

BY LAWS
OF
THE FIELDSTONE HOMEOWNERS ASSOCIATION, INC.

ARTICLE I - NATURE OF BY LAWS

Section 1. These By Laws are intended to govern the administration of the FIELDSTONE HOMEOWNERS ASSOCIATION, INC., a non-profit membership corporation organized under the Revised Statutes of Pennsylvania, together with the management, administration, utilization and maintenance of the Existing Property described in the Declaration of Covenants and Restrictions ("Declaration"), the definitions contained therein being incorporated herein by reference.

ARTICLE II - MEMBERSHIP AND VOTING RIGHTS

Section 1. Membership. Every Lot and Unit Owner shall be a Member of the Association, subject to the provisions of these By Laws and any rules and regulations promulgated by the Board. Membership in the Association shall lapse and terminate when any Member shall cease to be the record owner of a Lot or Unit.

Section 2. Voting Rights. The Owner of each Lot and Unit shall be entitled to one (1) vote. (Class A) If there is more than one (1) owner of a Unit or Lot the vote shall be apportioned proportionately. One co-owner of a Lot or Unit shall be deemed to be authorized to cast the vote for that Lot or Unit unless the Association is otherwise expressly advised in writing. The Declarant shall have ten votes (Class B) for each lot not having had its title transferred. This will apply to all units constructed or not.

Section 3. Membership Fee. Each Owner of a Lot or Unit (other than Declarant or any Developer), including successors in title, at or prior to the taking of title, shall pay a prescribed, one-time membership fee of \$250. If any Owner owns more than one Lot or Unit, said Owner shall be liable for the membership fee for each Lot or Unit owned and each Lot or Unit successively owned. Said fee is

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also separate from, and in addition to, assessments and charges referred to in the Declaration and in the By Laws. Unpaid membership fees shall be a lien and enforceable in the same manner as set forth in the Declaration. The membership fee is non-refundable.

Section 4. Interest in the Common Property. Each Owner, including Declarant and any Developer, shall have a membership interest in the Association equal to and in proportion with the number of votes which he holds pursuant to Section 2 hereof. Such interest shall be appurtenant to and indivisible from ownership of his Lot or Unit. Each Lot or Unit who is entitled to membership in the Association pursuant to these By Laws shall be privileged to use and enjoy the Common Property subject to the right of the Association to promulgate rules and regulations governing such use and enjoyment, and subject further to the provisions of Section 5 of this Article.

Section 5. Suspension of Rights. The membership rights of any Owner (including, but not limited to the right to vote) may be suspended by action of the Board during the period when such Owner's assessments remain unpaid; but upon payment of such assessments (whether by check or cash), his rights and privileges shall be automatically restored. If the Board has adopted and published rules and regulations governing the use of the Common Property and the personal conduct of persons thereon, the Board may, in its discretion, suspend the rights and privileges of any such person for violation of any such rules and regulations for a period not to exceed thirty (30) days for any single violation, but if the violation is of a continuing nature, such rights and privileges may be suspended indefinitely until such time as the violation is abated. The Board shall further have the right to levy fines in accordance with Article VIII of the Declaration. No such action shall be taken by the Board until the Owner is afforded an opportunity for a hearing consistent with the principles of due process of law.

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called to consider any matter which is substantially the same as a matter voted upon at any meeting of the members held during the preceding 12 months, which determinations shall be made in the sole and absolute discretion of the board.

Section 4. Notice of Meeting. Except as otherwise provided by law, notice of each meeting of Members, whether annual or special, shall be given not less than ten (10) days, nor more than sixty (60) days before the day on which the meeting is to be held, to each Member at his last known address, in the manner provided for in the Declaration. Except where expressly required by law, no newspaper publication of any notice of a meeting of Members shall be required. Every such notice shall state the time and place of the meeting and shall state briefly the purpose(s) thereof. Notice of any meeting of Members shall not be required to be given to any Members who shall attend such meeting in person or by proxy. Notice of any adjourned meeting of the Members shall not be required to be given except when otherwise expressly required by law.

Section 5. Quorum. Except as otherwise provided in these By-Laws, the presence of 10% of the Members of the Association shall constitute a quorum at any meeting of members. **The count of proxies and absentee ballots shall be included.** If any meeting of Members cannot be organized because a quorum has not attended, the Members present may adjourn the meeting to a time not less than 48 hours from the time the original meeting was called. In the event of any such adjourned meeting, no further notice of the adjourned date need be given to any of the Members. Thereafter, business may be transacted at the adjourned meeting by a majority of the Members at such meeting.

Section 6. Organization. At each meeting of the Association, the President or, in his absence, the Vice President, or in the absence of both of them, a person chosen by a majority vote of the Members present in person or represented by proxy and entitled to vote thereat, shall act as chairperson, and the Secretary, or in his absence, a person whom the chairperson shall appoint, shall act as Secretary of the meeting.

