

BY-LAWS OF
SAW MILL ESTATE COMMUNITY ASSOCIATION
(A PENNSYLVANIA NON-PROFIT CORPORATION)

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions. The following words, when used in these By-laws shall have the meanings ascribed to them in this Article I. Any terms or words that are used herein and that are defined in the Declaration (as hereinafter defined) shall have the meaning or meanings given to such words or terms in the Declaration, unless the context otherwise clearly requires.

(a) "Act" - means the Pennsylvania Uniform Planned Community Act, 68 Pa.C.S. §5101, et seq., as amended from time to time.

(b) "Association" - means the SAW MILL ESTATE COMMUNITY ASSOCIATION, which has been organized as a Pennsylvania non-profit corporation, which is an association among all Unit Owners, and which shall have those duties, rights and privileges which are set forth in the Declaration, in these By-laws and in the Act.

(c) "Board" or "Board of Directors" - means the Board of Directors of the Association, elected and appointed from time to time pursuant to these By-laws and the Declaration. Such term shall be synonymous with the term "Executive Board" as used in the Act.

(d) "Declaration" - means the Declaration of "SAW MILL ESTATES", a planned community, which is to be recorded in the office of the Recorder of Deeds of Chester County, Pennsylvania, as amended from time to time. The Declaration is incorporated herein by reference.

(e) "Member" - a Unit Owner entitled to membership in the Association, as provided in the Declaration and the Act.

(f) "Unit" - as defined in the Declaration.

(g) "Unit Owner" - as defined in the Declaration.

ARTICLE II
NAME, OFFICES AND FISCAL YEAR

SECTION 2.01. Name. The name of the Association shall be "SAW MILL ESTATES ASSOCIATION".

SECTION 2.02. Registered Office. The initial registered office of the Association in Pennsylvania shall be at 330 Kennett Pike Chadds Ford, PA 19317 until otherwise changed by an amendment of the Articles or by resolution of the Board of Directors and a record of such change being filed with the Department of State in the manner provided by law.

SECTION 2.03. Fiscal Year. The fiscal year of the Association shall begin on the first (1st) day of January in each year and end on the thirty-first (31st) day of December in each year, unless otherwise changed by the Board of Directors.

ARTICLE III NOTICES; WAIVERS; MEETINGS GENERALLY

SECTION 3.01. Manner of Giving Notice.

(a) General Rule - Whenever written notice is required to be given to any person under the Non-profit Corporation Law, the Act, the Declaration or these By-Laws, it may be given to the person either personally or by sending a copy thereof by first class mail, postage prepaid to the mailing address of such person's Unit, or to such other mailing address as may be designated in writing by the Unit Owner or, in the case of Directors, the address supplied by the Director to the Association for the purpose of notice. If the notice is sent by mail, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail. Such notices may also be sent by electronic mail ("e-mail") to the e-mail address supplied by the Unit Owner or Director, as applicable. Notices sent by e-mail shall be effective on receipt. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by the Non-Profit Corporation Law, the Act or these By-Laws.

(b) Adjourned Member Meetings - When a meeting of Members is adjourned, it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which the adjournment is taken, unless the Board fixes a new record date for the adjourned meeting.

SECTION 3.02. Notice of Meetings of Board of Directors. Notice of a regular meeting of the Board of Directors need not be given. Notice of every special meeting of the Board of Directors shall be given to each Director by telephone or in writing at least 24 hours (in the case of notice by telephone) or 48 hours (in the case of notice by telegraph, courier service or express mail) or five days (in the case of notice by first class mail) before the time at which the meeting is to be held. Every such notice shall state the time and place of the meeting.

SECTION 3.03. Notice of Meetings of Members. Written notice of every meeting of the Members shall be given by, or at the direction of, the Secretary to each Member of record entitled to vote at the meeting at least ten (10) and not more than sixty (60) days prior to the day named for a meeting.

SECTION 3.04. Contents of Notice Any notice of a meeting of the Board of Directors or Members shall contain such information as may be required by the Act, the Non-profit Corporation Law or the Declaration. Notice of any meeting shall state the time and place of the meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or these By-laws; any proposed budget or assessment changes; and any proposal to remove a Director or an officer of the Association.

SECTION 3.05. Waiver of Notice.

(a) Written Waiver - Whenever any written notice is required to be given under the Non-profit Corporation Law, the Act, the Declaration or these By-Laws, a waiver thereof in writing, signed by the person or persons entitled to the notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of the notice. Except as otherwise required by this subsection, neither the business to be transacted at, nor the purpose of, a meeting need be specified in the waiver of notice of the meeting. In the case of a special meeting of Members, the waiver of notice shall specify the general nature of the business to be transacted.

(b) Waiver by Attendance - Attendance of a person at any meeting shall constitute a waiver of notice of the meeting except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

SECTION 3.06. Modification of Proposal Contained in Notice. Whenever the language of a proposed resolution is included in a written notice of a meeting required to be given under the Non-profit Corporation Law, the Act, the Declaration or these By-Laws, the meeting considering the resolution may without further notice, adopt it with such clarifying or other amendments as do not enlarge its original purpose.

SECTION 3.07. Exception to Requirement of Notice. Whenever any notice or communication is required to be given to any person under the Non-profit Corporation Law, the Act, the Declaration or these By-Laws or by the terms of any agreement or other instrument or as a condition precedent to taking any corporate action, and communication with that person is then unlawful, the giving of the notice or communication to that person shall not be required.

SECTION 3.08. Use of Conference Telephone and Similar Equipment.

One or more persons may participate in a meeting of the Board of Directors by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting. The Association shall have no obligation to supply special facilities or equipment in order to facilitate attendance at meetings of the Board of Directors or Members of the Association through such means.

ARTICLE IV

MEMBERS; RIGHTS AND DUTIES; MEETINGS; NOTICES

SECTION 4.01. Membership.

(a) Every Unit Owner shall be a Member of the Association and shall be liable to pay all Assessments that may be levied by the Association against him or his Unit, and any costs and expenses for which the Unit Owner may become liable pursuant to the Community Documents. Membership in the Association is appurtenant to, and not severable from, ownership of a Unit.

(b) Every Member shall be entitled to enjoy all of the rights and benefits, and shall be subject to all of the obligations and duties, of membership in the Association, under and subject to the power of the Board of Directors to suspend any such rights or privileges, including voting rights, if a Member fails to pay Assessments or otherwise fails to comply with the Community Documents.

SECTION 4.02. Voting Rights.

(a) The voting rights of Unit Owners shall be as set forth in the Declaration.

(b) If a Unit is leased, the tenant shall not be a Member of the Association and shall not be entitled to vote unless given a written proxy to do so by the Unit Owner.

(c) If a Unit is owned by more than one (1) Person, and if there is conflict between such Persons as to how the vote appurtenant to such Unit should be cast on any matter at any regular or special meeting of Members of the Association, then the vote appurtenant to such Unit shall be counted for purposes of determining the presence of a quorum at such meeting, but otherwise the conflicting votes of the Persons owning such

Unit with respect to a particular matter shall cancel each other and shall not be counted in determining whether or not the particular matter has been approved or disapproved by the Members. If a Unit is owned by more than one (1) Person, and fewer than all Owners of such Unit attend any meeting of Members, such Persons attending the meeting shall have authority to cast the vote appurtenant to such Unit with respect to any matter on which the Members are entitled to vote at such meeting, whether or not the Unit Owners who are not present have given their proxy to do so to such Person.

SECTION 4.03. Place of Meeting. All meetings of the Members of the Association shall be held at the registered office of the Association or at such other place as is designated in the notice of the meeting.

