

BYLAWS
OF
BIRCH HOLLOW ESTATES PROPERTY OWNERS ASSOCIATION, INC
CHESTNUTHILL AND POLK TOWNSHIPS
EFFORT, PENNSYLVANIA

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BYLAWS
OF
BIRCH HOLLOW ESTATES PROPERTY OWNERS ASSOCIATION

Article I

Name, Membership, Applicability, and Definitions

Section A. Name. The name of the Association shall be Birch Hollow Property Owners Association (sometimes referred to as the "Association"), a Pennsylvania Non-Profit Corporation.

Section B. membership. The Association shall have one (1) class of membership, as provided for in the Covenants, Conditions, and Restrictions for Birch Hollow Estates (sometimes referred to as the "Covenants"), the terms of which are specifically incorporated in these Bylaws by this reference, and which appear in all deeds for properties located in Birch Hollow, Effort, Chestnuthill Township and Polk Township, Monroe County, Pennsylvania and in Exhibit "A" to these Bylaws. Membership is automatic upon purchase of a lot in the Birch Hollow Community. A member in good standing is a member who is in compliance with all covenants, bylaws, and rules and regulations of the Association and who has paid all dues, assessments and other charges levied by the Association on a before the record date, 30 days prior to the date of any meeting.

Section C. Definitions. The words used in these Bylaws shall have the same meaning as intended in the Covenants, unless the context shall prohibit.

Article II

Association: Meetings, Quorum, Voting Proxies

Section A. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at any other suitable place convenient to the members as may be designated by the Board of Directors either in the Birch Hollow Community or as convenient to the Community as possible and practical.

Section B. Annual Meetings. The date of the annual meeting shall be set by the Board so as to occur no later than ninety (90) days after the close of the Association's fiscal year. Subsequent regular annual meetings of the members shall be held within thirty (30) days of the same day of the month of each successive year at an hour set by the Board. The annual meeting of the members shall be held at a date and time as set by the Board of Directors.

Section C. Special Meetings . The President may call special meetings . In addition, it shall be the duty of the President to call a special meeting of the Association if so directed by resolution of a majority of a quorum of the Board of Directors or upon a petition signed by at least five (5%) percent of the total voting power of the Association. The notice of any special meeting shall state the date , time, place and purpose of the meeting. No business shall be transacted at a special meeting other than that stated in the notice.

Section D. Notice of meetings. It shall be the duty of the Secretary to mail or cause to be delivered to the owner of record of a Community lot (or lots) a notice of each annual or special meeting of the Association stating the purpose of the special meeting, as well as the time and place where it is to be held; if the owner wishes notice to be given at an address other than his or her Community lot, he or she shall have designated by notice in writing to the Secretary, the other address. The mailing or delivering of a notice of meeting in the manner provided in this Section shall be considered service of notice. Notices shall be served not less than ten (10) days before a meeting.

Section E. Waiver of Notice. Waiver of notice of meeting of the members shall be deemed the equivalent of proper notice. Any member may, in writing, waive notice of any meeting of the members, either before or after that meeting. Attendance at a meeting by a member, whether in person or by proxy, shall be deemed a waiver by the member of notice of the time , date, and place of the meeting, unless the member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed a waiver of notice of objections to convening of the meeting, of which proper notice was not given, unless an objection is specifically raised before any business is put to a vote.

Section F. Adjournment of Meetings. If any meetings of the Association cannot be held because a quorum is not present, a majority of the members in good standing who are present at that meeting, either in person or by proxy, may adjourn the meeting to a time not less than five (5) nor more than thirty (30) days from the time of the original meeting was called. At any adjourned meeting, any business which might have been transacted at the meeting originally called may be transacted at the adjourned meeting. If a time and place for the adjourned meeting is not fixed by those in attendance at the original meeting or if, for any reason, a new date is fixed for the adjourned meeting after adjournment, notice of the time and place of the adjourned meeting shall be given to members in the manner prescribed for regular meetings.

The members in good standing present at a meeting at which a quorum is present may continue to do business until adjournment,

notwithstanding the withdrawal of enough members to leave less than a quorum.