Section 6. Proxies. Proxy ballots shall be permitted with respect to all elections of trustees and all amendments to the Articles of Incorporation, the Declaration, these By Laws, or any other matter to come before a meeting of the membership of the Association. All proxies shall be in writing, signed by the Individual Member (or in the case of joint owners, by any one of them), or by his or their duly authorized representative(s), and delivered to the Secretary of the Association, or such other person as the President may designate, prior to the commencement of the meeting at which ballots are to be cast. Proxies may be revoked at any time prior to the opening of the polls and no proxy shall be voted on or after eleven (11) months from the date of its execution unless the proxy provides for a longer period which, in no event can exceed three (3) years from the date of its execution. All proxies shall be substantially in the form prescribed by the Board, and if not in such form, shall be deemed invalid which determination shall be made in the sole and absolute discretion of the Board. Absentee balloting is an acceptable method of voting.

ARTICLE III - MEETING OF THE MEMBERS

Section 1. Place of Meetings. All meetings of the Members of the Association shall be held at its principal office or at such other place convenient to the Members as may be designated by the Board.

Section 2. Annual Meetings. All regular annual meetings of the Members of the Association shall be held during September on a date designated by the Board from year to year. The first annual meeting shall take place in September of the year following the year the first closing of title takes place, but no sooner than September, 1989. At the first annual meeting and each subsequent annual meeting, the election of Directors shall take place. If the election of Directors shall not be held at the annual meeting or at any adjournment of such meeting, the Board shall cause the election to be held at a special meeting as soon thereafter as may be convenient. At such special meeting the Members may elect the Directors and transact other business with the same force and effect as at an annual meeting duly called and held. All proxies validly received for the originally scheduled meeting shall remain in full force and effect for any such adjourned meeting, and new proxies may be received for any such subsequent meeting.

Section 3. Special Meetings. After the first annual or special meeting, special meetings of Members shall be called by the President when required by Article IV, Section 2 of these By Laws, or may be called by the President whenever he deems such a meeting advisable or shall be called by the Secretary when so ordered by the Board or upon the written request of Members representing no less than twenty-five (25%) percent of all the votes entitled to be cast at such meeting. Such request shall state the purpose(s) of such meeting and the matter(s) proposed to be acted upon. Unless Members representing at least fifty (50%) percent of all votes entitled to be cast request such a meeting, no special meeting may be

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ascertain and report the number of votes respectively for and against the question; but, as to the election

Section 7. Voting. Except as otherwise required by the Articles of Incorporation, the Declaration, these By-Laws or any law, a majority of votes in person or by proxy shall be sufficient on those matters which are to be voted on by the Members. The election of trustees shall be by ballot. The Owner of each unit shall be entitled to one (1) vote. The Declarant shall be entitled to ten (10) votes for each unit in the complex which has not had its title conveyed to any prospective purchaser. Unless determined by a majority of the votes of the Members present in person or by or absentee ballot proxy at such meeting and entitled to vote thereat or determined by the chairperson of the meeting to be advisable, the vote on any other questions need not be by ballot. Only Members who are in good standing in the Association shall be entitled to vote.

Section 8. A Member in Good Standing. A Member shall be deemed to be in good standing and entitled to vote at any annual meeting or at any special meeting of the Association if, and only if, he shall have fully paid all installments due for assessments made or levied against him and his Unit by the Trustees as hereinafter provided, together with all interests, costs, attorney's fees, penalties and other expenses, if any, properly chargeable to him and to his Unit, at least three (3) days prior to the date fixed for such meeting.

Section 9. Judges. If at any meeting of the Members a vote by ballot shall be taken on any question, the chairperson of such meeting shall appoint two judges to act thereat with respect to such vote. Each judge so appointed shall first subscribe an oath faithfully to execute the duties of a judge at such meeting with strict impartiality and according to the best of his ability. Such judges shall decide upon the qualifications of voters and shall report the number of votes represented at the meeting and entitled to vote on such question, shall conduct and accept the votes, and when the voting is completed, shall

ascertain and report the number of votes respectively for and against the question; but, as to the election of Directors the number of votes received by each candidate need not be reported. Reports of judges shall be in writing and subscribed and delivered by them to the Secretary of the meeting. The judges need not be Members of the Association, and any officer of the Association may be a judge on any question other than a vote for or against his election to any position with the Association or any other question in which he may be directly interested.

Section 10. Conduct of the Meeting. The order of business at the annual meeting of the Members or at any special meetings as far as practicable shall be:

- (a) Calling of the roll and certifying the proxies.
- (b) Proof of notice of meeting and waiver of notice.
- (c) Reading and disposal of any unapproved minutes.
- (d) Appointment of judges of election, if appropriate.
- (e) Election of Directors, if appropriate.
- (f) Receiving reports of officers.
- (g) Receiving reports of committees.
- (h) Old business.
- (i) New business.
- (j) Adjournment.

ARTICLE IV - BOARD OF DIRECTORS

Section 1. Express and Implied Powers and Duties.