SECTION 4.04. Annual Meeting. The Board of Directors may fix the date and time of the annual meeting of the Members, but if no such date and time is fixed by the Board, the meeting for any calendar year shall be held on the 10th day of April in such year, if not a legal holiday under the laws of Pennsylvania, and, if a legal holiday, then on the next succeeding business day, not a Saturday, at 7 o'clock P. M. If the annual meeting shall not have been called and held within six months after the designated time, any Member may call the meeting at any time thereafter.

SECTION 4.05. Special Meetings.

(a) Call of Special Meetings - Special meetings of the Members may be called at any time:

(1) By the President, the Chairman of the Board or by a majority of the Board of Directors; or

(2) By Members entitled to cast at least twenty percent (20%) of the votes that all Members are entitled to cast at the particular meeting; or

(3) By the Declarant, until the Declarant no longer owns any Units or until the Common Elements have been completed and conveyed to the Association, whichever date is last to occur.

(b) Fixing of Time for Meeting - At any time, upon written request of any person who has called a special meeting, it shall be the duty of the Secretary to fix the time of the meeting which shall be held not more than sixty (60) days after the receipt of the request. If the Secretary neglects or refuses to fix the time of the meeting, the person or persons calling the meeting may do so.

SECTION 4.06. Quorum and Adjournment.

(a) General Rule - A meeting of Members of the Association duly called shall not be organized for the transaction of business unless a quorum is present. The presence of Members entitled to cast at least twenty percent (20%) of the votes that all Members are entitled to cast on a particular matter to be acted upon at the meeting shall constitute a quorum for the purposes of consideration and action on the matter.

(b) Withdrawal of Quorum - The Members present at a duly organized meeting can continue to do business until adjournment notwithstanding the withdrawal of enough Members to leave less than a quorum.

(c) Adjournment for Lack of Quorum - If a meeting cannot be organized because a quorum has not attended, those present may, except as provided in the Non-profit Corporation Law, adjourn the meeting to such time and place as they may determine.

(d) Adjournment Generally - Any meeting at which Directors are to be elected shall be adjourned only from day to day, or for such longer periods not exceeding fifteen (15) days each as the Members present and entitled to vote shall direct, until the Directors have been elected. Any other regular or special meeting may be adjourned for such period as the Members present and entitled to vote shall direct.

(e) Electing Directors at Adjourned Meeting - Those Members entitled to vote who attend a meeting called for the election of Directors that has been previously adjourned for lack of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of electing Directors.

(f) Other Action in Absence of Quorum - Those Members entitled to vote who attend a meeting of Members that has been previously adjourned for one or more periods aggregating at least fifteen (15) days because of an absence of a quorum, although less than a quorum as fixed in this section, shall nevertheless constitute a quorum for the purpose of acting upon any matter set forth in the notice of the meeting if the notice states that those Members who attend the adjourned meeting shall nevertheless constitute a quorum for the purpose of acting upon the matter.

SECTION 4.07. Action by Members. Except as otherwise provided in the Non-profit Corporation Law, the Act, the Declaration or these By-Laws, whenever any corporate action is to be taken by vote of the Members of the Association, it shall be authorized by a majority of the votes cast at a duly organized meeting of Members by the Members entitled to vote thereon.

SECTION 4.08. Organization. At every meeting of the Members, the

Chairman of the Board, if there be one, or, in the case of vacancy in office or absence of the Chairman of the Board, one of the following officers present in the order stated: the Vice Chairman of the Board, if there be one, the President, the Vice Presidents in their order of rank and seniority, or a person chosen by vote of the Members present, shall act as Chairman of the meeting. The Secretary or, in the absence of the Secretary, an Assistant Secretary, or, in the absence of both the Secretary and Assistant Secretaries, a person appointed by the Chairman of the meeting, shall act as Secretary.

SECTION 4.09. Voting and other Action by Proxy.

(a) General Rule -

(1) Every Member entitled to vote at a meeting of Members or to express consent or dissent to corporate action in writing without a meeting may authorize another person to act for the Member by proxy.

(2) The presence of, or vote or other action at a meeting of Members, or the expression of consent or dissent to corporate action in writing, by a proxy of a Member shall constitute the presence of, or vote or action by, or written consent or dissent of, the Member.

(3) Where two or more proxies of a Member are present, the Association shall, unless otherwise expressly provided in the proxy, accept as the vote of all shares represented thereby the vote cast by a majority of them and, if a majority of the proxies cannot agree whether the shares represented shall be voted or upon the manner of voting the shares, the voting of the shares shall be divided equally among those persons.

(b) Minimum Requirements - Every proxy shall be executed in writing by the Member or by the duly authorized attorney-in-fact of the Member and filed with the Secretary of the Association. Every proxy must be executed by all Persons who are the Owners of the Unit to which such vote is appurtenant. A proxy, unless coupled with an interest, shall be revocable for any reason, but the revocation shall not be effective until actual notice thereof is given to the person presiding over the meeting. An unrevoked proxy shall not be valid after one (1) year from the date of its execution unless a shorter time is expressly provided therein. A proxy shall not be revoked by the death or incapacity of the maker unless, before the vote is counted or the authority is exercised, written notice of the death or incapacity is given to the Secretary of the Association. A proxy is void if it is not dated or purports to be revocable without notice.

SECTION 4.10. Voting by Ballot.

(a) Voting for the election of Directors, and voting with respect to any other action that requires the vote of approval of the Members, may be by mail-in ballot. In lieu of holding an actual meeting of Members, or in conjunction therewith, the Board of Directors may provide ballots whereby the Members may vote for the election of Directors and/or vote for the approval or disapproval of any other proposed corporate action by the Association including, without limitation, the approval of amendments to the Declaration and these By-laws, by completing and returning the ballots. The form and contents of such ballots shall be determined from time to time by or under the direction of the Board of Directors.

(b) The notice of the meeting and/or the notice of the proposed action to be voted on by ballot shall specify a date not later than ninety (90) days after the date of such notice by which ballots must be returned to the Association in order to be counted. If ballots are sent to the Members and if an actual meeting is also held to consider any matter on which Members are permitted to vote by ballot in lieu of attending the actual meeting, then the vote of Members present and the vote of Members voting by ballot shall be counted and tallied.

(c) Each ballot shall be signed by the Member or by a duly authorized attorney-in-fact or proxy of the Member in order to be counted and shall be filed with the Secretary of the Association. Every such ballot must be signed by at least one (1) person who is an Owner of the Unit to which the vote is appurtenant or by his or her proxy or attorney-in-fact. In the event that, in response to any particular item on the ballot, the Member votes neither in favor of nor against such proposed action, the lack of a response with respect to such item shall be counted neither as a vote in favor nor as a vote against the proposed action.

SECTION 4.11. Voting by Corporations and Other Entities. Any Corporation, partnership, joint venture, unincorporated association or other entity that is a Member of the Association may vote by any natural person who shall be entitled to cast the vote for the Unit owned by such entity as specified in a certificate executed by that entity pursuant to its governing documents. The person or persons presiding at any meeting shall have the right to rely absolutely on the authenticity and validity of any such certificate, resolution or other document without duty of further inquiry. If any Unit is owned by a trust, the trustee or trustees shall be deemed to be the Unit Owner for purposes of voting.

SECTION 4.12. Voting Lists.

(a) General Rule - The Secretary shall make a complete list of the Members entitled to vote at any meeting of Members, arranged in alphabetical order, with the address of the Unit owned by each. The list shall be produced and kept open at the

time and place of the meeting and shall be subject to the inspection of any Member during the whole time of the meeting for the purposes thereof.

