person may hold one or more of such offices at one time, except that the President shall not at the same time hold another office in the Association. The Board may elect an assistant treasurer, an assistant secretary, and such other Officers as in its judgment may be necessary. The President and Vice President shall be members of the Board of Directors. Any other Officers may, but need not, be directors. Each Officer shall perform such duties as are normally associated with such office in parliamentary organizations, except to the extent (if any) inconsistent with the Condominium Instruments, and shall perform such other duties as may be assigned to such office by resolution of the Board of Directors. If any Officer is unable for any reason to perform the duties of the office, the President (or the Board of Directors if the President fails to do so) may appoint another qualified person to act in such Officer's stead on an interim basis.

Section 5.2 Election of Officers. Officers of the Association shall be elected by the Board. Election shall be held annually at the first meeting of the Board held after the annual meeting of the Members. Except for death, resignation or removal, the officers shall hold office until their respective successors shall have been elected by the Board.

Section 5.3 Term. Each Officer shall serve until his successor has been duly elected and has qualified.

Section 5.4 Removal. Upon the affirmative vote of a majority of the Board of Directors, any Officer may be removed, either with or without cause, and a successor may be elected at any regular meeting of the Board or at any special meeting of the Board called for such purpose.

Section 5.5 Vacancy. Any vacancy in any office shall be filled by the Board, and an Officer elected to fill a vacancy shall serve for the unexpired term of his predecessor in office.

Section 5.6 Powers and Duties of Officers.

(a) **President.** The President shall be the chief executive Officer of the Association; preside at all meetings of the Association and of the Board; have general and active direction of the business of the Association subject to the control of the Board; see that all orders and resolutions of the Board are carried into effect; and appoint committees from time to time as the President may decide is appropriate to assist in the conduct of the affairs of the Association.

(b) **Vice President.** The Vice-President shall perform such duties of the President as shall be assigned to him by the President, and in the absence of the President shall perform the duties and functions of the President. If neither the President nor the Vice President is able to act, the Board of Directors shall appoint some other Director to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed by the Board of Directors or by the President.

(c) **Secretary.** The Secretary shall keep the minutes of all meetings of the Association and of the Board of Directors; have charge of such books and papers as the Board may direct; give or cause to be given all notices required to be given by the Association; maintain a register setting forth the place to

which all notices to Members and Mortgagees hereunder shall be delivered; and, in general, perform all the duties incident to the office of Secretary.

(d) **Treasurer.** The Treasurer shall (together with the Managing Agent) be responsible for Association funds and securities; keep full and accurate financial records and books of account showing all receipts and disbursements; prepare all required financial data; deposit all monies and other valuable effects in the name of the Board of Directors, the Association or the Managing Agent, in such depositories as may from time to time be designated by the Board; and, in general, perform all the duties incident to the office of Treasurer.

Section 5.7 Execution of Documents. Unless otherwise provided in the resolution of the Board of Directors: (i) all agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations in excess of Two Thousand Dollars (\$2,000.00) and all checks drawn upon reserve accounts shall be executed by any two (2) persons designated by the Board of Directors; and (ii) all such instruments for expenditures or obligations of Two Thousand Dollars (\$2,000.00) or less, except from reserve accounts, may be executed by any one (1) person designated by the Board of Directors. Any officer may prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

Section 5.8 Compensation of Officers Restricted. No Officer shall receive any compensation from the Association for acting as such Officer unless otherwise agreed by the Members representing a majority of the Common Element Interests, in which event such compensation shall be reasonable and customary. Officers may be reimbursed for expenses incurred in carrying out the functions of their office if approved by the Board of Directors.

ARTICLE VI
LIABILITY AND INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 6.1 Liability.