The property, affairs and business of the Association shall be managed by the Board of Directors, which shall have all those powers granted to it by the Articles of Incorporation, the Declaration, these By Laws and by law.

Section 2. Number and Qualifications.

(a) The affairs of the Association shall be governed by the Board of Trustees. The first Board of Directors shall consist of the three (3) persons named in the Articles of Incorporation of the Association who shall serve for a term ending not later than sixty (60) days after Owners other than Declarant or any Developer own twenty-five (25%) percent or more of the Units in the Existing Property.

Thereafter, the Board shall consist of five (5) directors (hereinafter referred to as Directors A, B, C, D and E). Within Sixty (60) days after Owners, other than Declarant or any Developer, own twenty-five (25%) percent or more Lots and Units in the Existing Property, the President shall call and give not less than twenty (20) nor more than thirty (30) days notice of a special meeting of the membership of the Association. At such special meeting, Owners other than Declarant or any Developer shall be entitled to vote for and elect Director A and B and Declarant shall have the right to re-appoint Director C, D and E.

Thereafter, and within one hundred twenty (120) days after Owners other than Declarant or any Developer own seventy-five (75%) percent or more Lots and Units in the Existing Property, the President shall call and give not less than twenty (20) nor more than thirty (30) days notice of a special meeting of the membership of the Association. At such special meeting Owners other than Declarant or any Developer shall be entitled to vote for all of the Directors of the Board not theretofore elected by them, except that Declarant shall be entitled to appoint Director E so long as Declarant or any Developer owns one or more Lots or Units and holds same for sale in the ordinary course of business.

The Director appointed by the Declarant shall have veto power in all matters brought before the Directors.

(b) In the case of partnership owners, Directors shall be members, agents or employees of such partnership or of the partners thereof; or, in the case of corporate owners, Directors shall be officers, stockholders, employees or agents of such corporation; or, in the case of fiduciary owners, Directors shall be fiduciaries or officers or employees of such fiduciaries; provided, however, that at least one of the Directors of the Board shall be a resident of the State of Pennsylvania.

Section 3. Election and Term of Office. At the first meeting of the membership that is called after Owners other than the Declarant or any Developer own twenty-five (25%) percent or more lots and units, Director A and B shall be elected by the Owners other than the Declarant or any Developer, and Declarant shall re-appoint Directors C, D and E. Directors A and B shall be elected for a two (2) year term and Directors C, D and E shall be appointed to serve until their successors are elected at the special meeting held after seventy-five (75%) percent or more Lots and Units are owned by Owners other than Declarant or any Developer. At said special meeting, Directors C and D shall be elected by Owners other than Declarant or any Developer (subject, however, to Declarant's rights to appoint Director E as provided for in Section 2, above) to serve for an initial term which expires at the annual meeting of the membership at which Directors A and B are not scheduled for re-election, but in no event shall such initial term be less than two (2) years nor more than three (3) years. Thereafter, the term for Directors C, D and E shall be for two (2) years, it being the purpose and intent hereof that Directors A and B shall be elected in alternate years to Directors C, D and E.

The Directors shall hold office until their respective successors have been duly elected and qualified, or until removed in the manner elsewhere provided. At each

election of Directorsevery Member entitled to vote at the election shall have the right to cast the number of votes as shall equal the number of votes to which he is entitled under Article II herein multiplied by the number of Directorsto be elected. [He may cast all the votes for a single Director or may distribute them among the number to be elected or any of them as he may see fit.] Directorsshall be elected by a plurality of the votes cast at an election. If ever applicable, candidates polling the highest votes will be considered elected for the longest period of years. Election of Directorsat successive annual meetings shall be in accordance with this Section 3.

Section 4. Declarant's Protective Provisions.

After control of the Board of Directorshas become vested in Directorselected by Owners other than the Declarant, and so long as the Declarant or any Developer owns at least one (1) Lot or Unit and holds same for sale in the ordinary course of business, the following shall apply:

- (a) Neither the Association or its Board of Directorsshall take any action that will impair or adversely affect the rights of the Declarant or any Developer nor cause the Declarant or any Developer to suffer any financial, legal or other detriment, including but not limited to any direct or indirect interference with the sale of Lots or Units, or the assessment of the Declarant or any Developer as an Owner, or otherwise, for capital improvements.
- (b) The Association and its Board of Directors shall continue the same level of maintenance, operation and services as provided immediately prior to such assumption of control of the Board.

- (c) In furtherance of the foregoing provisions, the Declarant shall have the right to veto any and all actions of the Association or its Board of Directors which violates Section 4(a) above.
- (d) The Declarant shall exercise its veto right, in its sole and absolute discretion, within ten (10) days after its receipt of written notice that a resolution or other action is proposed or has been taken by the Association or its Board of Directors. In such event, the Declarant shall notify the Secretary of the Association of its exercise of its veto right and any such proposal or action shall be null and void and shall be determined to have no further force or effect at any time.