(b) Effect of List - Failure to comply with the requirements of this section shall not affect the validity of any action taken at a meeting prior to a demand at the meeting by any Member entitled to vote thereat to examine the list.

SECTION 4.13. Judges of Election.

(a) Appointment - In advance of any meetings of Members of the Association, the Board of Directors may appoint judges of election, who need not be Members, to act at the meeting or any adjournment thereof. If judges of election are not so appointed, the presiding officer of the meeting may, and on the request of any Member shall, appoint judges of election at the meeting. The number of judges shall be one or three. A person who is a candidate for office to be filled at the meeting shall not act as a judge.

(b) Vacancies - In case any person appointed as a judge fails to appear or fails or refuses to act, the vacancy may be filled by appointment made by the Board of Directors in advance of the convening of the meeting or at the meeting by the presiding officer thereof.

(c) Duties - The judges of election shall determine the number of votes that may be cast by all Members, the number of votes represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all Members. The judges of election shall perform their duties impartially, in good faith, to the best of their ability and as expeditiously as is practical. If there are three judges of election, the decision, act or certificate of a majority shall be effective in all respects as the decision, act or certificate of all.

SECTION 4.14. Consent of Members in Lieu of Meeting. Any action required or permitted to be taken at a meeting of the Members or of a class of Members may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the Members who would be entitled to vote at a meeting for such purpose shall be filed with the Secretary of the Association.

SECTION 4.15. Transferability of Membership. Membership in the Association may not be transferred except by conveyance of title to the Unit to which such membership is appurtenant.

ARTICLE V
BOARD OF DIRECTORS

SECTION 5.01. Powers; Personal Liability.

(a) General Rule - Unless otherwise provided by statute or in the Declaration, all powers vested by law in the Association shall be exercised by or under the authority of, and the business and affairs of the Association shall be managed under the direction of, the Board of Directors. The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, may do all acts and things as are not by the Declaration, the Act or these By-laws directed to be done and exercised exclusively by the Members. In addition to the duties and powers imposed and conferred by these By-laws or by any resolution of the Members that may hereafter be adopted, the Board of Directors shall have the power to and shall be responsible for the following (which shall be by way of explanation, and not by way of limitation):

(i) Preparation and adoption of annual budgets with respect to Common Expenses, based on which there shall be established the Assessments charged to the Owners;

(ii) Making and levying all Assessments, establishing the means and methods of collecting such Assessments and establishing the period of the installment payments of Assessments;

(iii) Providing for the operation, care, upkeep and maintenance of all of the Common Elements;

(iv) Designating, hiring and dismissing the personnel necessary for the maintenance, operation, repair and replacement of the Association and the Common Elements and where appropriate, providing for the compensation of such personnel and for the purchase of such equipment, supplies and materials to be used by such personnel in the performance of their duties;

(v) Collecting the Assessments, depositing the proceeds thereof in a bank depository which shall be approved by the Board of Directors, and using the

proceeds to administer the Association; provided that any reserve fund may be deposited, in the Directors' reasonable business judgment, in depositories other than banks;

(vi) Making and amending Regulations;

(vii) Opening bank accounts on behalf of the Association and designating the signatories required;

(viii) Making or contracting for the making of repairs, additions and improvements to or alterations of the Common Elements in accordance with the Declaration;

(ix) Enforcing by legal means the provisions of the Community Documents and bringing any proceedings which may be instituted on behalf of or against the Unit Owners concerning the Association;

(x) Obtaining and carrying insurance against casualties and liabilities as provided in the Declaration and the Act and paying the premium costs thereof;

(xi) Paying the costs of all services rendered to the Association or its members and not chargeable directly to specific Unit Owners;

(xii) Keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration;

(xiii) Making available to any prospective purchaser of a Unit, any Unit Owner of a Unit, or any Eligible Mortgagee, current copies of the Community Documents as required by the Act;

(xiv) Promulgating and amending a schedule of fees charged by the Association for certain services and/or functions performed by the Association, including, without limitation, fees charged to provide copies of the Community Association documents to Unit Owners and/or prospective purchasers, furnishing prospective purchasers and/or Unit Owners with a statement of Assessments payable, fees chargeable in connection with architectural review and approval functions, and other functions that may be performed by the Association, the Board of Directors or any committee or officer thereof from time to time; and

(xv) Exercising all other powers, rights, duties and privileges as are set forth in the Declaration, and all powers incidental to or necessary to carry out the powers of the Board of Directors and the purposes of the Association as set forth in the Act, the Declaration and these By-laws.

(b) Standard of Care; Justifiable Reliance - A Director shall stand in a fiduciary relation to the Association and shall perform his or her duties as a Director, including duties as a member of any committee of the Board upon which the Director may serve, in good faith, in a manner the Director reasonably believes to be in the best interests of the Association and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. In performing his or her duties, a Director shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

(1) One or more officers or employees of the Association whom the Director reasonably believes to be reliable and competent in the matters presented.

(2) Counsel, public accountants or other persons as to matters which the Director reasonably believes to be within the professional or expert competence of such person.

(3) A committee of the Board upon which the Director does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the Director reasonably believes to merit confidence.

A Director shall not be considered to be acting in good faith if the Director has knowledge concerning the matter in question that would cause his or her reliance to be unwarranted.

(c) Presumption - Absent breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a Director or any failure to take any action shall be presumed to be in the best interests of the Association.

(d) Personal Liability of Directors -

(1) A Director shall not be personally liable, as such, for monetary damages for any action taken, or any failure to take any action, unless:

(i) the Director has breached or failed to perform the duties of his or her office under this section; and

(ii) the breach or failure to perform constitutes willful misconduct or recklessness.

(2) The provisions of paragraph (1) shall not apply to the responsibility or liability of a Director pursuant to any criminal statute, or the liability of a

Director for the payment of taxes pursuant to local, state or federal law.

(e) Notation of Dissent - A Director who is present at a meeting of the Board of Directors, or of a committee of the Board, at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent is entered in the minutes of the meeting or unless the Director files a written dissent to the action taken with the Secretary of the meeting before the adjournment thereof or transmits the dissent in writing to the Secretary of the Association immediately after the adjournment of the meeting. The right to dissent shall not apply to a Director who voted in favor of the action. Nothing in this section shall bar a Director from asserting that minutes of the meeting incorrectly omitted his or her dissent if, promptly upon receipt of a copy of such minutes, the Director notifies the Secretary, in writing, of the asserted omission or inaccuracy.

SECTION 5.02. Qualifications and Selection of Directors.

(a) Qualifications - Each director of the Association shall be a natural person of full age. Each director (other than directors appointed by the Declarant) shall be a Unit Owner and shall be a Member in good standing of the Association. For purposes of the preceding sentence, a Member shall not be in good standing if such Member is delinquent in the payment of Assessments or other amounts payable by such Member pursuant to these By-Laws or the Declaration, or if there is any uncured or continuing default or failure on the part of such Member to comply with the Community Documents.

(b) Election of Directors - Except as otherwise provided in the Declaration or these By-Laws, Directors of the Association shall be elected by the Members. In elections for Directors, voting need not be by ballot, except upon demand made by a Member entitled to vote at the election and before the voting begins. The candidates receiving the highest number of votes shall be elected.