(a) The Officers and directors of the Association shall not be liable to the Association or any Member for any mistake of judgment, negligence or otherwise, except for their own individual willful misconduct or bad faith. The Association shall indemnify and hold harmless each of the Officers and directors from and against all contractual liability to others arising out of contracts made by the Officers or the Board of Directors on behalf of the Association unless any such contract shall have been made in bad faith or contrary to the provisions of the Condominium Instruments, except to the extent that such liability is satisfied by directors and officers liability insurance. Officers and directors shall have no personal liability with respect to any contract made by them on behalf of the Association. The liability of any Member arising out of any contract made by the Officers or Board of Directors, or out of the indemnification of the Officers or directors, or for damages as a result of injuries arising in connection with the Property solely by virtue of ownership of a Common Element Interest therein or for liabilities incurred by the Association, shall be limited to the total liability multiplied by such Member's Common Element Interest. Every agreement made by the Officers, the Board of Directors or the Managing Agent on behalf of the Association shall provide that the directors, Officers and the Managing Agent shall have no personal liability thereunder (except as Members), and that each Member's liability thereunder shall be limited as set forth above.

(b) The Association shall not be liable for any failure of any utilities or other services to be obtained by the Association or paid for as a Common Expense, or for injury or damage to person or property caused by the elements or by the Unit Owner of any Unit, or any other person, or resulting from

electricity, water, snow or ice which may leak or flow from or over any portion of the Property or from any pipe, drain, conduit, appliance or equipment. The Association shall not be liable to any Member for loss or damage, by theft or otherwise, of articles which may be stored upon any of the Property. 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 Property or from any action taken by the Association to comply with any law, ordinance, order or directive of any governmental authority.

Section 6.2 Indemnification. The Association shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that such person is or was an Officer, or director of the Association against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement incurred by such person in connection with such action, suit or proceeding if such person acted in good faith and in a manner such person reasonably believed to be in, or not opposed to, the best interests of the Condominium. In addition, the Association is authorized to maintain Officers and directors liability insurance.

ARTICLE VII
FISCAL MANAGEMENT

Section 7.1 Depository. Other than Replacement Reserves, which shall be segregated in separate account and held by the Association as agent for the Unit Owners, all sums collected by the Board of Directors with respect to Common Expense assessments against the Unit Owners or from any other source may be commingled into a single fund. All interest income on all accounts shall be income to and for the use of the Association.

Section 7.2 Fidelity Bond. Fidelity bonds shall be maintained by the Association, in an amount determined by the Board, covering each Director and Officer of the Association, any employee or agent of the Association and any other person handling or responsible for handling funds of the Association. The Board may vote to waive this requirement at a meeting duly held under the provisions set forth in these Bylaws.

Section 7.3 Fiscal Year. The fiscal year of the Association shall be January 1 through December 31, unless otherwise determined by the Board.

ARTICLE VIII
BUDGET AND ASSESSMENTS

Section 8.1. Preparation and Approval of Budget.

(a) At least sixty (60) days before the beginning of each fiscal year, the Board of Directors shall adopt a budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Elements, and those other parts of the Condominium as to which it is the responsibility of the Association to maintain, repair and replace, pursuant to the Condominium Instruments, and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Common Elements and other parts of the Condominium for which the Association is responsible pursuant to the Condominium Instruments.

(b) Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide reasonable working capital for day-to-day operations, contingencies, and other operating cash flow fluctuations (including losses due to insurance deductibles), and Replacement Reserves, for substantial repairs and replacements, as the same are associated with the Common Elements or other property required to be maintained by the Association pursuant to the Condominium Instruments. Such budget shall constitute the basis for determining each Unit Owner's assessment for the Common Expenses of the Condominium.

(c) Within five (5) days after adoption of any proposed budget for the Condominium, the Board of Directors shall provide to each Unit Owner a copy of the budget and shall set a date for a meeting of the Members to consider ratification of the budget not less than fourteen (14) nor more than thirty (30) days after mailing of the summary. The copy of the budget shall be in a reasonably itemized form which sets forth the amount of the Common Expenses and any special assessment payable by each Unit Owner. There shall be no requirement that a quorum be present at the meeting. The budget is ratified unless at that meeting a majority of all of the Members or any larger vote specified in the Declaration rejects the budget. In the event the proposed budget is rejected, the periodic budget last ratified shall be continued until such time as the Members ratify a subsequent budget proposed by the Board of Directors.

