

BY-LAWS

OF

POCONO FARMS EAST ASSOCIATION, INC.

**AS AMENDED AND ADOPTED BY THE BOARD OF DIRECTORS AND THE MEMBERSHIP
THROUGH JULY 16, 2006**

Article 1: ASSOCIATION OFFICE

Section 1.1: The Association shall have and continuously maintain in the Commonwealth of Pennsylvania a registered office at an address to be designated from time to time by the Board of Directors which may, but need not, be the same as its place of business.

Section 1.2: The Association may also have offices at such other places as the Board of Directors may from time to time designate or the business of the Association may require.

Section 1.3: Meetings of members and directors may be held at such places within or without the Commonwealth of Pennsylvania as may be designated by the Board of Directors or by a petition of the requisite number of members as hereinafter prescribed.

Article 2: DEFINITIONS

Section 2.1: Association shall mean and refer to POCONO FARMS EAST ASSOCIATION, INC., its successors and assigns.

Section 2.2: Lots and Properties shall mean and refer to all that certain real property described in the Declaration of Covenants, Conditions and Restrictions on file in the Office of the Recorder of Deeds of the County of Monroe and as appear in Deeds of Conveyance from the Developer and such additions thereto as may hereafter be brought within the jurisdiction of the Association.

Section 2.3: Common Area shall mean all real property owned by the Association for the common use and enjoyment of the owners.

Section 2.4: Lot shall mean and refer to any plot of land shown upon any recorded subdivision map of the properties with the exception of the common area.

Section 2.5: Owner shall mean and refer to the record owner, whether one or more persons or entities, of the fee simple title to one or more lots which are a part of the properties, including contract buyers, but excluding those having such interest merely as security for the performance of an obligation.

Section 2.6: Declaration shall mean and refer to the Declaration of Covenants, Conditions and Restrictions applicable to the properties recorded in the Office of the

Registrar of Deeds of the County of Monroe.

Section 2.7: Member shall mean and refer to those persons described hereinafter in Article 4, Section 4.2.

Section 2.8: Dues and Assessments: The terms "dues and assessments" in these By-Laws shall be defined as any dues, assessments, fines, citations, late charges, interest, attorney's collection fees, legal costs of litigation, and all other charges levied pursuant to the authority granted in these By-Laws.

Section 2.9: Member in Good Standing shall mean and refer to a Member who has paid in full all outstanding dues, assessments, fines, citations, late charges, interest, attorney's collection fees, legal costs of litigation, and all other charges levied pursuant to the authority granted in these By-Laws. Those Members who are on Board approved installment payment plans, and who are current in their payments of said plan, shall be considered members in good standing for purposes of these By-Laws.

Article 3: PURPOSE

Section 3.1: The purpose of the corporation is to ensure the present and future residential living conditions relating to health, safety, public morals, convenience, comfort and beauty of lots in a development in Coolbaugh Township, Monroe County, Pennsylvania, formerly known as Pocono Carriage Estates, Pocono Farms East, and Pocono Farms Horse Center, and now known and collectively referred to as POCONO FARMS EAST; to assist in regulating, administering and approving plans and obtaining compliance with the covenants, conditions and restrictions established as to the use of lots on these lands; to assist in the provision and maintenance of adequate roads, the installation of utilities, maintenance of greenbelt and other facilities established for the convenience and comfort of lot owners; and to engage in such other activities incidental to the general purpose first stated and to the general purposes as indicated in the Articles of Incorporation. This Association does not contemplate pecuniary gain or profit to its members.

Article 4 MEMBERSHIP

Section 4.1: Membership Rights: The Association shall be owned and operated by members whose qualifications, rights and privileges are hereinafter set forth.

Section 4.2: Membership Status: Members shall be the person or persons or business entity or entities who or which have acquired by Deed or are in the process of acquiring through a contract of purchase, title to one or more of the lots in the development herein described. If any lot or lots are owned by more than one individual, such multiple owners shall collectively constitute only one membership.

Article 5 VOTING

Section 5.1 Voting Rights: A member shall be entitled to cast one (1) vote at any annual or special meeting, no matter how many lots said member may own. A member shall be entitled to cast a vote only if he/she is a member in good standing. In the event that any lot or lots are owned by one or more persons, the multiple

owners shall be entitled collectively to one (1) vote which may be cast by any one of such co-owners unless objection is made by another of such owners before the vote is cast, in which case one owner must be shown to be the designated voting member by a writing signed by the other co-owner(s). If the co-owner(s) of the property cannot agree on the designated voting member, and no signed writing is presented to the Secretary of the Association designating the voting member, then the first name in alphabetical order (using the surnames or, if the surnames are the same, using the first, then the second names of the co-owners) shall be the voting member.