Section G. Voting. The voting rights of the members shall be non-cumulative, with a member in good standing having one (1) vote for each owned lot. A lot with multiple owners shall only vote one (1) vote and hold one (1) membership.

Section H. Proxies. At all meetings of members, each member in good standing may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary before the appointed time of each meeting. Every proxy shall be revocable and shall automatically cease upon (1) conveyance by the member of lot(s) in the Community; (2) receipt of notice by the Secretary of the Board of the death or judicially declared incompetence of a member, or (3) the expiration of eleven (11) months from the date of the proxy.

Section I. Majority of the Group. The term "majority" shall mean those votes, owners, or other group as the context may indicate totaling more than fifty (50%) percent of the total group.

Section J. Quorum. Except as otherwise provided in these Bylaws or in the Covenants, the presence in person or by proxy of ten (10%) per cent of the members in good standing shall constitute a quorum at all meetings of the Association. The members in good standing present at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough members to leave less than a quorum.

Section K. Conduct of Meetings. The President shall preside over all meetings of the Association, and the Secretary shall keep the minutes of the meeting and record in a minute book all resolutions adopted at the meeting, as well as a record of all other transactions.

Section L. Action Without A Meeting. Any action which may be taken by the vote of members at a regular or special meeting, except the election of Board members, may be taken without a meeting if done in compliance with the Pennsylvania Nonprofit Corporation Law, which requires a written consent to action to be signed unanimously by all members in good standing approving the action(s) stated in the consent.

Article III.

Board of Directors: Number, Power, Meetings

A. Composition and Selection .

Section 1. Governing Body; Composition . The affairs of the Association shall be governed by a Board of Directors. Except as provided in Section B of this Article, the Directors shall be members or spouses of members; provided, however, no person and his or her spouse may serve on the Board at the same time.

Section 2. Directors During Developer Control . The Directors shall be selected by the Developer, Marketing Technology, Inc. , acting in its sole discretion and shall serve at the pleasure of the Developer, unless the Developer shall earlier surrender this right to select Directors. The Directors selected by the Developer need not be owners or residents in the Birch Hollow Community. After the period of Developer appointment, all Directors must be members of the Association.

Section 3. Number of Directors . The number of Directors in the Association shall be not less than five (5) nor more than nine (9), as the Board of Directors may from time to time determine by resolution. The initial Board shall consist of five (5) members and shall be identified in the minutes of the first meeting of the Board.

Section 4. Nomination of Directors . Except with respect to Directors selected by the Developer, nominations for election to the Board of Directors shall be made by a Nominating Committee. The Nominating Committee shall have not less than five and not more than nine members, and shall consist of a Chairman, who shall be a member of the Board of Directors, and at least four (4) or more members in good standing of the Association. The Nominating Committee shall be appointed by the Board of Directors not less than thirty (30) days prior to each annual meeting of the members to serve from the close of that annual meeting until the close of the next annual meeting, and the appointment shall be announced at each annual meeting. The Nominating Committee shall make as many nominations for election to the Board of Directors as it shall in its discretion determine, but in no event less than the number of vacancies or terms to be filled. Nominations shall be permitted from the floor. All candidates shall have a reasonable opportunity to communicate their qualifications to the members and to solicit votes.

Section 5, Election and Term of Office . Notwithstanding any other provision contained in these Bylaws:

a. At the first annual meeting of the membership after the termination of Developer control and at each annual meeting of the membership thereafter, Directors shall be elected at large. All members in good standing of the Association shall be entitled to vote on the election of Directors.

b. The initial terms of the Directors shall be fixed at the time of their election as they among themselves shall determine. So long as there are five (5) Directors, the terms of two (2) Directors shall be fixed at two (2) years and the terms of three (3) Directors shall be fixed at three (3) years. So long as there are six or more Directors, there shall be concurrent terms for no less than three (3) members. At the expiration of the initial term of office of each respective member of the Board of Directors, a successor shall be elected to serve for a term of three (3) years. The members of the Board of Directors shall hold office until their respective successors shall have been elected by the Association.