(d) Whenever, in the judgment of the Board of Directors, the Common Elements shall require additions, alterations, renovations or improvements either costing in excess of five percent (5%) of the Association's annual budget during the preceding fiscal year or involving the use of Replacement Reserves, the making of such additions, alterations, renovations or improvements shall require a Majority Vote of the Members, and the Board of Directors shall assess the cost thereof as a Common Expense. Any additions, alterations, renovations or improvements costing five percent (5%) of the Association's annual budget or less during the preceding fiscal year, and not involving the use of Replacement Reserves, may be made by the Board of Directors without approval of the Members and the cost thereof shall constitute a Common Expense.

Section 8.2 Assessment and Payment of Common Expenses. The total amount of the estimated funds required from assessments for the operation and maintenance of the Common Elements and any other property for which the Association is responsible pursuant to the Condominium Instruments set forth in the budget adopted by the Board of Directors shall be assessed against each Unit Owner in proportion to such Unit Owner's respective Common Element Interest. The assessment for Common Expenses shall be a lien against each Unit Owner's Unit. On or before the first day of each fiscal year, each Unit Owner shall be obligated to pay to the Board of Directors or the Managing Agent (as determined by the Board) the yearly assessment for its Unit. Within ninety (90) days after the end of each fiscal year, the Board of Directors shall supply to all Unit Owners, and to each Mortgagee requesting the same, an itemized accounting of the Common Expenses for such fiscal year actually incurred and paid, together with a tabulation of the amounts collected pursuant to the budget adopted by the Board of Directors for such fiscal year, and showing the net amount over or short of the actual expenditures plus reserves. Any amount accumulated in excess of the amount required for actual expenses and reserves shall be understood by all the parties to be held by the Association as agent for the Unit Owners and shall, at the discretion of the Unit Owners, be placed in reserve accounts or distributed to the Unit Owners. Any net shortage shall be assessed promptly against the Unit Owners in accordance with their Common Element Interests and shall be payable either: (1) in full with payment of the next yearly assessment due; or (2) in not more than six (6) equal monthly installments, as the Board of Directors may determine.

Section 8.3 Reserves. The Board of Directors shall build up and maintain reasonable working capital for day-to-day operations, contingencies, and other operating cash flow fluctuations (including losses due to insurance deductibles), and Replacement Reserves, for substantial repairs and

replacements, as the same are associated with the Common Elements or other property required to be maintained by the Association pursuant to the Condominium Instruments. Replacement Reserves shall, for the convenience of the Unit Owners, be accumulated for replacement of portions of the Common Elements and shall be segregated in a separate account and held by the Association as agent for the Unit Owners. Extraordinary expenditures associated with the Common Elements or other property required to be maintained by the Association not originally included in the annual budget which may become necessary during the year shall be charged first against working capital, unless sufficient funds to meet such expenditures are otherwise available in the operating account. Other than for normal maintenance expenses shown in the annual operating budget, all expenses for substantial repairs and replacement of physical assets maintained by the Association shall be charged first against such Replacement Reserves. Unless otherwise determined by a vote of all the directors, the amount held as reserves shall not substantially exceed the amount reasonably required to assure the Association's ability to replace components as they reach the end of their useful lives. If regular annual maintenance extends the useful life of components so that reserves are excessive, the reserves shall be adjusted by reallocation to other budget items or by distribution to the Unit Owners as the Board of Directors may determine. If the reserves are inadequate for any reason, including nonpayment of any Unit Owner's assessment, the Board of Directors may at any time levy a further assessment, which shall be assessed against the Unit Owners according to their respective Common Element Interests, and which may be payable in a lump sum or in installments as the Board may determine. The Board of Directors shall serve notice of any such further assessment on Unit Owners by a statement in writing giving the amount and reasons therefor, and such further assessment shall, unless otherwise specified in the notice, become effective with the next yearly payment which is due after the delivery of such notice of further assessment. All Unit Owners so notified shall be obligated to pay the adjusted amount or, if such further assessment is not payable in installments as approved by the Board, the amount of such assessment. Such assessment shall be a lien as of the effective date.