Section 5. Removal of Members of the Board. At any duly held regular or special meeting of the Members, any one or more Directors may be removed with or without cause by a majority of the votes present and a successor may then and there or thereafter be elected to fill the vacancy thus created. Any Director whose removal has been proposed shall be given an opportunity to be heard at the meeting. This provision shall not apply to any Director appointed by the Declarant.

Section 6. Vacancies. Vacancies in the Board caused by any reasons other than the removal of a Director by a vote of the Members of the Association shall be filled by a vote of a majority of the remaining Director, including the Declarant's appointees, at a special meeting of the Board held for that purpose promptly after the occurrence of any such vacancy, even though the Directors present at such meeting may constitute less than a quorum. Each person so elected whose term he is filling and until his successor shall be elected. Notwithstanding the foregoing, until the first annual meeting

of Members, Declarant shall have the right to fill all vacancies on the Board by appointment. Unit owner Directors shall be replaced by unit owners.

Section 7. Meeting of the Board; Notices; Waiver of Notice. The first meeting of the Board following the first annual meeting of the Members shall be held within ten (10) days thereafter at such time and place as shall be fixed by a majority of the Directors at the annual meeting of the Members and no notice shall be necessary. Thereafter, regular meetings of the Board may be held at such time and place as shall be determined from time to time by a majority of the Directors. Notice of regular meetings of the Board shall be given to each Director by telephone, mail or telegram at least seven (7) business days prior to the day of the meeting. Special meetings of the Board may be called by the President on three (3) business days notice to each Director given by mail or telegram, which notice shall state the time, place and purpose of the meeting. Special meetings of the Board shall be called by the President or the Secretary in a like manner and on like notice on the written request of at least three (3) Directors. Any Director, at any time, may waive notice of any meeting of the Board in writing, and such waiver shall be deemed equivalent to the giving of notice. Actual attendance by Directors at any meeting of the Board shall constitute a waiver of notice by him of the time and place thereof. If all the Directors are present at any meeting of the Board, no notice shall be required and any business may be transacted at such meeting. In the discretion of the Board, meetings of the Board, or portions thereof, may be open to Members of the Association for observation or participation in such manner and to the extent the Board may deem appropriate.

Section 8. Quorum and Adjourned Meetings. At all meetings of the Board a majority of the Directors shall constitute a quorum for the transaction of business and the votes of a majority of the Directors present and voting at a meeting at which a quorum is present shall constitute a valid

decision. If at any meeting of the Board there shall be less than a quorum present, the majority of those present shall adjourn the meeting to a new date. At any such adjourned meeting at which a quorum is present, any business which may have been transacted at the original meeting may be transacted without further notice. The vote of a majority of those present shall be necessary for valid action by the Board.

Section 9. Joinder in Meetings by Approval of Minutes. The transaction of any business at any meeting of the Board however called and noticed or wherever held, shall be valid as though a meeting duly held after regular call and notice, if a quorum is present; and if, either before or after the meeting, each Director signs a written waiver of notice, or a consent to the holding of the meeting, or an approval of the minutes thereof or of the resolution or act adopted at such meeting. All such waivers, consents or approval, shall be in writing and filed with the Secretary and made a part of the minutes of the meeting even though filed subsequent thereto.

Section 10. Non-Waiver. All the rights, duties and privileges of the Board shall be deemed to be continuing and shall not be exhausted by any single act or series of acts. To the same extent, the failure to use or employ any remedy or rights hereunder or hereafter granted shall not preclude its exercise in the future nor shall any custom bind the Board.

ARTICLE V - POWERS AND DUTIES OF BOARD OF DIRECTORS

Section 1. General Powers and Privileges. The Board shall have all those powers, granted to it or necessarily implied by law or by the Articles of Incorporation these By Laws or the Declaration, including but not limited to the following:

- (a) Employ, by contract or otherwise, a manager, Managing agent or an independent contractor, to oversee, supervise and follow out the responsibilities of the Board. Said manager or said independent contractor shall be compensated upon such terms as the Board deems necessary and proper; and
- (b) Employ any person, firm or corporation to repair, maintain or renovate the Common Property or any area required to be maintained pursuant to the Declaration; and
- (c) Employ professional counsel and to obtain advice from persons, firms or corporations such as, but not limited to, landscape architects, architects, engineers, lawyers and accountants; and
- (d) Employ all managerial personnel necessary, or enter into a managerial contract for the efficient discharge of the duties of the Board hereunder; and
- (e) Adopt, amend, and publish rules and regulations covering the details of the operation and use of the Existing Property and Common Property; and
- (f) Enforce obligations of the Members and do anything and everything else necessary and proper for the sound management of the Existing Property, including the right to bring or defend lawsuits to enforce the terms, conditions and restrictions contained in the Declaration, these By Laws and any rules and regulations governing the Existing Property or Members. The Board shall