(c) Appointment of Directors by Declarant. During the Declarant Control Period, the Declarant shall have the right to appoint, remove and replace all Directors of the Association (without the necessity of obtaining resignations or holding actual meetings or votes to do so) provided that:

(i) Not later than sixty (60) days after the conveyance of twenty-five percent (25%) of the Units have been conveyed to an Owner other than a Declarant, twenty-five percent (25%) of the Directors shall be elected by Unit Owners other than the Declarant; and

(ii) Not later than sixty (60) days after conveyance of fifty percent

(50%) of the Units to Unit Owners other than a Declarant, thirty-three percent (33%) of the Directors shall be elected by Unit Owners other than the Declarant; and

(iii) Upon termination of the Declarant Control Period, the Unit Owners shall elect the entire Board of Directors.

(d) No Cumulative Voting. The Members shall not have the right to cumulate their votes for the election of Directors.

(e) Nominations. Nominations for election to the Board of Directors shall not, unless otherwise approved by resolution of the Board of Directors, be made from the floor. Nominations shall be made by a nominating committee appointed by the Board of Directors, or in accordance with other nomination procedures adopted by the Board of Directors. If a nominating committee has been appointed by the Board of Directors, such committee shall be appointed not less than sixty (60) days prior to the annual meeting of Members. The nominating committee shall make as many nominations for election to the Board of Directors as it shall determine, in its discretion, but in no event less than the number of positions to be filled by the Members.

SECTION 5.03. Number and Term of Office.

(a) Number - The Board of Directors shall consist of such number of Directors, not less than three (3) nor more than five (5), as may be determined from time to time by resolution of the Board of Directors. The initial number of Directors shall be three (3), except that during the Declarant Control Period, the number of Directors may be less than three (3).

(b) Term of Office - - Except as hereinafter provided, each Director elected by the Members shall hold office for a term of two (2) years or until a successor has been elected and qualifies, or until his or her earlier death, resignation or removal. The term of Board members who are elected at the annual election meeting shall begin on the date of their election and end on June 30 of the second calendar year thereafter. Notwithstanding the preceding, beginning with the election of the Board after the conveyance of twenty-five percent (25%) of the Units have been conveyed to an Owner other than a Declarant, members of the Board shall serve for staggered terms. At such election, fifty percent (50%) of the members shall serve for a term of two (2) years and the remaining members of the Board shall serve for a term of one (1) year. Thereafter, each member of the Board shall be elected for a term of two (2) years as above provided. If there is an increase in the number of members of the Board, the Board shall determine the term of each additional Director elected to serve, so that as nearly as possible, 50% of the members of the Board shall be elected each year.

(c) Resignation - Any Director may resign at any time upon written notice to the Association. The resignation shall be effective upon receipt thereof by the Association or at such subsequent time as shall be specified in the notice of resignation. A Director (other than a Director appointed by the Declarant) shall be deemed to have resigned upon ceasing to own a Unit.

SECTION 5.04. Vacancies.

(a) General Rule - Vacancies in the Board of Directors, including vacancies resulting from an increase in the number of Directors, may be filled by a majority vote of the remaining members of the Board, though less than a quorum, or by a sole remaining Director, and each person so selected shall be a Director to serve for the balance of the unexpired term, and until a successor has been selected and qualified or until his or her earlier death, resignation or removal. Notwithstanding the foregoing, any vacancy resulting from the resignation, death or removal of a Director appointed by the Declarant shall be filled solely by a person appointed by the Declarant. Furthermore, until the end of the Declarant Control Period, subject to Section 5.02(c) hereof, the filling of vacancies resulting from an increase in the number of Directors shall be filled solely by the Declarant.

(b) Action by Resigned Directors - When one or more Directors resign from the Board effective at a future date, the Directors then in office, including those who have so resigned, shall have power by the applicable vote to fill the vacancies, the vote thereon to take effect when the resignations become effective, subject to the right of the Declarant to replace any such Director appointed by the Declarant who resigns at a future date.

SECTION 5.05. Removal of Directors.

(a) Removal by the Members - The entire Board of Directors or any individual Director may be removed from office without assigning any cause by the vote of Members entitled to cast at least two-thirds (2/3) of the votes that all Members are entitled to cast. In case the Board or any one or more Directors are so removed, new Directors may be elected at the same meeting. Notwithstanding the foregoing, no Director appointed by the Declarant shall be removed except by or with written approval of the Declarant, and any such Person so removed shall be replaced solely with a Person appointed by the Declarant.

(b) Removal by the Board - The Board of Directors may declare vacant the office of a Director who has been judicially declared of unsound mind or who has been convicted of an offense punishable by imprisonment for a term of more than one year or

if, within sixty (60) days after notice of his or her selection, the Director does not accept the office either in writing or by attending a meeting of the Board of Directors. Notwithstanding the foregoing, no Director appointed by the Declarant shall be removed except by or with the written approval of the Declarant, and any such Person so removed shall be replaced solely with a Person appointed by the Declarant.

SECTION 5.06. Place of Meetings. Meetings of the Board of Directors may be held at such place within Pennsylvania as the Board of Directors may from time to time appoint or as may be designated in the notice of the meeting.

SECTION 5.07. Organization of Meetings. At every meeting of the Board of Directors, the Chairman of the Board, if there be one, or, in the case of a vacancy in the office or absence of the Chairman of the Board, one of the following officers present in the order stated: the Vice Chairman of the Board, if there be one, the President, the Vice Presidents in their order of rank and seniority, or a person chosen by a majority of the Directors present, shall act as a Chairman of the meeting. The Secretary, or, in the absence of the Secretary and the Assistant Secretaries, any person appointed by the Chairman of the meeting, shall act as Secretary.

SECTION 5.08. Organizational Meetings. The first meeting of the Board of Directors following each annual meeting of the Members shall be held immediately following, or within thirty (30) days after, such annual meeting of the Members, at such time and place as shall be fixed by the Board.

SECTION 5.09. Regular Meetings. Regular meetings of the Board of Directors shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors.

SECTION 5.10. Special Meetings. Special meetings of the Board of Directors shall be held whenever called by the Chairman (if any), the President, the Declarant or by two or more of the Directors.

SECTION 5.11. Quorum of and Action by Directors.

(a) General Rule - A majority of the Directors in office of the Association shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the Directors present and voting at a meeting at which a quorum is present shall be the acts of the Board of Directors.

(b) Action by Written Consent - Any action required or permitted to be taken at a meeting of the Directors may be taken without a meeting if, prior or subsequent to the action, a consent or consents thereto by all of the Directors in office is filed with the

Secretary of the Association. Such consents may be executed in any number of counterparts, and copies thereof signed by the Director and transmitted by facsimile shall be sufficient for all purposes.

(c) Action by Proxy. A Director appointed by the Declarant may vote as a Member of the Board of Directors by proxy provided that the designation of such Director's proxy is in writing and the proxy is a Director of the Association or is an executive officer, partner or shareholder of the Declarant.

SECTION 5.12. Executive and Other Committees.

(a) Establishment and Powers - The Board of Directors may by resolution adopted by a majority of the Board of Directors in office, establish one or more committees to consist of one or more Directors of the Association and, with respect to the Special Architectural Committee, other persons as provided in the Declaration. Such committees may include, without limitation, an Architectural Review Committee, a Covenants Committee, and/or a Budget and Finance Committee. Any committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all of the powers and authority of the Board of Directors except that a committee shall not have any power or authority as to the following:

(1) The submission to Members of any action requiring approval of Members under the Act or Non-Profit Corporation Law.

(2) The creation or filling of vacancies in the Board of Directors.

(3) The adoption, amendment or repeal of these By-Laws.