Section 8.4 Initial Budget and Initial Capital Payment.

(a) Upon taking office, the first Board of Directors elected or designated pursuant to these Bylaws shall determine the budget, as defined in this Section, for the period commencing thirty (30) days after such election and ending on the last day of the fiscal year in which such election occurs. Assessments shall be levied and become a lien against the Unit Owners during such period.

(b) The Declarant, as the agent of the Board of Directors, shall collect from each initial purchaser of all Units, at the time of settlement a non-refundable contribution to the working capital fund equivalent to two months of assessments, based upon a proration of the estimated annual assessments, for Common Expenses for such purchaser's Unit. This amount is in addition to the yearly assessments. The Declarant will deliver the funds so collected to the Board of Directors to provide the necessary working capital for the Association. Such funds may be used for certain prepaid items, initial equipment, supplies, organizational costs and other start-up costs, and for such other purposes as the Board of Directors may determine.

Section 8.5 Effect of Failure to Prepare or Adopt Budget. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Unit Owner's obligation to pay the allocable share of the Common Expenses as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Unit Owner shall continue to pay each yearly installment at the yearly rate established for the previous fiscal year until notified of the yearly payment which is due at least ten (10) days after such new annual or adjusted budget is adopted.

ARTICLE IX
COMPLIANCE AND DEFAULT

Section 9.1. Relief. Each Member shall be governed by and shall comply with, all of the terms of the Condominium Instruments and any rules and regulations which are a part thereof or which are promulgated by the Board of Directors, as any of the same may be amended from time to time. A default by a Member shall entitle the Association, acting through its Board of Directors or through the Managing Agent, to the relief described in this Article.

(a) **Additional Liability.** Each Member shall be liable to the Association, or to any affected Member, as applicable, for the expense of all maintenance, repair or replacement rendered necessary by such act, neglect or carelessness of the Member, any member of such Member's household or such Member's guests, invitees, tenants, agents or employees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Board of Directors; provided, however, at the discretion of the Board of Directors, the Board may assess such expense directly against the Member rather than, or in addition to, making an insurance claim. Such liability shall include any increase in casualty insurance rates occasioned by use, misuse, occupancy or abandonment of any Unit or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation. Any costs, including, without limitation, legal fees, incurred as a result of a failure to comply with the Condominium Instruments and any Condominium Rules by any Member (or any member of such Member's household or such Member's guests, invitees, tenants, agents or employees) may be assessed, and shall constitute a lien against such Member's Unit.

(b) **Costs and Attorney's Fees.** In any proceedings arising out of any alleged default or violation by a Member, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorney's fees as may be determined by the court.

(c) **No Waiver of Rights.** The failure of the Association, the Board of Directors, or of a Member to enforce any right, provision, covenant or condition which may be granted by the Condominium Instruments shall not constitute a waiver of the right of such party to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted pursuant to any term, provision, covenant or condition of the Condominium Instruments shall be deemed to be cumulative and the exercise of any one (1) or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Condominium Instruments or at law or in equity.

(d) **Interest.** In the event of a default by any Unit Owner in paying any sum assessed against the Unit which continues for a period in excess of fifteen (15) days, interest at a rate not to exceed the maximum rate permitted by law may be imposed in the discretion of the Board of Directors, on the principal amount unpaid from the date due until paid.