Article 6 MEETINGS OF MEMBERS

Section 6.1 Annual Meetings: The Annual meeting of the members shall be held on the last Saturday of October in each year, for the purpose of electing directors and alternates and for the transaction of such other business as may come before the meeting. All meetings shall be held at a location within or without the Commonwealth of Pennsylvania, said location and the time of the meeting to be determined by the Board of Directors.

Section 6.2 Special Meetings: Special meetings of the members may be called at any time by the President or by the Board of Directors or by written request of members who are entitled to vote, provided said written request contains the signatures of fifty (50) or more members of the Association.

Section 6.3 Notice of Meetings: Written notice of each meeting of the members shall be given by or at the direction of the Secretary or person authorized to call the meeting by mailing a copy of such notice, postage prepaid at least twenty-one (21) days before such meeting to each member, addressed to the member's address last appearing on the books of the Association or supplied by such member to the Association for the purpose of notice. Such notice shall specify the place, day and hour of the meeting, and in the case of a special meeting, the purpose or purposes of the meeting. It shall be the duty of the Secretary to call such a meeting within thirty (30) days after such demand.

Section 6.4: No business other than that specified in the call of the meeting shall be transacted at any special meeting of the Association.

Section 6.5 Quorum: The presence of twenty-five (25) members, either in person or by proxy, shall constitute a quorum at annual and special meetings. A lesser number of votes shall require an adjournment to some future time not less than twenty-one days thereafter. The Secretary shall give notice to each absentee member of the adjourned meeting and advise of the date of the rescheduled meeting at least fourteen (14) days prior to such meeting.

Section 6.6 Proxies: At all meetings of members, each member may vote in person or by proxy. All proxies shall be in writing and signed and dated, and filed with the Secretary before the meeting or at the meeting when called for. All proxies may be represented, participate and vote for all questions, matters or business that come up at the membership meetings. Every proxy shall be revocable and shall automatically cease upon termination of the membership of the member issuing the proxy. Proxies may be exercised only at the first meeting after which said proxy is issued unless otherwise clearly authorized therein. Board solicited proxies assigned to the directors shall be voted as follows:

A. All Board solicited proxies filed with the Secretary and assigned to the directors shall be distributed, as evenly as possible, among the directors who are present at the Membership Meeting. Each director shall vote on behalf of the members whose proxies he or she holds, on all matters that come up on the floor.

B. All Board solicited proxies, which have been only signed and dated, but contain no mark of voting preference or direction by the member, shall be voted as follows:

(1) For election of directors and alternates: As each director desires.

(2) For stated questions or proposed resolution accompanying the voting or proxy materials or the notice of the meeting: In accordance with the Board's recommendation, if any; otherwise, as the director desires.

C. Board solicited proxies, signed and dated, and which contain a mark or designation of the voting preference or direction of the member, shall be voted as follows:

(1) For election of directors and alternates: If any persons are clearly designated by name on the proxy for the position of director or alternate, the votes will only be cast for those persons so designated, and all ambiguous marks or undesignated names shall be disregarded.

(2) For stated questions or proposed resolutions accompanying the proxy materials or the notice of the meeting: If any resolution or question stated on or with the voting or proxy materials is marked to clearly designate the voting preference or direction of the member, only those so marked will be voted in accordance with that preference or direction, and all unmarked resolutions or questions stated or unclearly marked preferences or direction shall be disregarded.

Section 6.7: All meetings shall be conducted in accordance with Roberts Rules of Order.

Article 7 BOARD OF DIRECTORS

Section 7.1 Number: The affairs of this Association shall be managed by a Board of nine (9) directors. There shall be no more than five (5) alternates. All directors and alternates shall be members in good standing of the Association.

A. The nine (9) directors and the alternates shall be collectively referred to as "the Board of Directors", or "the Board."