Also have the power to levy fines against any Member(s) for violations of any of the foregoing. Collection of fines may be enforced against any Member(s) involved as if the fine were a Common Expense owed by the particular Member(s) and such fines shall constitute a lien upon the particular Member's Unit. Before any fine is imposed by the Board, the Member accused shall have been given notice and afforded an opportunity to be heard with respect to the alleged violation in a manner consistent with the principals of due process of law; and

- (g) Borrow and repay monies giving notes, mortgages or other security upon such term or terms as it deems necessary; and
- (h) Invest and reinvest monies, sue and be sued; collect interest, dividends and capital gains; exercise rights; pay taxes; make and enter into contracts; enter into leases or concessions; make and execute any and all proper affidavits for various purposes; compromise any action without leave of court; and all other powers contained herein, and those necessary and incidental thereto; and
- (i) Grant and obtain easements, licenses and other property rights with respect to contiguous lands; and
- (j) Purchase and lease or otherwise acquire in the name of the Association or its designees, corporate or otherwise, on behalf of all Members, Lots or Units offered for sale or lease or surrendered by their Owners to the Board; and

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- (k) Purchase Lots or Units at foreclosure or other judicial sales in the name of the Association or its designees, corporate or otherwise, on behalf of all Members; and
- (l) Sell, lease, mortgage (but not vote the votes appurtenant thereto) or otherwise deal with Lots or Units acquired by the Association, and sublease any such Lots or Units leased by the Association or its designees, on behalf of all Members; and
- (m) Bring and defend actions by or against one or more Unit Owners pertinent to the health, safety or general welfare of the Members, or any other legal action to which the Owners may consent in accordance with these By Laws; and
- (n) Appoint an Insurance Director who shall not be a member of the Association, an employee of the Declarant, any Developer or the manager, who shall discharge his duties in accordance with these By Laws. In the absence of such an appointment, the Board shall be responsible for the disposition of all insurance proceeds; and
- (o) Create, appoint members to and disband such committees as shall from time to time be deemed appropriate or necessary to aid the Board in the discharge of its duties, functions and powers.
- (p) To establish the annual or any special assessment.

Section 2. Duties and Responsibilities. It shall be the affirmative and perpetual obligation and duty of the Board to perform the following:

- (a) Cause the Common Property to be maintained according to reasonable standards adopted by the Board and as set forth in the Declaration, and these By Laws, including, but not limited to such maintenance, replacement and repair work as may be necessary; and

- (b) Cause those areas of the Existing Property required to be maintained by the Declaration, the Association and/or Township of Solebury to be maintained according to reasonable standards adopted by the Board and as set forth in the Declaration, and these By-Laws, including but not limited to such maintenance, replacement and repair work as may be necessary; and
- (c) To investigate, hire, pay, supervise and discharge the personnel necessary to be employed, and provide the equipment and materials necessary, in order to properly maintain and operate the Common and Existing Property as contemplated by the Declaration and these By Laws. Compensation for the services of such employees (as evidenced by certified payroll) shall be considered an operating expense of the Association; and
- (d) Cause to be kept a complete record of all its acts and corporate affairs and to present a summary report thereof to the members at the annual meeting or at any special meeting when requested in writing at least twenty-one (21) days in advance by members entitled to cast at least twenty-five (25%) percent of the total votes of the association and
- (e) Take such action as may be necessary to comply promptly with any and all orders or requirements affecting the premises maintained by the Association placed thereon by any federal, state, county or municipal authority having jurisdiction thereover, and order of the Board of Fire Underwriters or other similar bodies; and
- (f) Place and keep in force all insurance coverages required to be maintained by the Association, applicable to its property and Members including,

- (i) Public Liability Insurance. To the extent obtainable, public liability insurance for personal injury and death from accidents occurring within the Common Property (and any other areas which the Board may deem advisable), and for the defense of any actions brought by injury or death of a person or damage to property, occurring within such areas, and not arising by reason of any act or negligence of any individual Member. Said insurance shall be in such limits as the Board may, from time to time, determine, covering each Member of the Board, the managing agent, the manager, and each Member, and shall also cover cross liability claims of one insured against another. The Board shall review limits of such insurance once a year.
- (ii) Directors' and Officers' Liability Insurance. Liability insurance indemnifying the Directors and Officers of the Association against the liability for errors and omissions occurring in connection with the performance of their duties, with policy limits and deductible amounts to be determined in the sole discretion of the Board. Deductible amounts shall be paid by the Association and shall be deemed a Common Expense.
- (iii) Workers' Compensation Insurance. Workers' compensation and Pennsylvania disability benefits insurance as required by law.
- (iv) Other Insurance. Such other insurance as the Board may determine, such as but not limited to blanket insurance covering Units which may be obtained by the Board as set forth in the Declaration. The managing agent and his employees, as well as the officers of

Association, shall have fidelity insurance equal to or greater than the amount of the annual budget for the first year of operation. For the second year and succeeding years, the bond shall be in an amount equal to the annual budget plus accumulated reserves. This provision shall be effective until the expiration of any management contract entered into while the Declarant maintains a majority of the Board.