(4) The amendment or repeal of any resolution of the Board that by its terms is amendable or repealable only by the Board.

(5) Action on matters committed by a resolution of the Board of Directors to another committee of the Board.

(b) Alternate Committee Members - The Board may designate one or more Directors as alternate members of any committee who may replace any absent or disqualified member at any meeting of the committee or for the purposes of any written action by the committee. In the absence or disqualification of a member an alternate member or members of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another Director to act at the meeting in the place of the absent or disqualified member.

(c) Term - Each committee of the Board, and each member of such committee, shall serve at the pleasure of the Board.

(d) Committee Procedures - The term "Board of Directors" or "Board", when used in any provision of these By-Laws relating to the organization or procedures of or the manner of taking action by the Board of Directors, shall be construed to include and refer to any executive or other committee of the Board.

SECTION 5.13. Compensation. Directors shall serve without compensation for their services as such.

SECTION 5.14. Management Firm. The Board of Directors may employ for the Association a professional management agent or firm at such compensation as may be established by the Board of Directors to perform such duties and services for the Association as the Board of Directors shall authorize. The Declarant or any affiliate of the Declarant may be employed as managing agent or manager. The Board of Directors shall have the right to delegate to one of its members or a committee of the Board the authority to act on behalf of the Board of Directors on all matters relating to the duties of the managing agent or manager, if any, which may arise between meetings of the Board of Directors. No management contract shall have a term in excess of two (2) years, and must permit termination by the Association without cause and without termination fee or other liability (except liability for services performed prior to termination) upon not more than ninety (90) days prior written notice after the Board of Directors elected by the Unit Owners takes office. Any contract with a management firm may delegate such of the powers and duties of the Board of Directors as the Board of Directors shall determine.

SECTION 5.15. Enforcement.

(a) The Board shall have the power to impose reasonable fines, which shall constitute a lien upon the Unit of the violating Unit Owner, and to suspend a Member's right to vote as a Member of the Association for a violation by such Unit Owner of any duty or obligation imposed under the Community Documents. The failure of the Board of Directors to enforce any provision of the Community Documents shall not be deemed a waiver of the right to do so thereafter.

(b) Before imposing any sanction, the Board or such officers as the Board may direct shall serve the alleged violator with written notice describing the nature of the alleged violation, the sanction proposed to be imposed by the Board, and a period of not less than ten (10) days within which the alleged violator may present a written request to the Board of Directors for a hearing, and a statement that the proposed

sanction shall be imposed unless a challenge thereto or a request for a hearing has been submitted within ten (10) days after the date of the notice.

(c) If a hearing is timely requested, the hearing shall be held in executive session affording the Unit Owner a reasonable opportunity to be heard. The minutes of the meeting shall contain a statement of the results of the hearing and the sanction, if any, imposed by the Board. The Board of Directors may but shall not be obligated to suspend any proposed sanctions if violation is cured within the ten (10) day period. Such suspension shall not constitute a waiver of the right to sanction future violations of the same or other provisions by any Person.

(d) Notwithstanding anything to the contrary contained herein, the Association and the Board of Directors may elect to enforce any provision of the Declaration, these By-laws, or the Rules and Regulations of the Association by any suit at law or in equity to enjoin any violation or to recover monetary damages or both without the necessity of compliance with the notice and hearing procedures set forth herein.

(e) The notice and hearing procedures set forth in this Section 5.15 shall not apply to the enforcement of provisions of the Declaration relating to the payment of Assessments, the imposition of late charges or interest on Delinquent Assessments, or the exercise of other remedies available to the Association for non-payment or late payment of Assessments or installments thereof by a Unit Owner.

ARTICLE VI OFFICERS

SECTION 6.01. Officers Generally.

(a) Number, qualifications and designation - The officers of the Association shall be a President, a Secretary, a Treasurer, and such other officers as may be elected in accordance with the provisions of Section 6.03. The President and Secretary shall be natural persons of full age. The Treasurer may be a Corporation, but if a natural person shall be of full age. Unless otherwise determined by the Board of Directors, the President, if a Member of the Board of Directors, shall also be the Chairman of the Board of Directors. After the Declarant Control Period, officers must be Members of the Association in good standing, which shall mean that such Members are not delinquent in the payment of Assessments or other amounts payable by such Member pursuant to the Community Documents, and that there is no uncured or continuing default or failure on the part of such Member to comply with the Community Documents. Officers may, but need not, be Directors.

(b) Resignations - Any officer may resign at any time upon written notice to the Association. The resignation shall be effective upon receipt thereof by the Association or at such subsequent time as may be specified in the notice of resignation.

(c) Bonding - The Association may (but need not) secure the fidelity of any or all of its Board Members, committee members and management, and the costs thereof shall be a Common Expense.

(d) Standard of Care; Justifiable Reliance - Except as otherwise provided in the Articles, an officer shall perform his or her duties as an officer in good faith, in a manner he or she reasonably believes to be in the best interests of the Association and with such care, including reasonable inquiry, skill and diligence, as a person of ordinary prudence would use under similar circumstances. A person who so performs his or her duties shall not be liable by reason of having been an officer of the Association.

SECTION 6.02. Election and Term of Office. The officers of the Association, except those elected by delegated authority pursuant to Section 6.03, shall be elected annually by the Board of Directors, and each such officer shall hold office for a term of one year and until a successor has been selected and qualified or until his or her earlier death, resignation or removal.

SECTION 6.03. Subordinate Officers, Committees and Agents. The Board of Directors may from time to time elect such other officers and appoint such committees, employees or other agents as the business of the Association may require, including one or more Assistant Secretaries, and one or more Assistant Treasurers, each of whom shall hold office for such period, have such authority, and perform such duties as are provided in these By-Laws or as the Board of Directors may from time to time determine. The Board of Directors may delegate to any officer or committee the power to elect subordinate officers and to retain or appoint employees or other agents, or committees thereof and to prescribe the authority and duties of such subordinate officers, committees, employees or other agents.

SECTION 6.04. Removal of Officers and Agents. Any officer or agent of the Association may be removed by the Board of Directors with or without cause. The removal shall be without prejudice to the contract rights, if any, of any person so removed. Election or appointment of an officer or agent shall not of itself create contract rights.

SECTION 6.05. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause, shall be filled by the Board of Directors or by the officer or committee to which the power to fill such office has been delegated pursuant to Section 6.03, as the case may be, and if the office is one for which

these By-Laws prescribe a term, shall be filled for the unexpired portion of the term.

SECTION 6.06. Authority. All officers of the Association, as between themselves and the Association, shall have such authority and perform such duties in the management of the Association as may be provided by or pursuant to resolutions or orders of the Board of Directors or in the absence of controlling provisions in the resolutions or orders of the Board of Directors, as may be determined by or pursuant to these By-Laws.

SECTION 6.07. The Chairman and Vice Chairman of the Board. The Chairman of the Board, or in the absence of the Chairman the Vice Chairman of the Board, shall preside at all meetings of the Members and of the Board of Directors and shall perform such other duties as may from time to time be requested by the Board of Directors. Unless otherwise determined by the Board of Directors, the President shall also constitute the Chairman of the Board of Directors and the Vice President, if one is appointed, shall constitute the Vice Chairman of the Board of Directors.