B. Wherever the word "director(s)" is used, it shall mean and refer to director(s) only.

C. Wherever the word "alternate(s)" is used, it shall mean and refer to alternate(s) only.

Section 7.2 Term of Office: Each director shall be elected for a term of three (3) years, and the directors' terms shall be staggered so that each year three (3)

directors are elected for a three (3) year term. Each alternate shall be elected for a term of one (1) year. Each director and alternate shall hold office until his/her successor shall have been duly elected and qualified, unless he/she shall sooner resign or be removed, or otherwise be disqualified to serve.

Section 7.3 Removal: Any member of the Board may be removed from the Board only for cause by a majority vote of the directors present and voting, though less than a quorum. Any member of the Board may resign at any time by giving oral notice at any regular or special meeting of the Board of Directors or by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein. The acceptance of such resignation shall not be necessary to make it effective.

Section 7.4 Vacancies: In the event of a vacancy by reason of a director's death, resignation or removal, and otherwise, the successor-director shall be selected from among any of the alternates then in office, and if alternates are not then in office, then the successor-director shall be selected from among the membership to serve until the next election when a successor-director shall be selected by the members for the remainder of the unexpired term of the vacancy, if any.

Section 7.5 Compensation: No director/alternate shall receive compensation for any service he may render to the Association as such. However, any director / alternate may be reimbursed for actual expenses incurred in the performance of required duties, including expenses for attendance at regular and special meetings, as may be determined by a resolution of the Board of Directors. A director/alternate may be an employee or sub-contractor of the Association, and the Board of Directors shall have the authority to fix the compensation for said services, pursuant to Article 7, Section 7.9.

Section 7.6 Action Taken Without a Meeting: The directors shall have the right to take any action in the absence of a meeting which they could take at a meeting by obtaining the written approval of all the directors. Any action so approved shall have the same effect as though taken at a meeting of the directors. Said written approval shall be filed with the Secretary and shall set forth the action taken.

Section 7.7 Nomination: Nomination for election to the Board of Directors shall be made by the membership.

Section 7.8 Election: Election to the Board of Directors shall be by written ballot. At such election the members or their proxies may cast one vote in accordance with the provisions of these By-Laws. The persons receiving the largest number of votes shall be elected. Cumulative voting is not permitted.

Section 7.9 Interested Directors: A. General Rule: No contract or transaction between the Association and one or more of its members, directors, alternates or officers, or between the Association and any organization in which one or more of the Association's members, directors, alternates or officers are or have a financial interest, shall be void or voidable solely because the interested member, director, alternate or officer of the Association is present at or participates in the meeting of the Board of Directors of the Association which authorized the contract or

transaction, or solely because the interested member's votes are counted for such purpose, if:

(1) The material facts as to the relationship or interest and as to the contract or transaction are disclosed or are known to the Board, and the Board in good faith authorized the contract or transaction by the affirmative votes of a majority of the disinterested members of the Board of Directors, even though they are less than a quorum; or

(2) The material facts as to the relationship or interest and as to the contract or transaction are disclosed and are known to the members entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of such members; and

(3) The contract or transaction is fair to the Association as of the time it is authorized, approved or ratified by the Board of Directors or the members.

B. Quorum: Interested directors may be counted in determining the presence of a quorum at a meeting of the Board which authorizes a contract or transaction specified in Subsection A of this Section.

Section 7.10 Multiple Owners: In the event that any lot(s) are owned by one or more person(s) or entity(ies), no more than one (1) of said multiple owners shall be permitted to serve on the Board of Directors at any given time.

Article 8 MEETINGS OF DIRECTORS

Section 8.1: Regular Meetings: Regular meetings of the Board of Directors shall be held from time to time as shall be required, upon the call of the President of the Association or by any two directors, and notice of every regular meeting shall be given to each member of the Board of Directors personally, or by telephone or telegraph at least five (5) days prior to the day named for such meetings, however, notice given by mail shall be postmarked at least ten (10) days before the date of the regular meeting. The Board of Directors may, by resolution, designate regular meeting dates and times, notice of these regularly scheduled meetings need not be given to the members of the Board of Directors unless otherwise provided for by the resolution.

Section 8.2 Special Meetings: Special meetings of the Board of Directors may be called by the President or Secretary on three (3) days notice to each member of the Board of Directors, which notice shall be given personally, by telephone or telegraph, or by e-mail, and shall state the time, place and purpose of the meeting; provided, however, that if the President or Secretary determines that immediate action is necessary, then the President or Secretary may call a special meeting in like manner, but upon immediate notice. Special meetings of the Board of Directors shall also be called by the President or Secretary in like manner and on like notice upon written request of at least two (2) directors.