All policies shall: (i) provide that adjustment of loss shall be made by the Board of Directors with the approval of the Insurance Director, if any, and that the net proceeds thereof, if \$5,000.00 or less shall be payable to the Board, and if more than \$5,000 shall be payable to the Insurance Director, if any;

(ii) to the extent obtainable contain waivers of subrogation and waivers of any defense based on co-insurance or of invalidity arising from any acts of the insured; (iii) provide that such policies may not be cancelled without at least thirty (30) days prior written notice to all of the named insured.

Proceeds from any casualty loss shall be utilized and deemed to be a trust fund for the purpose of rebuilding, restoring and repairing the damaged or destroyed portions of the Existing Property, in conformance with the original plans and specifications therefor and in accordance with all applicable building codes. In the event there is any deficiency in the amount of insurance proceeds necessary to effect such repair or reconstruction, then the Association may levy a special assessment upon all Unit Owners in order to make up such deficiency. Any excess of insurance proceeds

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shall be utilized to reduce Common Expenses. The premium for all insurance and fidelity bonds carried by the Association shall be a Common Expense.

(g) To manage the fiscal affairs of the Association as hereinafter provided in Article VI, and to prepare, prior to each annual meeting, a balance sheet, statement of income and budget for the Association reflecting the amounts intended to be necessary to meet the cost of operation and maintenance, etc.

ARTICLE VI - FISCAL MANAGEMENT

Section I. Common Receipts. The Board shall have the duty to collect from each member, his, her or their heirs, administrators, successors, and assigns, as "Common Receipts", the proportionate part of the Common Expenses assessed against each such Member as provided in the Declaration, the Articles of Incorporation, these By Laws, and in accordance with applicable law.

Section 2. Determination of Common Expenses. The amount of monies for Common Expenses deemed necessary by the Board and the manner of expenditure thereof, including but not limited to, the allocation thereof, shall be a matter for the sole discretion of the Board, except that any expenses for maintenance of Units shall be allocated only to those Units maintained.

Section 3. Disbursements. The Board shall take and hold the funds as collected and shall disburse the same for the purposes and in the manner set forth herein and as required by the Declaration. Articles of Incorporation, and applicable law.

Section 4. Depositories. The depository of the Association shall be such insured bank or savings and loan institution as shall be designated from time to time by the

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Board and in which the monies of the Association shall be deposited. Withdrawal of monies from such accounts shall be only by checks signed by such parties as are authorized by the Board, provided that a management agreement may include among its provisions authority for the manager to sign checks on behalf of the Association for payment of the obligations of the Association, if the proper fidelity bond is furnished to the Association.

Section 5. Exemption from Payment of Capital Improvements. Anything to the contrary herein notwithstanding neither Declarant, nor any successor to Declarant nor any Developer, nor any Institutional Lender shall be required to contribute or pay any sums for capital improvements whether by way of regular or special assessments or otherwise. Further, this provision may not be amended without the written consent of the Declarant and that of every Institutional Lender who would otherwise be exempt from the payment of Common Expenses.

Section 6. Notice. The Board shall give at least fifteen (15) days advance notice to each member, in writing, and to any Institutional Lender who requires same, of the amount estimated by the Board of Common Expenses for management and operation of the Association for the next ensuing period.

Section 7. Annual Assessment. If an annual Common Expense assessment is not made as required, an assessment shall be presumed to have been made in the amount of the last prior year's assessment increased by ten (10%) percent, and installments on such assessment shall be due upon each installment payment date until changed by an amended assessment. In the event the annual Common Expense assessment proves to be insufficient, the budget and assessments may be amended at any time by the Board, provided that nothing herein shall serve to prohibit or prevent the Board from imposing a lump sum assessment in the case of any immediate need or emergency which cannot be met by reserve funds earmarked for such contingency.

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Section 8. Acceleration of Assessment Installment

Upon Default. If an Owner shall be in default in the payment of an installment upon a Common Expense assessment, the Board may accelerate the remaining installments of the assessment and file a lien for such accelerated amount for 12 months in advance upon notice to the Owner. The Board may also notify any Institutional Lender holding a mortgage which encumbers the Unit affected by such default or publish appropriate notice of such delinquency to the membership of the Association. If said default continues for a period of 60 days, then the Board may foreclose the foregoing accelerated assessment lien pursuant to law and/or commence a suit against the appropriate parties to collect said accelerated assessment. A late charge of \$10 will be assessed for payments not received by the 15th of each month.

Section 9. Interest and Counsel Fees. The Board at its option shall have the right in connection with the collection of any Common Expense assessment, or other charge, to impose a late charge of any reasonable amount and/or interest not to exceed the maximum rate permitted by law. In the event that the Board shall effectuate collection of said assessments or charges by resort to counsel, and/or the filing of a lien, the Board may add to the aforesaid assessments or charges a sum or sums of twenty (20%) percent of the gross amount due as counsel fees, plus the reasonable costs for the preparation, filing and discharge of the lien, in addition to such other costs as may be allowable by law.