(e) **Abating and Enjoining Violations by Members.** The violation of any of the Rules and Regulations adopted by the Board of Directors, or the breach of any provision of the Condominium Instruments shall give the Board of Directors the right, in addition to any other rights set forth in these Bylaws (after giving the Member a notice and a reasonable opportunity to cure): (i) to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Member, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Board of Directors shall not thereby be deemed guilty in any manner of trespass; (ii) to use self-help to remove or cure any violation of the Condominium Instruments or any Condominium Rules and Regulations on the Common Elements (including without

limitation the towing of vehicles) or in any Unit; or (iii) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach; provided, however, that before any construction may be altered or demolished (except in emergencies) judicial proceedings shall be instituted.

(f) **Legal Enforcement.** Failure to comply with any of the terms of the Condominium Instruments and any Condominium Rules and Regulations shall be grounds for relief, including without limitation, an action to recover any sums due for money damages, injunctive relief, foreclosure of the lien for payment of all assessments, any other relief provided for in these Bylaws or any combination thereof and any other relief afforded by a court of competent jurisdiction, all of which relief may be sought by the Association, the Board of Directors, the Managing Agent or, if appropriate, by any aggrieved Member and shall not constitute an election of remedies. The Association and the Board of Directors may only enforce such Rules and Regulations and provisions of the Declaration and Bylaws which affect the portion of the Property within its jurisdiction and which such party is authorized to enforce pursuant to the Declaration and these Bylaws.

(g) **Charges.** The Board of Directors may levy reasonable charges against Members for violations of the Condominium Instruments or any Condominium Rules by the Member, the members of such Member's household, or such Member's guests, invitees, tenants, agents or employees with respect to the portion of the Property or area of jurisdiction of such party. No charge may be levied for a single violation in an amount more than: (i) the maximum amount permitted by law or (ii) one percent (1%) of such Unit Owner's annual assessment, whichever is less. Each day a violation continues, after notice is given to the Member, is a separate violation. If a Member requests in writing a hearing before the charge is imposed, the imposition of the charge shall be suspended until the hearing is held. Charges are special assessments and shall be collectible as such.

Section 9.2. Lien for Assessments.

(a) **Lien.** Assessments of each Unit Owner for Common Expenses are hereby declared to be a lien levied against the Unit of such Unit Owner, which lien shall, with respect to annual assessments, be effective on the first day of each calendar year after conveyance of said Unit to the Owner. As to special assessments and other sums duly levied, said amounts are declared to be liens on the first day of the next calendar year after delivery to the Unit Owner of notice of such special assessment or levy. The Board of Directors, or the Managing Agent, may file or record such other or further notice of any such lien, or such other or further document, as may be required to confirm the establishment and priority of such lien.

(b) **Acceleration.** In any case where an assessment against a Unit Owner is payable in installments as approved by the Board, upon a default by such Unit Owner in the timely payment of any two (2) consecutive installments, the maturity of the remaining total of the unpaid installments of such assessments may be accelerated, at the option of the Board of Directors, and the entire balance of the annual assessment may be declared due and payable in full by the service of notice to such effect upon the defaulting Unit Owner by the Board of Directors, or the Managing Agent.

(c) **Enforcement.** The lien for assessments may be enforced and foreclosed in any manner permitted by law. Such action may be taken in the name of the Board of Directors, or the Managing Agent, acting on behalf of the Association, as applicable. During the pendency of such suit the Unit Owner shall be required to pay a reasonable rental for the Unit for any period prior to sale pursuant to any judgment or order of any court having jurisdiction over such sale.

(d) **Remedies Cumulative.** A suit to recover a money judgment for unpaid assessments may be maintained without foreclosing or waiving the lien securing the same, and a foreclosure may be maintained notwithstanding the pendency of any suit to recover a money judgment.

ARTICLE X
AMENDMENT

Section 10.1 Amendments to Bylaws. These Bylaws may be amended, at a regular or special meeting of the Members, by a vote of 67% of the Members. The notice of the meeting shall set forth the proposed amendment or a summary of the changes to be effected thereby; provided, however, that no amendment to these Bylaws by the members of the Association shall be effective prior to the expiration of the Declarant Control Period without the prior written consent of Declarant.