Section 6. Removal of Directors and Vacancies . The entire Board or an individual Director may be removed from office by a majority vote of the Association members in good standing. In the event of the death or resignation of a Director, his or her successor shall be selected by a majority of the remaining members of the Board and shall serve for the unexpired term of the predecessor.

Section 7. Voting Procedure for Directors . The first election of the Board shall be conducted at the first meeting of the Association. At that election, the members in good standing, the Developer or their proxies may cast one (1) vote for each lot owned in the Birch Hollow Community. The candidate receiving the greatest number of votes shall be elected, as shall each candidate receiving the next greatest number of votes until all Directors' positions are filled.

B. Meetings .

Section 1. Organization Meetings . The first meeting of the Board of Directors shall be held within thirty (30) days following each annual meeting of the membership at the time and place as shall be fixed by the Board.

Section 2. Regular Meetings . Regular meetings of the Board of Directors may be held at the time and place as shall be determined from time to time by a majority of the Directors, but at least four (4) meetings shall be held during each fiscal year with at least one (1) per quarter. Notice of the time and place of the meeting shall be communicated to the Directors not less than four (4) days prior to the meeting. Notice of a meeting, however, need not be given to any Director who has signed a waiver of notice for the meeting or a written consent to action taken by the Board of Directors.

Section 3. Special Meetings . Special meetings of the Board of Directors shall be held when called by written notice signed by the President, Vice-President or Secretary of the Association,

or by any two (2) Directors. The notice shall specify the time and place of the meeting and the nature of any special business to be considered. The notice shall be given to each Director by one of the following methods: (a) by personal delivery; (b) by written notice by first class mail, postage prepaid; (c) by telephone communication, either directly to the Director or to a person at the Director's home or office who would reasonably be expected to communicate the notice promptly to the Director; or (d) by telegram, charges prepaid. All notices shall be given or sent to the Director's address or telephone number as shown on the records of the Association. Notices sent by first class mail shall be deposited into a United States mailbox at least four (4) days before the time set for the meeting. Notices given by personal delivery, telephone, or telegraph shall be delivered, telephoned, or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

Section 4. Waiver of Notice. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice if (a) a quorum is present, and (b) either before or after the meeting each of the Directors not present signs a written waiver of notice. The waiver of notice or consent need not specify the purpose of the meeting. Notice of a meeting shall also be deemed given to any Director who attends the meeting without protesting before or at its commencement about the lack of adequate notice.

Section 5. Quorum of Board of Directors. At all meetings of the Board of Directors, a majority of the Directors shall constitute a quorum for the transaction of business, and the votes of a majority of the Directors present at a meeting at which a quorum is present shall constitute the decision of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business, approved by at least a majority of the required quorum for that meeting. At any adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without further notice.

Section 6. Compensation. No Director shall receive any compensation from the Association for acting as a director unless approved by a majority vote of the total vote of the Association at a regular or special meeting of the Association.

Section 7. Conduct of Meetings. The President shall preside over all meetings of the Board of Directors, and the Secretary shall keep a minute book of the Board of Directors, recording all resolutions adopted by the board of Directors and a record of all other transactions and proceedings occurring at all meetings.

Section 8. Open Meetings. All meetings of the Board shall be open to all members in good standing, but members other than Directors may not participate in any discussion or deliberation unless expressly authorized by a majority of a quorum of the Board.

Section 9. Executive Session. The Board may, with approval of a majority of a quorum, adjourn a meeting and reconvene in executive session to discuss and vote upon personnel matters, litigation in which the Association is or may become involved, and other orders of business of a similar nature. The general nature of any and all business to be considered in executive session shall first be announced in open session.

Section 10. Action Without a Formal Meeting. Any action to be taken at a meeting of the Directors or any action that may be taken at a meeting of the Directors may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the Directors and filed with the Secretary of the Association.