Section 10. Power of Attorney to Institutional Lender. In the event the Board shall not cause the enforcement procedures provided in Section 8 above to be implemented within the time provided, any Institutional Lender for any Unit as to which there shall be such unpaid Common Expenses assessments is hereby irrevocably granted a power of attorney to commence such actions and to invoke such other remedies, all in the name of the Association. This power of attorney is expressly stipulated to be coupled with an interest in the subject matter.

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Section 11. Annual Audit. The Board shall submit the books, records and memoranda of the Association to an independent or certified public accountant who shall prepare an annual report thereon in writing to the Board and in summary form to the Members and such Institutional Lenders or other persons, firms or corporations as may be entitled to same.

Section 12. Examination of Books. Each member and each Institutional Lender of a Lot or Unit shall be permitted to examine the books of account of the Board at a reasonable time on business days; provided, however, that the treasurer has been given at least 10 days prior written notice of the Member's desire to make such an examination.

Section 13. Fidelity Bonds. Fidelity bonds shall be required by the Board from all persons handling or responsible for Association funds. The amount of such bonds shall be determined by the Board, and shall be in accordance with Article V, Section 2 (f) (iv) herein. The premiums on such bonds shall be paid by the Association.

EXHIBIT C

ARTICLE VII - OFFICERS

Section 1. Designation. The principal officers of the Association shall be a President, a Vice President, both of whom shall be Members of the Board, a Secretary and a Treasurer. The Board may also appoint such other Assistant Treasurers and Assistant Secretaries as in their judgment may be necessary. Any two offices, except that of President and Vice President, may be held by one person.

Section 2. Election of Officers. The officers of the Association shall be elected annually by the Board at the first Board of Directors meeting following each annual meeting and such officers shall hold office at the pleasure of the Board.

Section 3. Removal of Officers. Upon an affirmative vote of two-thirds majority of the Directors any officer may be removed, with or without cause, after opportunity for a hearing, and his successor elected at any regular meeting of the Board, or at any special meeting of the Board called for such purpose.

Section 4. President. The President shall be the chief executive officer of the Association. He shall preside at all meetings of the Association and of the Board. He shall have all of the general powers and duties which are usually vested in the Office of President of an Association. The president must be a member of the board.

Section 5. Vice President. The Vice President shall take the place of the President and perform his duties whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Board shall appoint some other Trustee to do so on an interim basis. The Vice President shall also perform such other duties as shall from time to time be imposed upon him by the Board. The vice-president must be a member of the Board.

EXHIBIT C

Section 6. Secretary. The Secretary shall keep the minutes of all meetings of the Board and the minutes of all meetings of the Association; he shall have charge of such books and papers as the Board may direct; and he shall, in general, perform all the duties incident to the office of the Secretary. These duties may be delegated to the Manager.

Section 7. Treasurer. The Treasurer shall have the responsibility for the Association funds and securities and shall be responsible for keeping full and accurate accounts of all receipts and disbursements in books belonging to the Association. He shall be responsible for the deposit of all monies and other valuable effects in the name, and to the credit of the Association in such depositories as may from time to time be authorized by the Board. These duties may be delegated to the Manager.

Section 8. Other Duties and Powers. The officers shall have such other duties, powers and responsibilities as shall, from time to time, be authorized by the Board.

Section 9. Eligibility of Directors Nothing herein contained shall prohibit a Director from being an officer.

EXHIBIT C

ARTICLE VIII - COMPENSATION, INDEMNIFICATION AND
EXCULPABILITY OF OFFICERS, DIRECTORS AND COMMITTEE MEMBERS

Section 1. Compensation. No compensation shall be paid to the President or the Vice-President or any Director or Committee Member for acting as such Officer or Director. The Secretary and/or Treasurer may be compensated for their services if the Board determines that such compensation is appropriate, reasonable compensation for services rendered. Nothing herein stated shall prevent any Officer, Director or Committee Member from being reimbursed for out-of-pocket expenses or compensated for services rendered in any other capacity to or for the Association, provided, however, that any such expenses incurred or services rendered shall have been authorized in advance by the Board.

Section 2. Indemnification. Each Director, Officer or Committee Member of the Association, shall be indemnified by the Association against the actual amount of net loss, including counsel fees, reasonably incurred by or imposed upon him in connection with any action, suit or proceeding to which he may be a party by reason of his being or having been a Director, Officer or Committee Member of the Association, or delegee, if said person acted in good faith and in a manner which the agent reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal proceeding, the corporate agent had no reasonable cause to believe the conduct was unlawful. No indemnification shall be provided as to matters as to which he shall be ultimately found in such action to be liable for negligence or misconduct. In the event of a settlement of such case, indemnification shall be provided only in connection with such matters covered by the settlement as to which the Association is advised by counsel that the person to be indemnified had not been guilty of negligence or willful misconduct.