SECTION 6.08. The President. The President shall be the Chief Executive Officer of the Association and shall have general supervision over the business and operations of the Association, President shall sign, execute, and acknowledge, in the name of the Association, deeds, mortgages, bonds, contracts or other instruments authorized by the Board of Directors, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors, or by these By-Laws, to some other officer or agent of the Association; and, in general, shall perform all duties incident to the office of President and such other duties as from time to time may be assigned by the Board of Directors. The President shall be the officer authorized to prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

SECTION 6.09. The Secretary. The Secretary or an Assistant Secretary shall attend all meetings of the Members and of the Board of Directors and shall record all the votes of the Members and of the Directors and the minutes of the meetings of the Members and of the Board of Directors and of committees of the Board in a book or books to be kept for that purpose; shall see that notices are given and records and reports properly kept and filed by the Association as required by law; shall be the custodian of the seal of the Association and see that it is affixed to all documents to be executed on behalf of the Association under its seal; and, in general, shall perform all duties incident to the office of Secretary, and such other duties as may from time to time be assigned by the Board of Directors or the President.

SECTION 6.10. The Treasurer. The Treasurer or an Assistant Treasurer shall have or provide for the custody of the funds or other property of the

Association; shall collect and receive or provide for the collection and receipt of moneys earned by or in any manner due to or received by the Association; shall deposit all funds in his or her custody as Treasurer in such banks or other places of deposit as the Board of Directors may from time to time designate; shall, whenever so required by the Board of Directors, render an account showing all transactions as Treasurer and the financial condition of the Association; and, in general, shall discharge such other duties as may from time to time be assigned by the Board of Directors or the President. The same individual may serve simultaneously as both the Secretary and the Treasurer.

SECTION 6.11. Salaries. Unless approved by the Members of the Association, no officers shall be entitled to receive any salary or other compensation for serving as officers of the Association, provided that nothing herein shall be construed to prevent the Association from reimbursing such officers for reasonable out-of-pocket expenses incurred by them in connection with the performance of their duties on behalf of the Association.

ARTICLE VII
INDEMNIFICATION OF DIRECTORS, OFFICERS AND
OTHER AUTHORIZED REPRESENTATIVES

SECTION 7.01. Scope of Indemnification.

(a) General Rule - The Association shall indemnify an indemnified representative against any liability incurred in connection with any proceeding in which the indemnified representative may be involved as a party or otherwise by reason of the fact that such person is or was serving in an indemnified capacity, including, without limitation, liabilities resulting from any actual or alleged breach or neglect of duty, error, misstatement or misleading statement, negligence, gross negligence or act giving rise to strict or products liability, except:

(1) Where such indemnification is expressly prohibited by applicable law;

(2) Where the conduct of the indemnified representative has been finally determined pursuant to Section 7.06 or otherwise:

(i) To constitute willful misconduct or recklessness within the meaning of 15 Pa. C.S. §§ 513(b) and 5713(b) or any superseding provision of law sufficient in the circumstances to bar indemnification against liabilities arising from the conduct; or

(ii) To be based upon or attributable to the receipt by the indemnified representative from the Association of a personal benefit to which the indemnified representative is not legally entitled; or

(3) To the extent such indemnification has been finally determined in a final adjudication pursuant to Section 7.06 to be otherwise unlawful.

(b) Partial Payment - If an indemnified representative is entitled to indemnification in respect of a portion, but not all, of any liabilities to which such person may be subject, the Association shall indemnify such indemnified representative to the maximum extent for such portion of the liabilities.

(c) Presumption - The termination of a proceeding by judgment, order, settlement or conviction or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the indemnified representative is not entitled to indemnification.

(d) Definitions - For purposes of this Article:

(1) "indemnified capacity" means any and all past, present and future service by an indemnified representative in one or more capacities as a Director, officer, employee or agent of the Association, or, at the request of the Association, as a Director, officer, employee, agent, fiduciary or trustee of another Association, partnership, joint venture, trust, employee benefit plan or other entity or enterprise;

(2) "indemnified representative" means any and all Directors and officers of the Association and any other person designated as an indemnified representative by the Board of Directors of the Association (which may, but need not, include any person serving at the request of the Association, as a Director, officer, employee, agent, fiduciary or trustee of another Association, partnership, joint venture, trust, employee benefit plan or other entity or enterprise) but not including an independent manager or managing agent, unless expressly determined by resolutions of the Board;

(3) "liability" means any damage, judgment, amount paid in settlement, fine, penalty, punitive damages, excise tax assessed with respect to an employee benefit plan, or cost or expense, of any nature (including, without limitation, attorneys' fees and disbursements); and

(4) "proceeding" means any threatened, pending or completed action, suit, appeal or other proceeding of any nature, whether civil, criminal, administrative or investigative, whether formal or informal, and whether brought by or in the right of the Association, a class of its security holders or otherwise.

SECTION 7.02. Proceedings Initiated by Indemnified Representatives. Notwithstanding any other provision of this Article, the Association shall not indemnify under this Article an indemnified representative for any liability incurred in a proceeding initiated (which shall not be deemed to include counter-claims or affirmative defenses) or participated in as an intervener or amicus curiae by the person seeking indemnification unless such initiation of or participation in the proceeding is authorized, either before or after its commencement, by the affirmative vote of a majority of the Directors in office. This section does not apply to reimbursement of expenses incurred in successfully prosecuting or defending an arbitration under Section 7.06 or otherwise successfully prosecuting or defending the rights of an indemnified representative granted by or pursuant to this Article.

SECTION 7.03. Advancing Expenses. The Association shall pay the expenses (including attorneys' fees and disbursements) incurred in good faith by an indemnified representative in advance of the final disposition of a proceeding described in Section 7.01 or the initiation of or participation in which is authorized pursuant to Section 7.02 upon receipt of an undertaking by or on behalf of the indemnified representative to repay the amount if it is ultimately determined pursuant to Section 7.06 that such person is not entitled to be indemnified by the Association pursuant to this Article. The financial ability of an indemnified representative to repay an advance shall not be a prerequisite to the making of such advance. Notwithstanding the preceding, in no event shall the Association be liable to advance expenses to an indemnified representative in advance of the final disposition of a proceeding in the event that such proceeding involves a claim or counterclaim by or in the right of the Association against the indemnified representative arising out of any actual or alleged breach of fiduciary duty, breach of such person's standard of care to the Association, or such person's receipt of a personal benefit to which he or she was not entitled.

SECTION 7.04. Securing of Indemnification Obligations. To further effect, satisfy or secure the indemnification obligations provided herein or otherwise, the Association may maintain insurance, obtain a letter of credit, act as self-insurer, create a reserve, trust, escrow, cash collateral or other fund or account, enter into indemnification agreements, pledge or grant a security interest in any assets or properties of the Association, or use any other mechanism or arrangement whatsoever in such amounts, at such costs, and upon such other terms and conditions as the Board of Directors shall deem appropriate. Absent fraud, the determination of the Board of Directors with respect to such amounts, costs, terms and conditions shall be conclusive against all security holders, officers and Directors.

SECTION 7.05. Payment of Indemnification. An indemnified representative shall be entitled to indemnification within 30 days after a written request

for indemnification has been delivered to the Secretary of the Association.

SECTION 7.06. Arbitration.

(a) General Rule - Any dispute related to the right to indemnification, contribution or advancement of expenses as provided under this Article, except with respect to indemnification for liabilities arising under the Securities Act of 1933 that the Association has undertaken to submit to a court for adjudication, shall be decided only by arbitration in the metropolitan area in which the principal executive offices of the Association are located at the time, in accordance with the commercial arbitration rules then in effect of the American Arbitration Association, before a panel of three arbitrators, one of whom shall be selected by the Association, the second of whom shall be selected by the indemnified representative and the third of whom shall be selected by the other two (2) arbitrators. In the absence of the American Arbitration Association, or if for any reason arbitration under the arbitration rules of the American Arbitration Association cannot be initiated, or if one of the parties fails or refuses to select an arbitrator or if the arbitrators selected by the Association and the indemnified representative cannot agree on the selection of the third arbitrator within thirty (30) days after such time as the Association and the indemnified representative have each been notified of the selection of the other's arbitrator, the necessary arbitrator or arbitrators shall be selected by the presiding judge of the court of general jurisdiction in such metropolitan area.