C. Powers and Duties.

Section 1. Powers. The Board of Directors shall be responsible for the affairs of the Association and shall have all of the powers and duties necessary for the administration of the Association's affairs and, as provided by law, including but not limited to all powers defined in the Pennsylvania Nonprofit Corporation Law, may do all acts and things as are not by the Covenants, Articles of Incorporation, or these Bylaws directed to be done and exercised exclusively by the members. The Board of Directors shall delegate to one of its members the authority to act on behalf of the Board of Directors on all matters relating to the duties of the Managing Agent or Manager, if any, which might arise between meetings of the Board of Directors. In addition to the duties imposed by these Bylaws or by any resolution of the Association that may be later adopted, the Board of Directors shall have the power to and be responsible for the following, in way of explanation, but not limitation:

a. preparation and adoption of an annual budget in which there shall be established the contribution of each owner to the common expenses;

b. making assessments to defray the common expenses, establishing the means and methods of collecting the assessments, and establishing the period of the payments of the annual assessment (unless otherwise determined by the Board of Directors, the annual assessment against the proportionate share of the common expenses shall be payable in one (1) installment);

c. providing for the operation, care, upkeep,

maintenance, and replacement of all of the Common Area in the Community;

d. designating, hiring, and dismissing the personnel and/or contractors necessary for the maintenance, operation, repair and replacement of the Association, its property, and the Common Area and, where appropriate, providing for the compensation of personnel and/or contractors and for the purchase of equipment, supplies, and used by the personnel in the performance of their duties;

e. collecting the assessments, depositing the proceeds of same in a bank depository which it shall approve, and using the proceeds to administer the Association,

making and amending rules and regulations;

g. opening of bank accounts on behalf of the Association and designating the signatories required;

h. making or contracting for the making of repairs, additions, and improvements to or alterations of the Common Area in accordance with the other provisions of the Covenants and these Bylaws after damage or destruction by fire or other casualty;

i. enforcing by legal means the provisions of the Covenants, these Bylaws, and the rules and regulations adopted by it and bringing any proceedings which may be instituted on behalf of or against the owners concerning the Association;

j. obtaining and carrying insurance against casualties and liabilities, and paying the premium costs for same;

k. paying the cost of all services rendered to Association or its members and not chargeable to owners;

l. keeping books with detailed accounts of the receipts and expenditures affecting the Association and its administration, specifying the maintenance and repair expenses and any other expenses incurred. The books and vouchers detailing the entries shall be available for examination by the owners and mortgagees, their duly authorized agents, accountants, or attorneys, during , business hours on working days at the time and in a manner that shall be set and announced by the Board of Directors for the general knowledge of the owners. All books and records shall be kept in accordance with generally accepted accounting practices.

Section 2. Management Agent.

a. The Board of Directors may employ for the

Association a professional management agent or agents at a compensation established by the Board of Directors to perform the duties and services as the Board of Directors shall authorize. The Board of Directors may delegate to the managing agent or manager, subject to the Board's supervision, all of the powers granted to the Board of Directors by these Bylaws, other than the powers set forth in subparagraphs (1), (2), (6), (7) and (9) of Section R of this Article. The Developer, or an affiliate of the Developer, may be employed as managing agent or manager.

b. No management contract may have a term in excess of one (1) year and must permit termination by either party without cause and without termination fee on ninety (90) days' or less written notice.

Section 3. Accounts and Reports. The following management standards of performance will be followed unless the Board by resolution specifically determines otherwise:

a. accrual accounting, as defined by generally accepted accounting principles, shall be employed;

b. accounting and controls should conform with established AICPA guidelines and principles (A segregation of accounting duties should be maintained, and disbursements by check shall require two (2) signatures. Cash disbursements shall be limited to amounts of twenty five (\$25.00) dollars and under.);

c. cash accounts of the Association should not be commingled with any other accounts; except, however, that all excess funds may be jointly invested to maximize return to the Association so long as all books and accounts specifically delineate the specific amounts of each account so invested.

d. no remuneration shall be accepted by the Managing Agent from vendors, independent contractors, or others providing goods or services to the Association, whether in the form of commissions, finder's fees, service fees, prizes, gifts, or otherwise; any thing of value received shall benefit the Association;

e. any financial or other interest which the Managing Agent may have in any firm providing goods or services to the Association shall be disclosed promptly to the Board of Directors;

f. quarterly financial reports shall, if possible, be prepared for the Association containing; unless waived by Board resolution:

(1) an Income Statement reflecting all income

and expense activity for the preceding three (3) months;

(2) an Account Activity Statement reflecting all receipts and disbursement activity for the preceding three (3) months;

(3) an Account Status Report reflecting the status of all accounts;

(4) a Balance sheet as of the last day of the Association's fiscal year and an Operating Statement for that fiscal year, which shall be distributed within ninety (90) days after the close of a fiscal year;

(5) a Delinquency Report listing all owners who have been delinquent during the preceding three (3) month period in paying the assessments and who remain delinquent at the time of the report and describing the status of any action to collect the installments which remain delinquent (an assessment shall be considered to be delinquent on the fifteenth (15th) day of the month); and

(6) an annual report consisting of the following shall be distributed within one hundred twenty (120) days after the close of the fiscal year: (1) a balance sheet as of the end of the fiscal year; (2) an operating (income) statement for the fiscal year; (3) a statement of changes in financial position for the fiscal year; and (4) any other information required to be reported under the Pennsylvania Nonprofit Corporation Law. Ordinarily, the annual report referred to above shall be prepared by an independent accountant for any fiscal year in which the gross income to the Association exceeds Fifty Thousand (\$50,000.00) Dollars. If the report is not prepared by an independent accountant, it shall be accompanied by the certificate of an authorized officer of the Association that the statements were prepared without audit from the books and records of the Association.

Section 4. Borrowing. The Board of Directors shall have the power to borrow money for the purpose of repair or restoration of the Common Area without the approval of the members of the Association; provided, however, that the Board shall obtain membership approval for special assessments the event that the proposed borrowing is for the purpose modifying, improving, or adding amenities, and the total amount of the borrowing exceeds or would exceed five (5%) percent of the budgeted gross expenses of the Association for that fiscal year. The Board of Directors shall use reasonable business judgment to minimize special assessments, if possible, for capital expenditures for replacement of Association assets by collecting capital reserves for these items on an annual basis.

Section 5. Rights of the Association. With respect to the Common Area or other Association responsibilities owned, and in accordance with the Articles of Incorporation and Bylaws of the Association, the Association shall have the right to contract with any person for the performance of various duties and functions. Without limiting the foregoing, this right shall entitle the Association to enter into common management, operational, or other agreements with trusts, condominiums, cooperatives, or neighborhood and other homeowners or residents associations, both within and without the Community. These agreements shall require the consent of two-thirds (2/3) of the total votes of all Directors of the Association.

Section 6. Hearing Procedure. The Board shall not impose a fine, suspend voting, or infringe upon any other rights of a member or other occupant for violations of rules unless and until the following procedure is followed:

a. Demand. Written demand to cease and desist from an alleged violation shall be served upon the alleged violator specifying:

(1) the alleged violation;

and

(2) the action required to abate the violation;

(3) a time period, not less than ten (10) days, during which the violation may be abated without further sanction, if any violation is a continuing one, or a statement that any further violation is not continuing.

b. Notice. At any time within twelve (12) months of any demand, if the violation continues past the period allowed in the demand for abatement without penalty or if the same rule is subsequently violated, the Board or its delegate shall serve the violator with written notice of a hearing to be held by the Covenants Committee in executive session. The notice shall contain:

(1) the nature of the alleged violation;

(2) the time and place of the hearing, which time shall not be less than ten (10) days from the giving of the notice;

(3) an invitation to attend the hearing and produce any statement, evidence, and witness on his or her behalf; and

(4) the proposed sanction to be imposed.

c. Hearing. The hearing shall be held in executive

session pursuant to this notice affording the member a reasonable opportunity to be heard. Prior to the effectiveness of any sanction, notice of Committee hearing shall be forwarded by regular mail to the member at his or her record address, and delivered to the residence on the lot of the member. Proof of notice shall be deemed adequate if a copy of the notice, together with a statement of the date and manner of delivery is entered by the officer, Director, or agent who delivered the notice. The notice requirement shall be deemed satisfied if the alleged violator appears at the meeting. The minutes of the meeting shall contain a written statement of the results of the hearing and the sanction, if any, imposed. The recommended action of the Covenants Committee shall be transmitted to the Board of Directors for formal action. The recommendation of the Covenants Committee shall be reviewed at a regular or special Board Meeting and accepted, rejected or modified by the Board of Directors. Notice of the Board's formal action shall be sent to the violator.