EXHIBIT C

Section 3. Exculpability. Unless acting in bad faith, neither the Board as a body nor any Director, Officer or Committee Member of the Association shall be personally liable to any Member in any respect for any action or lack of action arising out of the execution of his office. Each member shall be bound by the good faith actions of the Board, Officers and Committee Members of the Association, in the execution of the duties of said Directors, Officers and Committee Members. Nothing contained herein to the contrary shall serve to exculpate members of the Board appointed by the Declarant from their fiduciary responsibilities.

EXHIBIT C

ARTICLE IX - FISCAL YEAR

The fiscal year of the Association shall be on a calendar year basis, or upon such basis as the Board shall deem advisable.

EXHIBIT C

ARTICLE X - ADDITIONS, ALTERATIONS OR IMPROVEMENTS
BY THE ASSOCIATION

Whenever, in the judgment of the Board, the Common Property requires improvements costing in excess of \$5,000.00, said improvements shall not be made unless they have been approved by a majority of votes at a meeting of the Association at which a quorum is present. When said approval has been obtained, all Unit Owners shall be assessed for the cost thereof as a Common Expense. In the event of any emergency which could cause damage to any portion of the Existing Property, the Board may expend sums to protect the Existing Property, and the judgment of the Board shall be final. However, while the Declarant maintains a majority of the Board of Directors, it shall make no additions, alterations, improvements or purchases not contemplated in this offering which would necessitate a special assessment or a substantial increase in the monthly assessment unless required by a government agency, title insurance company, mortgage lender or in the event of any emergency.

EXHIBIT C

ARTICLE XI - MISCELLANEOUS

(1) Notices. All notices hereunder to the Association shall be in writing and forwarded to it at its principal office by certified mail, return receipt requested.

(2) Invalidity. The invalidity of any part of these By Laws shall not impair or affect in any manner the enforceability or affect the balance of the By Laws.

(3) Waiver. No restriction, condition, obligation or covenant contained in these By Laws shall be deemed to have been abrogated or waived by reason of the failure to enforce the same irrespective of the number of violations or breaches thereof which may incur.

EXHIBIT C

ARTICLE XII - AMENDMENTS

These By Laws, or any of them, may be altered or repealed, or new By Laws may be made, at any meeting of the Association duly constituted for such purpose, and previous to which written notice to Members of the exact language of the amendment or of the repeal shall have been sent, a quorum being present, by an affirmative vote of 51% of the votes entitled to be cast in person or by proxy, except that (i) the first annual meeting may not be advanced; (ii) the first Board (including replacements in case of vacancies) may not be enlarged or removed; and (iii) the obligation or the proportionate responsibility for the payment of Common Expenses or the exemption therefrom may not be changed by reason of any such amendment or repeal. No such new By Law amendment or repeal shall in any way affect the Declarant or any Developer unless the Declarant or such Developer has given its prior written consent thereto. No amendment, repeal or new By Law need be recorded with the county recording office.

EXHIBIT C

ARTICLE XIV - ENFORCEMENT

Section 1. ENFORCEMENT. The Association shall have the power, at its sole option, to enforce the terms of this instrument or any rule or regulation promulgated pursuant thereto, by any or all of the following: self help; sending notice to the offending party to cause certain things to be done or undone; restoring the Association to its original position and charging the breaching party with the entire cost or any part thereof; complaint to the duly constituted authorities; or by taking any other action before any court, summary or otherwise, as may be provided by law.

Section 2. FINES. The Association shall also have the power to levy fines against any Unit Owner(s) for violation(s) of any rules or regulations or use restrictions contained in the Master Deed or By Laws except that no fine may be levied for more than \$10.00 for any one violation but for each day a violation continues after notice it shall be considered a separate violation. Collection of the fines may be enforced against any Unit Owner(s) involved as if the fines were a Common Expense owed by the particular Unit Owner(s).

Section 3. WAIVER. No restriction, condition, obligation or covenant contained in these By Laws shall be deemed to have abrogated or waived by reason of the failure to enforce the same irrespective of the number of violations or breaches thereof which may occur.

EXHIBIT C

ARTICLE XV - CONFLICT

Anything to the contrary herein notwithstanding, if any provision of this Instrument is in conflict with or contradiction of Declaration, or with the requirements of any law, then the requirements of the said Declaration or law shall be deemed controlling.

EXHIBIT C

ARTICLE XVI - DISSOLUTION

Section 1. In the event it shall be deemed advisable and for the benefit of the Members of the Association that the Association should be dissolved, the procedures concerning dissolution set forth in The Statutes Of The State of Pennsylvania, shall be followed.

Section 2. In the event of dissolution, the assets of the Association, after payment of all debts, shall be distributed to the Members of the Association in accordance with the number of votes each Member has in the Association.

EXHIBIT C