Section 10.2 Execution of Amendments to Declaration. Any and all amendments to the Declaration on behalf of the Association shall be prepared by the Secretary or Assistant Secretary. Such amendments shall be certified and executed by the President or Vice President of the Association and attested by the Secretary or Assistant Secretary of the Association with all the formalities of a deed. Any such amendment shall be recorded in the Office of the Register of Deeds for Buncombe County, North Carolina by the President, Vice President, Secretary or any Assistant Secretary of the Association.

ARTICLE XI
GENERAL PROVISIONS

Section 11.1 Rules and Regulations.

(a) **By the Board.** The Board may promulgate from time to time such Rules and Regulations as it deems reasonable and necessary governing the administration, management, operation and use of the Common Elements so as to promote the common use and enjoyment thereof by Unit Owners and for the protection and preservation thereof. In addition, the Board may adopt such Rules and Regulations as it deems reasonable and necessary with respect to Units to provide for the common good and enjoyment of all Unit Owners.

(b) **By the Association.** Any such rule or regulation adopted by the Board may be amended, modified, or revoked, and new and additional Rules and Regulations may be adopted, by Members at an annual or special meeting of the Members. Any such act of the Members shall control over any contrary rule or regulation then or thereafter adopted by the Board.

(c) **Uniform Application.** All Rules and Regulations shall be equally and uniformly applicable to all Unit Owners.

(d) **Copies Furnished.** Copies of all such Rules and Regulations and any amendments thereto shall be furnished to all Members, and a copy shall be posted or otherwise made available to Members at the office of the Association. However, failure to furnish, or post, or make available, such Rules and Regulations shall not affect in any way their validity or enforceability.

Section 11.2 Conduct of Meetings. The then current edition of Robert's Rules of Order shall govern the conduct of Association proceedings when not in conflict with the Declaration, these Bylaws, the Act, or any statutes of the State of North Carolina applicable thereto.

Section 11.3 Compliance with the Act; Conflict; Severability. These Bylaws are established in compliance with the Act, as amended. Should any of the terms, conditions, provisions, paragraphs, or clauses of these Bylaws conflict with any of the provisions of said Act, the provisions of said Act shall control unless the Act permits these Bylaws to override the Act, in which event these Bylaws shall control. In the case of any conflict between the provisions of these Bylaws and the Declaration, the Declaration shall control. If any terms, provision, limitation, paragraph, or clause of these Bylaws, or the application thereof to any person or circumstance, if judicially held to be invalid, such determination shall not affect the enforceability, validity, or effect of the remainder of these Bylaws, or the application thereof to any other person or circumstance.

Section 11.4 Notices. Whenever in the Declaration, the Act, or these Bylaws, it shall be required or permitted that notice or demand be given or served on the Association or a Member or a Mortgagee or other party entitled to notice, such notice or demand shall be given in writing by registered or certified mail, postage prepaid, to the respective addresses as hereinafter set forth. All notices or demands provided under the terms of the Declaration, the Act or these Bylaws shall be effective when actually received by a party entitled to notice or when attempted to be delivered as authorized above. The addresses of a party entitled to notice may be changed, from time to time, by said party. Notices shall be served as follows:

UNIT OWNER OR MORTGAGEE AT: THE ADDRESS GIVEN AND ON FILE WITH THE ASSOCIATION

ASSOCIATION: P.O. Box 1467
Asheville, NC 28802

Section 11.5 Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision thereof.

Section 11.6 Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

Section 11.7 Use of Electronic Mail or Meeting. Any action or vote which may be taken or entered by a director, Unit Owner or Member in person, or by proxy, other than a vote on amendment of the Declaration, may, in the alternative, be accomplished by the use of electronic mail or electronic meeting utilized in accordance with rules promulgated by the Board of Directors establishing reasonable safeguards as to the genuineness of the action and notice to the other participants. The action shall be evidenced by a written record describing the action taken, signed before or after such action by all Members utilizing said method, and delivered to the Association for inclusion in the minutes or filing with the Association's records.