d. Appeal. Following a hearing before the Covenants Committee, the violator shall have the right to appeal the decision of the Board of Directors. To perfect this right, a written notice of appeal must be received by the Manager, President, or Secretary of the Association within thirty (30) days after the mailing of the notice of the Board's formal action sanctioning the violator.

Section 7. Restricted Acts. The Board of Directors shall not take any of the following actions except upon notice to the membership at least thirty (30) days in advance of the action, providing the membership with an opportunity for comment on or before the date of the action:

a. incurring aggregate expenditures for capital improvements to the Common Area in any fiscal year in excess of five (5%) per cent of the budgeted gross expenses of the Association for that fiscal year;

b. selling during any fiscal year property of the Association having an aggregate fair market value greater than five (5%) per cent of the budgeted gross expenses of the Association for that fiscal year;

c. paying compensation to members of the Board or to the officers of the Association for services performed in the conduct of the Association's business; provided, however, that the Board may cause a member or officer to be reimbursed for expenses incurred in carrying on the business of the Association;

d. levy special assessments which in the aggregate exceed five (5%) per cent of the budgeted expenses of the Association for that fiscal year;

e. fill a vacancy on the Board created by the removal of a Director; or

f. enter into a contract with a third person in which the third person will furnish goods or services for the Common Area of the Association for a term longer than one (1) year with the following exceptions:

(1) a management contract, the terms of which have been approved by the Federal Housing Administration or Veterans Administration;

(2) a contract with a public utility company, if the rates charged for the materials or services are regulated by the Public Utilities Commission; provided, however, the term of the contract shall not exceed the shortest term for which the supplier will contract at the regulated rate; and

(3) prepaid casualty and/or liability insurance policies of not to exceed three (3) years duration, provided that the policy permits short range cancellation by the insured.

Article IV.

Section A. Officers. The Officers shall be a President, Vice President, Secretary and Treasurer of the Association. The Board of Directors may elect officers, including any one or more Secretaries and Assistant Treasurers as it shall deem desirable, which officers shall have the authority and perform the duties prescribed from time to time by the Board of Directors. Any two or more offices may be held by the same person except the offices of President and Secretary. The President and Treasurer shall be elected from among the members of the Board of Directors.

Section B. Election, Term of Office and Vacancies. The officers of the Association shall be elected annually by the Board of Directors at the first meeting of the Board of Directors following each annual meeting of the members. A vacancy in any office arising because of death, resignation, removal, or otherwise may be filled by the Board of Directors for the unexpired portion of the term.

Section C. Removal. Any officer may be removed by the Board of Directors whenever in its judgment the best interests of the Association will be served.

Section D. Powers and Duties. The officers of the Association shall each have the powers and duties as generally

pertain to their respective offices, as well as the powers and duties as may from time to time be conferred or imposed by the Board of Directors. The President shall be the chief executive officer of the Association. The Treasurer shall have primary responsibility for the preparation of the budget and may delegate all or part of the preparation and notification duties to a finance committee, management agent, or both.

Section E. Resignation. Any officer may resign at any time by giving written notice to the Board of Directors, the President, or the Secretary. Any resignation shall take effect on the date of the receipt of the notice, or at any later time specified in the notice, and, unless otherwise specified in the notice, acceptance of the resignation by the Board of Directors shall not be necessary to make it effective.

Section F. Agreements, Contracts, Deeds, Leases, Checks, etc. All agreements, contracts, deeds, leases, checks, and other instruments of the Association shall be executed by at least two (2) officers or by any other person or persons as may be designated by resolutions of the Board of Directors.

Article V.