(b) Burden of Proof - The party or parties challenging the right of an indemnified representative to the benefits of this Article shall have the burden of proof.

(c) Expenses - The Association shall reimburse an indemnified representative for the expenses (including attorneys' fees and disbursements) incurred in successfully prosecuting or defending such arbitration.

(d) Effect - Any award entered by the arbitrators shall be final, binding and unappealable and judgment may be entered thereon by any party in accordance with applicable law in any court of competent jurisdiction, except that the Association shall be entitled to interpose as a defense in any such judicial enforcement proceeding any prior final judicial determination adverse to the indemnified representative under Section 7.01(a)(2) in a proceeding not directly involving indemnification under this Article. This arbitration provision shall be specifically enforceable.

SECTION 7.07. Contribution. If the indemnification provided for in this Article or otherwise is unavailable for any reason in respect of any liability or portion thereof, the Association shall contribute to the liabilities to which the indemnified representative may be subject in such proportion as is appropriate to reflect the intent of this Article or otherwise.

SECTION 7.08. Mandatory Indemnification of Directors, Officers, etc. To the extent that an authorized representative of the Association has been successful on the merits or otherwise in defense of any action or proceeding referred to in 15 Pa. C.S. §§5741 or 5742 or in defense of any claim, issue or matter therein, such person shall be indemnified against expenses (including attorneys' fees and disbursements) actually and reasonably incurred by such person in connection therewith.

SECTION 7.09. Contract rights; amendment or repeal. All rights under this Article shall be deemed a contract between the Association and the indemnified representative pursuant to which the Association and each indemnified representative intend to be legally bound. Any repeal, amendment or modification hereof shall be prospective only and shall not affect any rights or obligations then existing.

SECTION 7.10. Scope of Article. The rights granted by this Article shall not be deemed exclusive of any other rights to which those seeking indemnification, contribution or advancement of expenses may be entitled under any statute, agreement, vote of Members or disinterested Directors or otherwise both as to action in an indemnified capacity and as to action in any other capacity. The indemnification, contribution and advancement of expenses provided by or granted pursuant to this Article shall continue as to a person who has ceased to be an indemnified representative in respect of matters arising prior to such time, and shall inure to the benefit of the heirs, executors, administrators and personal representatives of such a person.

SECTION 7.11. Reliance on Provisions. Each person who shall act as an indemnified representative of the Association shall be deemed to be doing so in reliance upon the rights provided by this Article.

SECTION 7.12. Interpretation. The provisions of this Article are intended to constitute By-Laws authorized by 15 Pa. C.S. §5713.

ARTICLE VIII BUDGETS; FINANCE

SECTION 8.01. Preparation of Budget; Contents of Budget. Prior to the beginning of each fiscal year of the Association, the Board of Directors shall adopt a budget of the Association for such fiscal year. Such budget shall separately set forth the following:

(a) An estimate of the Common Expenses of the Association to be incurred during such fiscal year (other than reserves and capital expenditures);

(b) A reasonable allowance for delinquent or uncollectible Assessments, and costs and expenses that may be incurred by the Association in connection with the enforcement of the obligation of Unit Owners to pay Assessments, and the enforcement of any other covenants or obligations on the part of Unit Owners set forth in the Community Documents;

(c) The amount, if any, expected to be incurred for capital improvements with respect to any existing Common Elements;

(d) Any amounts deemed necessary by the Board of Directors to establish or contribute to any operating or capital reserves;

(e) Any other costs or expenses estimated to be incurred by the Association for such fiscal year.

SECTION 8.02. Fixing Regular Assessments. Upon adoption of the budget for a fiscal year by the Board of Directors, the Board of Directors shall, based on such budget, fix the Assessments for Common Expenses (whether limited or general) to be levied on the Unit Owners for such fiscal year. The Assessments to be levied on all Unit Owners for such fiscal year shall be computed based upon the budgeted Common Expenses, and shall be sufficient to pay in full all of the budgeted Common Expenses.

SECTION 8.03. Notice of Budget and Regular Assessments. Within thirty (30) days after the adoption of the budget for a fiscal year, the Board of Directors shall cause notice of the Assessment and a copy of the budget to be mailed to each Member. In the event that more than one Person is the Unit Owner of a Unit, separate notice need not be given to all such Persons unless such Persons do not reside together and such Persons request separate notices in writing.

SECTION 8.04. Effective Date of Budget. The budget and the Assessment for such fiscal year shall be effective on and as of the first (1st) day of the fiscal year to which such budget relates or, if later, on the first (1st) day of the first (1st) calendar month after notice of the Assessment has been given to the Members.

SECTION 8.05. Rejection of Budget. Any budget of the Association or capital expenditure approved by the Board of Directors may be rejected only with the affirmative vote of sixty-six percent (66%) or more of the votes that all Lot Owners are entitled to cast. Such rejection shall take place within thirty (30) days after the adoption of the budget or the capital expenditure by the Board of Directors. Upon rejection of any budget, the most recently approved budget and associated Assessments shall continue in full force until the adoption of a new budget which is not rejected by the Lot Owners.

After rejection of a budget, the Board may adopt, approve and give notice of an amended budget to the Lot Owners.

SECTION 8.06. Payment of Assessments. Unless otherwise determined by resolution of the Board of Directors, the Assessment for Common Expenses against each Unit shall be payable in equal monthly installments on the first day of each calendar month. If the Board of Directors determines that such Assessments shall be payable in some other manner, notice thereof shall be given to the Members.

SECTION 8.07. Meeting of Members. The annual budget of the Association and the regular Assessment as determined by the Board of Directors shall be effective without the approval of the Members.

SECTION 8.08. Amendments to Budget. The Board of Directors may from time to time during any fiscal year adopt and approve such amendments or modifications to the budget for such fiscal year as the Board of Directors deems necessary or appropriate, and in connection therewith the Board of Directors shall have the power to change the Assessments for the balance of such fiscal year as may be necessary to reflect any increase or decrease in the budgeted Common Expenses resulting from such amendment or modification to the budget. Within ten (10) days after the adoption of the amendment or modification of the budget, the Board shall cause a copy of the amended budget and notice of the amended Assessments to be mailed to each Lot Owner. Any such amended budget and amended Assessments shall be effective thirty (30) days after approval unless rejected by the Lots Owners pursuant to Section 8.05.

SECTION 8.09. Special Assessments. The Board of Directors shall have the power to levy Special Assessments for such purpose or purposes as the Board of Directors from time to time deem necessary or appropriate, including, but not limited to, paying the costs of unanticipated maintenance, repairs or replacements of the Common Elements, making capital improvements to the Common Elements, or for the purpose of assessing one or more Members for the cost of any damage or destruction to the Common Elements resulting from the act or omission of such Member(s). Special Assessments benefiting all Unit Owners shall be levied equally on all Units, and shall be due and payable in a lump sum or in such installments as the Board of Directors shall determine. If a Special Assessment is to be payable in installments, once notice thereof shall have been given to the Unit Owners it shall not be necessary for the Board of Directors to give separate notices or invoices for installments thereof, and such installments shall be due and payable automatically and without further notice or demand in accordance with the schedule of such installments set forth in the notice of such Special Assessment given to the Unit Owners.