Section 8.2A: Executive Session: The Board may, with the approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss items dealing with employment, personnel, the lease or acquisition of real property, discussions with legal counsel, litigation, and privileged or confidential items. The general nature of any and all business to be considered in executive session shall first be announced in open session, but said session is not open to the members. No formal Board decisions shall be made at said executive session. All formal Board decisions and/or votes pertaining to the items discussed shall be made at an open meeting.

Section 8.3: Open Meetings: All meetings of the Board of Directors, whether regular or special meetings, with the exception of executive sessions as outlined in Article 8, Section 8.2A, shall be open, and any member of the Association may attend.

Section 8.4 Quorum: A majority of the number of directors in office shall constitute a quorum for the transaction of business. Alternates shall not be counted as part of a quorum; however, after it is determined that a quorum of directors is present, an alternate may be asked to sit in the place of an absent Director, and may vote as if he/she were a director at that meeting only, except on matters of removal or replacement of members of the Board of Directors and/or officers. Every act or decision done or made by a majority of the members of the Board of Directors present at a duly held meeting at which a quorum is present, shall be regarded as an act of the Board of Directors.

Section 8.5: Meeting by Conference Telephone: One or more directors or the entire Board of Directors may participate in a meeting of the Board by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear and speak to each other. Participation in such a meeting pursuant to this section shall constitute presence in person at such meeting.

Article 9 POWERS AND DUTIES OF BOARD OF DIRECTORS

Section 9.1 Powers: The Board of Directors shall have the power to:

- A. adopt and publish rules and regulations governing the use of the common area and facilities and the personal conduct of the members, their families and guests thereon and to establish penalties for the infraction thereof;
- B. suspend the voting rights and rights to use the recreational facilities of a member and his family during any period in which such member shall be in default in the payment of any dues and assessments, levied by the Association pursuant to the authority granted by these By-Laws. Such rights may also be suspended after notice and hearing for a period not to exceed sixty (60) days for infraction of published rules and regulations.
- C. exercise for the Association all powers, duties and authority vested in or delegated to this Association and not reserved to the membership in other provisions of these By-Laws, the Articles of Incorporation or the Declaration.

D. declare the office of a member of the Board of Directors to be vacant in the event such member shall be absent from three consecutive regular meetings of the Board of Directors: and

E. employ a manager, an independent contractor, or such other employees as they deem necessary and to prescribe their duties.

F. Any development, improvement or construction of any kind to the Common Areas require a majority vote by the Members in good standing present in person or by proxy at an annual or special meeting of the Members.

Section 9.2 Duties: It shall be the duty of the Board of Directors to:

A. cause to be kept a complete record of all its acts and corporate affairs and to present a statement thereof to the members at the annual meeting of the members or at any special meeting;

B. supervise all officers, agents and employees of the Association to see that their duties are property performed;

C. issue or cause to be issued upon demand by any member a certificate setting forth whether or not any assessment has been paid. If a certificate states an assessment has been paid, such certificate shall be conclusive evidence of such payment.

D. procure and maintain adequate liability and hazard insurance on property owned by the Association;

E. cause all officers or employees having fiscal responsibilities to be bonded; and

F. cause the common areas to be maintained.

Article 10 LIABILITY OF DIRECTORS

Section 10.1: A director of the Association shall stand in a fiduciary relation to the Association and shall perform his duties as a director, including his duties as a member of any committee of the Board of Directors upon which he may serve, in good faith, in a manner he 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 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:

(a) one or more officers or employees of the Association whom the director reasonably believes to be reliable and competent in the matters presented;

(b) legal counsel, public accountants or other persons as to matters which the director reasonably believes to be within the professional or expert competence of such persons; or

(c) a committee of the Board of Directors upon which he 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 he has knowledge concerning the matter in question that would cause his reliance to be unwarranted.

Section 10.2: In discharging the duties of their respective positions, the Board of Directors, committees of the Board of Directors and individual directors may, in considering the best interests of the Association, consider the effects of any action upon employees, suppliers and customers of the Association and communities in which offices or other establishments of the Association are located, and all other pertinent factors.

The consideration of these factors shall not constitute a violation of Section 10.1 hereof.

Section 10.3: 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.

Section 10.4: A director of the Association shall not be personally liable, as such, for monetary damages for any action taken, or any failure to take any action, unless:

(a) the director has breached or failed to perform the duties of his office under Sections 10.1 through 10.3 hereof; and

(b) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

Section 10.5: The provisions of Section 10.4 hereof shall not apply to:

(a) the responsibility or liability of a director pursuant to any criminal statute; or

(b) the liability of a director for the payment of taxes pursuant to local, state or federal law.

Section 10.6: Notwithstanding any other provisions of these By-Laws, the approval of members shall be required to amend, repeal or adopt any provision as part of these By-Laws that is inconsistent with the purpose or intent of Sections 10.1, 10.2, 10.3, 10.4, 10.5 or 10.6 of this Article 10, and, if any such action shall be taken, it shall become effective only on a prospective basis from and after the date of such member approval. The provisions of this Article 10 were adopted by the members of the Association on October 30, 1993.

Article 11 OFFICERS AND THEIR DUTIES

Section 11.1: Enumeration of Officers: The officers of this Association shall be a President and Vice President, a Secretary and a Treasurer, and such other officers and assistant officers as the Board of Directors shall authorize from time to time, who shall at all times be directors and members in good standing.

Section 11.2: Election of Officers: The election of officers shall take place at the first meeting of the Board of Directors following each annual meeting of the members.

Section 11.3: Term: The officers of this Association shall be elected annually by the Board of Directors and each shall hold office for one (1) year and until his/her successor shall have been duly elected and qualified, unless he/she shall sooner resign or be removed, or otherwise be disqualified to serve.

Section 11.4: Resignation/Removal: Any officer may be removed from office only for cause by a majority vote of the directors present and voting, though less than a quorum. Any officer may resign at any time by giving oral notice at any regular or special meeting of the Board of Directors or by giving written notice to the Board of Directors, the President, or the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified therein. The acceptance of such resignation shall not be necessary to make it effective.

Section 11.5 Vacancies: In the event of death, resignation or removal of an officer, his successor shall be selected by the remaining directors, though less than a quorum, and shall serve for the unexpired term of his predecessor.

Section 11.6 Multiple Offices: The offices of Secretary and Treasurer may be held by the same person. No person shall simultaneously hold more than one of any of the other offices except in the case of any special offices created.

Section 11.7 Duties: The duties of the officers are as follows:

A. President: The President shall preside at all meetings of the Board of Directors, shall see that orders and resolutions of the Board are carried out, shall sign all leases, mortgages, deeds and other written instruments and shall co-sign all checks and promissory notes. The President shall be Chief Executive Officer of the Association, and shall be vested with the powers and duties generally incident to the office of President of a non-profit corporation, and the powers and duties incident to the office as set forth in these By-Laws.

B. Vice-President: The Vice-President shall act in the place and stead of the President in the event of his absence, inability or refusal to act and shall exercise and discharge such other duties as may be required of him by the Board.

C. Secretary: The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board of Directors and of the members, serve notice of meetings of the Board and of the members, keep appropriate current records listing the members of the Association together with their current addresses and shall perform such other duties as required by the Board.

D. Treasurer: The Treasurer shall receive and deposit in appropriate bank accounts all monies of the Association and shall disburse such funds as directed by the Board of Directors, shall sign all checks and promissory notes of the Association, keep proper books, and assist the audit committee in an annual audit of the Association's financial records. He shall further make a complete and accurate report at the annual

meeting and shall prepare an annual budget and a statement of income and expenditures to be presented to the membership at its regular annual meeting and deliver a copy to each of the members.

Article 12 COMMITTEES AND SPECIAL OFFICERS

Section 12.1: The Board shall appoint such committees and special officers from time to time as are required and deemed to be appropriate to carry out the purposes of the Association.

Article 13 BOOKS AND RECORDS

Section 13.1: Required Records: The Association shall keep an original or duplicate record of the proceedings of the members and the directors, and of any other body exercising powers or performing duties which under these By-Laws may be exercised or performed by such other body, the original or a copy of its By-Laws, including all amendments thereto to date, certified by the Secretary of the Association, and an original or a duplicate membership register, giving the names of the members, and showing their respective addresses and other details of the membership of each. The Association shall also keep appropriate, complete, and accurate books or records of account. The records provided for in this section shall be kept at either the registered office of the Association in this Commonwealth, or at its principal place of business wherever situated.

Section 13.2: Right of Inspection: Every member in good standing shall, upon written demand under oath stating the purpose thereof, have a right to examine, in person or by agent or attorney during the usual hours for business, for any proper purpose, the membership register, books and records of account, and records of the proceedings of the members, directors and such other body, and to make copies or extracts therefrom. A proper purpose shall mean a purpose reasonably related to the interest of such person as a member. In every instance where an attorney or other agent shall be the person who seeks the right to inspection, the demand under oath shall be accompanied by a power of attorney or such other writing which authorizes the attorney or other agent to so act on behalf of the member. The demand under oath shall be directed to the Association at its registered office in this Commonwealth or at its principal place of business wherever situated. Any member requesting copies of the required records must pay for the cost of such copies in advance.

Section 13.3: Proceedings for the Enforcement of Inspection: If the Association, or an officer or agent thereof, refuses to permit an inspection sought by a member, or attorney or other agent acting for the member pursuant to Section 13.2 of this Article, or does not reply to the demand within five (5) business days after the demand has been made, the member may apply to the court for an order to compel such inspection. The court shall determine whether or not the person seeking inspection is entitled to the inspection sought. The court may summarily order the Association to permit the member to inspect the membership register and the other books and records of the Association and to make copies or extracts therefrom; or the court may order the Association to furnish to the member a list of its members as of a specific date on condition that the member first pay to the Association the reasonable cost of obtaining and furnishing such list, and on such other conditions as the court deems appropriate. Where the member seeks to inspect the books and

records of the Association, other than its membership register or list of members, he shall first establish:

A. that he has complied with the provisions of this Article respecting the form and manner of making demand for inspection of such documents; and

B. that the inspection he seeks is for a proper purpose. Where the member seeks to inspect the membership register or list of members of the Association and he has complied with the provisions of this Article respecting the form and manner of making demand for inspection of such documents, the burden of proof shall be upon the Association to establish that the inspection he seeks is for improper purpose. The court may, in its discretion, prescribe any limitations or conditions with reference to the inspection, or award such other or further relief as the court may deem just and proper. The court may order books, documents and records, pertinent extracts therefrom, or duly authenticated copies thereof, to be brought within this Commonwealth and kept in this Commonwealth upon such terms and conditions as the order may prescribe.

Article 14 MEMBERSHIP, DUES, ASSESSMENTS AND OTHER CHARGES

Section 14.1: Power to Levy Dues, Assessments, And Other Charges: The Board of Directors on behalf of the Association shall adopt and promulgate membership dues and assessments, fines, and other charges against the lots and owners thereof, which shall be used to defray the costs of operating, maintaining, repairing, constructing and replacing the amenities and common areas, including roads, and other costs and expenses incurred by the Association including salaries, and to achieve and further the Association's purposes. The Board of Directors may increase the annual dues and assessments subject to the approval of a majority of the members present in person or by proxy at any annual or special meeting.

Section 14.2: Enforcement of Payment: The dues and assessments levied by the Association as provided herein shall be paid to it on or before the date or dates fixed by resolution of the Board. Written notice of the dues and assessments and the date of payment shall be sent to the owner of each lot at the address last given by such owner to the Association. If any charge levied against any lot shall not be paid when due, it shall become a lien upon said lot, subject only to matters of record on such due date and shall remain a lien until paid in full. The Board on behalf of the Association may bring such action as it shall determine appropriate at law or in equity, by way of foreclosure of such lien or otherwise, to collect the amount of said charge, including interest at a rate fixed by resolution of the Board which does not exceed for purposes of comparison the rate current in the Commonwealth of Pennsylvania provided in the Goods and Services Installment Sales Act, as amended, costs of collection, including court and sheriff's costs, administrative costs, and reasonable attorneys' fees to be billed at current acceptable and reasonable rates, accepted by resolution of the Board. The sale or transfer of any lot, either voluntarily or involuntarily, including Sheriff's Sales or Tax Sales, shall not extinguish any lien for charges provided for herein, except discharges of any lien pursuant to the bankruptcy laws of the United States.

Section 14.3: Voluntary and Involuntary Conveyances:

A. All voluntary transfers and conveyances of a property between parties shall be recorded with the Association Office, and no transfers will be accepted unless all delinquent dues and assessments and other charges are paid at or before the time of the transfer.

B. The grantor and grantee of such property in a voluntary conveyance, and the previous owner and the grantee in an involuntary conveyance, including the Sheriff's Sales, Tax Sales or Judicial Sales, shall be jointly and severally liable for all unpaid dues and assessments and other charges pertaining to said property up to the date of conveyance, and the grantee shall be solely liable for all dues and assessments and other charges accrued after the date of conveyance.

Article 15 CORPORATE SEAL

Section 15.1: The corporate seal of the Association shall have inscribed thereon the name of the Association and the words "Corporate Seal - 1977 - Pennsylvania." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or in any manner reproduced.

Article 16 AMENDMENTS

Section 16.1: These By-Laws may only be amended at an annual or special meeting of the members, by majority vote of the members in good standing present in person or by proxy.

Article 17 CONFLICTS

Section 17.1: In the case of any conflict between the Articles of Incorporation and these By-Laws, the Articles shall control.

Article 18 FINANCIAL MANAGEMENT

Section 18.1 Accounting Period: The Association's fiscal management shall operate within a calendar year, which shall commence on January 1st and end on December 31st of each year.

Section 18.2 Preliminary Budget: The Board, sixty (60) days prior to the beginning of each fiscal year, shall prepare for the next succeeding fiscal year the following preliminary budgets:

- A. Annual Operating Expense Budget;
- B. Annual Capital Expense Budget;
- C. Annual Revenue Budget; and
- D. Annual Capital Reserve Budget.

Section 18.3 Adoption of Budgets: The proposed budgets shall be mailed to the Membership so as to allow not less than thirty (30) days for members of the Association to review same and to comment thereon, either in writing or at hearings held thereon if the Board shall choose or through such other means as the Board may agree upon and implement. After the proposed budgets have been circulated for not less than thirty (30) days and prior to the first day of the fiscal year to which the

proposed budgets apply, the Board by majority vote shall adopt the final budget, which shall be itemized with particularity and which may contain such changes, additions, deletions, or corrections as the Board deems appropriate and in the best interest of the Association.

Section 18.4 Auditing: At the close of each fiscal year, the books and records of the Association shall be reviewed by a certified public accounting firm appointed by the Board of Directors whose written report shall be prepared and presented to the Board of Directors and published to the membership.

Article 19 INDEMNIFICATION OF OFFICERS, DIRECTORS ALTERNATES, EMPLOYEES AND AGENTS

Section 19.1: The Association shall indemnify any director or officer, and may indemnify any alternate or other employee or agent, who was or is a party to, or is threatened to be made a party to, or who is called as a witness in connection with, any threatened, pending, or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, other than an action by or in the right of the Association, by reason of the fact that he is or was a director, officer, alternate, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, alternate, employee or agent of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise, against expenses, including attorneys' fees, judgments, fines and amounts paid in settlement, actually and reasonably incurred by him in connection with such action, suit or proceeding, if such person acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful.

Section 19.2: The Association shall indemnify any director or officer, and may indemnify any alternate or other employee or agent, who was or is a party to, or is threatened to be made a party to, any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that he is or was a director, officer, alternate, employee or agent of the Association or is or was serving at the request of the Association as a director, officer, alternate, employee or agent of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise against expenses, including attorneys' fees, actually and reasonably incurred by him in connection with the defense or settlement of such action or suit if such person acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Association and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable for negligence or misconduct in the performance of his duty to the Association unless and only to the extent that the court of common pleas of the county in which the registered office of the Association is located or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the court of common pleas or such other court shall deem proper.

Section 19.3: The indemnification and advancement of expenses provided by, or granted pursuant to, this Article 19 shall not be deemed exclusive of any other

rights to which those seeking indemnification or advancement of expenses may be entitled under any Bylaw, agreement, vote of members or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office. It is the policy of the Association that indemnification of, and advancement of expenses to, directors and officers of the Association shall be made to the fullest extent permitted by law. To this end, the provisions of this Article 19 shall be deemed to have been amended for the benefit of directors and officers of the Association effective immediately upon any modification of the Nonprofit Corporation Law of 1988 ("NPCL") or any modification, or adoption of any other law that expands or enlarges the power or obligation of corporations organized under the NPCL to indemnify, or advance expenses to, directors and officers of corporations.

Section 19.4: The Association shall pay expenses incurred by an officer or director, and may pay expenses incurred by any alternate or other employee or agent, in defending an action, or proceeding referred to in this Article 19 in advance of the final disposition of such action or proceeding upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Association.

Section 19.5: The indemnification and advancement of expenses provided by, or granted pursuant to, this Article 19 shall, unless otherwise provided when authorized or ratified, continue as to a person who has ceased to be a director, officer, alternate, employee or agent of the Association and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 19.6: The Association shall have the authority to create a fund of any nature, which may, but need not be, under the control of a trustee, or otherwise secure or insure in any manner, its indemnification obligations, whether arising under these By-Laws or otherwise. This authority shall include, without limitation, the authority to:

- (i) deposit funds in trust or in escrow;
- (ii) establish any form of self-insurance;
- (iii) secure its indemnity obligation by grant of a security interest, mortgage or other lien on the assets of the Association; or
- (iv) establish a letter of credit, guaranty or surety arrangement for the benefit of such persons in connection with the anticipated indemnification or advancement of expenses contemplated by this Article 19. The provisions of this Article 19 shall not be deemed to preclude the indemnification of, or advancement of expenses to, any person who is not specified in Section 19.1 or Section 19.2 of this Article 19 but whom the Association has the power or obligation to indemnify, or to advance expenses for, under the provisions of the NPCL or otherwise. The authority granted by this Section 19.6 shall be exercised by the Board of Directors of the Association.

Section 19.7: The Association shall have the authority to enter into a separate indemnification agreement with any officer, director, alternate, employee or agent of the Association or any subsidiary providing for such indemnification of such person as the Board of Directors shall determine up to the fullest extent permitted by law.

Section 19.8: As soon as practicable after receipt by any person specified in Section 19.1 or Section 19.2 of this Article 19 of notice of the commencement of any action, suit or proceeding specified in Section 19.1 or Section 19.2 of this Article 19, such

person shall, if a claim with respect thereto may be made against the Association under Article 19 of these By-Laws, notify the Association in writing of the commencement or threat thereof; however, the omission so to notify the Association shall not relieve the Association from any liability under Article 19 of these By-Laws unless the Association shall have been prejudiced thereby or from any other liability which it may have to such person other than under Article 19 of these By-Laws. With respect to any such action as to which such person notifies the Association of the commencement or threat thereof, the Association may participate therein at its own expense and, except as otherwise provided herein, to the extent that it desires, the Association, jointly with any other indemnifying party similarly notified, shall be entitled to assume the defense thereof, with counsel selected by the Association to the reasonable satisfaction of such person. After notice from the Association to such person of its election to assume the defense thereof, the Association shall not be liable to such person under Article 19 of these By-Laws for any legal or other expenses subsequently incurred by such person in connection with the defense thereof other than as otherwise provided herein. Such person shall have the right to employ his own counsel in such action, but the fees and expenses of such counsel incurred after notice from the Association of its assumption of the defense thereof shall be at the expense of such person unless:

- (i) the employment of counsel by such person shall have been authorized by the Association;
- (ii) such person shall have reasonably concluded that there may be a conflict of interest between the Association and such person in the conduct of the defense of such proceeding; or
- (iii) the Association shall not in fact have employed counsel to assume the defense of such action.

The Association shall not be entitled to assume the defense of any proceeding brought by or on behalf of the Association or as to which such person shall have reasonably concluded that there may be a conflict of interest. If indemnification under Article 19 of these By-Laws or advancement of expenses are not paid or made by the Association, or on its behalf, within 90 days after a written claim for indemnification or a request for an advancement of expenses has been received by the Association, such person may, at any time thereafter, bring suit against the Association to recover the unpaid amount of the claim or the advancement of expenses. The right to indemnification and advancements of expenses provided hereunder shall be enforceable by such person in any court of competent jurisdiction. The burden of proving that indemnification is not appropriate shall be on the Association. Expenses reasonably incurred by such person in connection with successfully establishing the right to indemnification or advancement of expenses, in whole or in part, shall also be indemnified by the Association.

Section 19.9: The Association shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, alternate, employee or agent of the Association, or is or was serving at the request of the Association as a director, officer, alternate, employee or agent of another domestic or foreign corporation for profit or not-for-profit, partnership, joint venture, trust or other enterprise against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Association would have the power to indemnify him against such liability under the provisions of this Article 19.

Section 19.10: Notwithstanding any other provisions of these By-Laws, the approval of members shall be required to amend, repeal or adopt any provision as

part of these By-Laws which is inconsistent with the purpose or intent of this Article 19, and, if any such action shall be taken, it shall become effective only on a prospective basis from and after the date of such member approval. The provisions of this Article 19 were adopted by the members of the Association on October 30, 1993.