Committees

Section A. General. Committees to perform any tasks and to serve for specified periods as may be designated by a resolution adopted by a majority of the Directors present at a meeting at which a quorum is present are hereby authorized. The committees shall perform the duties and have the powers as may be provided in the resolution. Each committee shall be composed as required by these Bylaws and shall operate in accordance with the terms of the resolution of the Board of Directors designating the committee or with rules adopted by the Board of Directors.

Section B. Covenants Committee. The Board of Directors shall appoint a Covenants Committee consisting of at least five (5) and no more than seven (7) members. Acting in accordance with the provisions of the Declaration, these Bylaws, and resolutions the Board may adopt, the Covenants Committee shall be the hearing tribunal of the Association.

Section C. Budget Committee. The Board of Directors shall appoint a Budget Committee consisting of at least three (3) and no more than five (5) members. The Committee shall be appointed at least ninety (90) days prior to the beginning of the new fiscal year of the Association. The Budget Committee shall

assist the Board of Directors in preparing a proposed budget for adoption by the Board of Directors. The membership should receive written notice of the proposed budget and proposed assessments at least forty-five (45) days prior to adoption by the Board of Directors. The proposed budget and proposed assessments should also be posted in an appropriate location in the Community to allow members to review the budget in detail.

Article VI.

Indemnification

Section A. Third Party Action Indemnification. The Association shall have power to indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was a representative of the Association, or is or was serving at the request of the Association directly or as a representative of another corporation, 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 or her in connection with the action, suit or proceeding, if he or she acted in good faith and in a manner he or she 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 or her conduct was unlawful.

Section B. Derivative Action Indemnification. The Association shall have power to indemnify any person who was or is a party, 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 or she is or was a representative of the Association or is or was serving at the request of the Association directly or as a representative of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), actually and reasonably incurred by him or her in connection with the defense or settlement of the action or suit if he or she acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the Association. No indemnification shall be made in respect of any claim, issue or matter, however, as to which a person shall have been adjudged to be liable for negligence or misconduct in the performance of his or her duty to the Association unless and only to the extent that the court in which the 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, the person is fairly and reasonably entitled to indemnity for expenses which the court shall deem

proper.

Section C. Mandatory Indemnification. To the extent that a representative of this Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 1 or Section 2 or in defense of any other claim, issue or matter in the action, he or she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him or her in connection with the action.

Section D. Standard of Care and Justifiable Reliance.

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

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

c. A committee of the Board upon which he or she 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 or she has knowledge concerning the matter in question that would cause his or her reliance to be unwarranted.

2. Consideration of Factors. In discharging the duties of their respective positions, the Board of Directors, committees of the Board and individual Directors may, in considering the best interests of the Association, consider the effects of any action upon employees, upon suppliers and customers

of the Association and upon communities in which offices or other establishments of the Association are located, and all other pertinent factors. The consideration of those factors shall not constitute a violation of fiduciary duty.

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

Section E. Personal Liability of Directors:

1. General Rule. The Directors of the Association shall not be personally liable for monetary damages as Directors 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 or her office stated above; and

b. The breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

2. Exception. The provisions of Section D of this Article 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 F. Procedure for Effecting Indemnification.

Unless ordered by a court, any indemnification under this Article shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the representative is proper in the circumstances because he or she has met the applicable standard of conduct set forth above. That determination shall be made:

1. By the Board of Directors by a majority vote of a quorum consisting of Directors who were not parties to the action, suit or proceeding;

2. If a quorum is not obtainable, or, even if obtainable, when a majority vote of a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion; or

3. By the members of this Association.

Section G. Non-exclusivity and Supplementary Coverage.

1. General Rule. The indemnification and advancement of expenses provided above, or by any other provisions of law providing for indemnification or advancement of expenses applicable to any nonprofit corporation, shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any bylaw, agreement, vote of members or Directors or otherwise, both as to action in his or her official capacity and as to action in another capacity while holding that office. The Association may 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 or pursuant to this section or otherwise.

2. When Indemnification is not to be Made. Indemnification shall not be made in any case where the act or failure to act giving rise to the claim for indemnification is determined by a court to have constituted willful misconduct or recklessness.