SECTION 8.10. Delinquency in Payment of Assessments. If a Unit Owner fails to pay any Assessments or installments thereof when due, the Association, acting by or under the direction of the Board of Directors, shall have all powers, rights and remedies for the collection of such delinquent Assessments as are set forth in the Declaration and the Act, or as otherwise may be available at law or in equity.

SECTION 8.11. Accounting and Reports. Unless otherwise determined by the Board of Directors the following standards of performance shall be observed by the Board of Directors and the officers of the Association:

- (a) The Association shall utilize the accrual method of accounting;
- (b) The Association shall employ generally accepted accounting principles or other sound and acceptable accounting principles and such principles shall be applied on a consistent basis;
- (c) No remuneration shall be accepted by any managing agent or management firm, or by any officer of the Association, from vendors, independent contractors or others providing goods or services to the Association, whether in the form of gifts, commissions, finders fees, service fees or other benefits;
- (d) Any financial or other interest which the managing agent may have in any firm providing goods or services to the Association shall be disclosed promptly in writing to the Board of Directors;
- (e) Commencing at the end of the first fiscal year of the Association in which a Unit is conveyed to a Unit Owner other than the Declarant, financial reports will be prepared for the Association at least annually containing:
 - (i) An income statement reflecting income and expense activity for the preceding period on an accrual basis;
 - (ii) A statement of cash receipts and disbursements for the preceding period;
 - (iii) A report reflecting the status of all accounts stating whether or not actual expenses or receipts with respect to each budgeted category are greater or less than budgeted expenses or receipts for such period; and
 - (iv) A balance sheet as of the last day of the preceding period.
- (f) An annual report consisting of at least the following shall be prepared

within one hundred eighty (180) days after the close of each fiscal year: (i) a balance sheet; (ii) an operating (income) statement; and (iii) a statement of changes in financial position for the fiscal year. Such reports may be prepared on a compilation basis, and may be prepared on a reviewed or audited basis if determined by resolution of the Board. Such reports shall be prepared on at least a reviewed basis in the event that the Association retains an independent manager or managing agent to manage some or all of the Association's functions. All such reports, whether prepared on a compilation, reviewed or audited basis, shall be prepared by an independent certified public accountant selected by the Board of Directors. Each Member is entitled to receive from the Association a copy of the annual financial statements and, if such statements are audited, reviewed or compiled by an independent certified public accountant or independent public accountant, a copy of such accountant's report on the financial statements, within thirty (30) days after submitting a written request to the Association. The Association may charge a fee for such copies (not to exceed the cost of producing copies of records other than the financial statement).

(g) The Board of Directors shall have the discretion to prepare or cause to be prepared such other financial reports, or prepare reports at a greater frequency, than otherwise specified in this Section.

ARTICLE IX MISCELLANEOUS

SECTION 9.01. Corporate Seal. The Association shall have a corporate seal in the form of a circle containing the name of the Association, the year of formation of the Association and such other details as may be approved by the Board of Directors. The affixation of the corporate seal to any contract or document executed by a duly authorized officer of the Association shall not be a prerequisite to the enforceability thereof against the Association if the obligations of the Association set forth in such document are otherwise enforceable, and provided that such contract or document was otherwise duly authorized on behalf of the Association.

SECTION 9.02. Checks. All checks, notes, bills of exchange or other orders in writing shall be signed by such person or persons as the Board of Directors or any person authorized by resolution of the Board of Directors may from time to time designate.

SECTION 9.03. Contracts.

(a) General Rule - Except as otherwise provided in the Non-Profit Corporation Law in the case of transactions that require action by the Members, the Board

of Directors may authorize any officer or agent to enter into any contract or to execute or deliver any instrument on behalf of the Association, and such authority may be general or confined to specific instances.

(b) Statutory Form of Execution of Instruments - Any note, mortgage, evidence of indebtedness, contract or other documents, or any assignment or endorsement thereof, executed or entered into between the Association and any other person, when signed by one or more officers or agents having actual or apparent authority to sign it, or by the President or Vice President and Secretary or Assistant Secretary or Treasurer or Assistant Treasurer of the Association, shall be held to have been properly executed for and in behalf of the Association, without prejudice to the rights of the Association against any person who shall have executed the instrument in excess of his or her actual authority.

SECTION 9.04. Deposits. All funds of the Association shall be deposited from time to time to the credit of the Association in such banks, trust companies or other depositories as the Board of Directors may approve or designate, and all such funds shall be withdrawn only upon checks signed by such one or more officers or employees as the Board of Directors shall from time to time determine. However, if the Board retains an independent management firm to manage the Association and/or Common elements, then the Board may authorize one or more representatives of such firm to collect and expend funds on behalf of the Association, subject to such limitations as the Board deems advisable.

SECTION 9.05. Corporate Records. The Association shall keep complete and accurate books and records of account, minutes of the proceedings of the incorporators, Members and Directors and a register giving the names and addresses of all Members. Any books, minutes or other records may be in written form or any other form capable of being converted into written form within a reasonable time.

SECTION 9.06. Amendment of By-Laws.

(a) These By-Laws may be amended or repealed, or new By-Laws may be adopted, either (i) by vote of the Members entitled to cast more than fifty percent (50%) of the votes which all Members are entitled to cast at any duly organized annual or special meeting of Members, or (ii) with respect to those matters that are not by statute committed expressly to the Members and regardless of whether the Members have previously adopted or approved the By-Law being amended or repealed, by vote of a majority of the Board of Directors of the Association in office at any regular or special meeting of Directors. Any change in these By-Laws shall take effect when adopted unless otherwise provided in the resolution effecting the change.

(b) Notwithstanding the foregoing, (i) no provision of these By-Laws

which states a specified percentage vote of Members or Directors to approve or carry out any action may be amended except by the Members and only by the same number or percentage of votes specified in such provision of the By-Law, and (ii) no amendment hereto may remove, revoke or modify any right or privilege of the Declarant set forth in these By-laws or in the Declaration without the written consent of the Declarant.

(c) Amendments to these By-laws may also be adopted by mail-in ballots, as elsewhere provided in these By-laws.

(d) The Board of Directors shall have the power to make any amendment to these By-laws which are reasonably necessary in order to conform these By-laws to any amendment or modification made to the Declaration, to correct any inconsistency or conflict between any provision of these By-laws and any other provision of these By-laws, or to correct any inconsistency or conflict between any provision of these By-laws and any provision of the Declaration.

SECTION 9.07. Severability. Several provisions of these By-laws shall be severable from one another. In the event that any provisions of these By-laws is determined by a court to be invalid or unenforceable, such provision shall be deemed stricken from these By-laws, and the other provisions hereof shall remain in full force and effect.

SECTION 9.08. Number and Gender. Wherever any provisions of these By-laws refers to the singular, such provisions shall be deemed to include the plural, and the use of any gender shall be deemed to include any other gender.

SECTION 9.09. Construction and Interpretation. In the event that any provisions of these By-laws conflict with any provision of the Declaration, then any contrary provision set forth in the Declaration shall be controlling, unless such provision in the Declaration conflicts with applicable law.

The foregoing By-laws were adopted for the Company pursuant to the Unanimous Consent in Lieu of Organizational Meeting of the Incorporation of the Company dated as of _____, 2016.

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BY-LAWS

OF

Saw Mill Estates COMMUNITY ASSOCIATION
(A PENNSYLVANIA NON-PROFIT CORPORATION)

ADOPTED AS OF _____, 2021