3. Grounds. Indemnification under any bylaw, agreement, vote of members or Directors or otherwise, may be granted for any action taken or any failure to take any action and may be made whether or not the Association would have the power to indemnify the person under any other provision or law except as provided in this section and whether or not the indemnified liability arises or arose from any threatened, pending or completed action by or in the right of the Association.

Section H. Payment of Expenses. Expenses incurred by an Officer, Director, employee or agent in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of the action, suit or proceeding upon the receipt of a written obligation satisfactory to the Board by or on behalf of that person to repay these amounts if it shall ultimately be determined that he or she is not entitled to be indemnified by the Association.

Section I. Rights to Indemnification. The indemnification and advancement of expenses provided by or granted pursuant to this Article shall continue as to a person who has ceased to be a Director, Officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of that person.

Section J. Power to Purchase Insurance. The Association shall have power to purchase and maintain insurance on behalf of any person who is or was a representative of the Association, or is or was serving at the request of the Association directly or as

a representative of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against him or her and incurred that capacity, or arising out of that status, whether or not the Association would have the power to indemnify him or her against that liability.

Article VII.

Miscellaneous

Section A. Fiscal Year. The initial fiscal year of the Association shall end December 31 unless otherwise provided for by resolution of the Board of Directors.

Section B. Parliamentary rules. Except as may be modified by Board resolution establishing modified procedures, Robert's Rules of Order (current edition) shall govern the conduct of Association proceedings when not in conflict with Pennsylvania Law, the Articles of Incorporation, the Covenants, or these Bylaws.

Section C. Conflicts. If there are conflicts or inconsistencies between the provisions of Pennsylvania Law, the Articles of Incorporation, the Covenants, and these Bylaws, the provisions of Pennsylvania Law, the Covenants, the Articles of Incorporation, and the Bylaws (in that order) shall prevail.

Section D. Books and Records.

1. Inspection by Members and Mortgagees. The Covenants and Bylaws, membership register, books of account, and minutes of meetings of the members, the Board, and committees shall be made available for inspection and copying by any mortgagee, member of the Association, or by his or her duly appointed representative at any reasonable time and for a purpose reasonably related to his or her interest as a member at the office of the Association or at any other place within the Birch Hollow Community as the Board shall prescribe.

2. Rules for Inspection. The Board shall establish reasonable rules with respect to:

- a. notice to be given to the custodian of the records
- b. hours and days of the week when any inspection may be made; and
- c. payment of the cost of reproducing copies of documents requested.

3. Inspection by Directors. Every Director shall

have the absolute right at any reasonable time to inspect all books, records, and documents of the Association and the physical property owned or controlled by the Association. The right of inspection by a Director includes the right to make extracts and copies of documents at the expense of the Association.

Section E. Notices. Unless otherwise provided in these Bylaws, all notices, demands, bills, statements, or other communications under these Bylaws shall be in writing and shall be deemed to have been duly given if delivered personally or if sent by registered or certified mail, return receipt requested, first class postage prepaid:

1. if to a member, at the address which the member has designated in writing and filed with the Secretary or, if no address has been designated, at the address of the lot or lots of the owner; or

2. if to the Association, the Board of Directors, or the Managing Agent, at the principal office of the Association or the Managing Agent, if any, or at any other address as shall be designated by the Board of Directors.

ARTICLE VIII.

Amendment

Section A. Amendment Procedure. The Bylaws may be amended only by the affirmative vote (in person or by proxy) or written consent of members representing a majority of the total voting power of the Association, which vote or consent shall also include a majority of the votes of members in good standing other than the Developer. The percentage of voting power necessary to amend a specific clause or provision shall not be less than the prescribed percentage or affirmative votes required for action to be taken under that clause.

We, the undersigned, being all of the Directors of Birch Hollow Estates Property Owners Association, Inc., do hereby certify:

That we are entitled to exercise all of the voting power of the Association; and

That we hereby assent to the Bylaws and adopt them as the Bylaws of the Association.

IN WITNESS WHEREOF, we have executed this document this 10 day of JUN, 1990.

[Signature]
[Signature]
[Signature]

[Signature]

First Amendment: