

BY-LAWS

OF

**WALNUT HILL OF ABINGTON COMMUNITY ASSOCIATION,
A PENNSYLVANIA NON-PROFIT CORPORATION**

ARTICLE I

APPLICABILITY; RULES OF INTERPRETATION

Section 1.1 Applicability. These By-Laws shall relate solely to the property called Walnut Hill located in Abington Township, Montgomery County, PA, more fully described in a Declaration of Covenants, Easements and Restrictions of Walnut Hill, a Planned Community, which has been recorded in the Office for Recording of Deeds at Deed Book _____, Page _____.

Section 1.2 Rules of Interpretation. The following rules of interpretation shall be used in construing these By-Laws:

(a) The terms used in these By-Laws shall have the same meanings as provided in the Declaration.

(b) These By-Laws are supplementary to the Declaration and to the Articles of Incorporation, and any provision of these By-Laws which conflict with or are inconsistent with the Declaration or the Articles of Incorporation shall be void.

(c) The Association shall be governed by the provisions of the Non-Profit Corporation Law of 1988 of the Commonwealth of Pennsylvania as may be amended from time to time.

ARTICLE II

OFFICE

Section 2.1 Offices. The registered office of the Association shall be 1120 Bethlehem Pike, Spring House, PA 19477. The Association may also have offices at other places as the Board of Directors may from time to time select, and meetings of the Members and Board of Directors may be held at places designated by the Board of Directors.

ARTICLE III

PURPOSES

Section 3.1 Association Purposes. The purpose of the Association is to exercise the powers of owning, maintaining and administrating the Common Areas and Maintenance Areas, administrating and enforcing the covenant easements and restrictions set forth in the Declaration, collecting and disbursing the Assessments specified in the Declaration, promoting the recreation, health, safety and welfare of the Owners and occupants of Dwellings and Lots on the Property. The Association does not contemplate pecuniary gain or profit to its Members.

ARTICLE IV

CORPORATE NAME AND SEAL

Section 4.1 Seal. The corporate seal shall have inscribed thereon the name of the Association, the year of its organization, and the words, "Corporate Seal, Pennsylvania".

Section 4.2 Name. The name of the Association is Walnut Hill of Abington Community Association.

ARTICLE V

MEMBERSHIP/MEETINGS OF MEMBERS

Section 5.1

(a) **Members.** Members shall include the Declarant and all Owners. Membership shall be mandatory and appurtenant to ownership of each Lot and shall not be assigned, transferred, pledged, hypothecated, conveyed or alienated in any way except as provided in the Declaration.

(b) **Member's Rights and Duties.** Each Member shall have the rights, duties and obligations set forth in the Declaration and the By-Laws.

(c) **Voting Rights.** The Association shall have two classes of voting membership:

(1) **Class A Members:** Each Lot Owner shall be a Class A Member of the Association. Said Class A Membership shall be appurtenant to ownership of a Lot and shall not be severable.

(2) **Class B Members:** Declarant shall be the sole Class B Member. Class B Membership shall cease and terminate upon the earlier of: (a) the delivery by Declarant to the Association of written notice that Declarant irrevocably terminates and cancels the Class B Membership or (b) seven (7) years after the conveyance by the Declarant in the ordinary course of business of the last Lot and Dwelling to an ultimate purchaser other than Declarant. The Class B Membership of the Declarant shall be assignable by Declarant to one or more lenders, mortgagees or financial institutions which advance monies to the Declarant in connection with the Project.

Section 5.2 Voting.

(a) Class A Members shall be entitled to one (1) vote for each Lot owned by such Member. If the Owner is two or more persons or legal entities, the voting for such Lot shall be exercised as these persons or legal entities among themselves determine. Any dispute as to the exercise of that vote between or among the persons or entities entitled to cast that vote shall be resolved by arbitration pursuant to the rules of the American Arbitration Association. In no event shall more than one (1) vote be cast with respect to any one Lot. The Members shall not have the right to cumulate their votes for any purpose.

(b) The Class B Member shall be entitled to fifty-six (56) votes less than one (1) vote for each Lot which has been conveyed to an Owner.

Section 5.3 Assessment Obligation. The rights of Class A membership are subject to the payment of the Assessments levied by the Association. The obligation for such Assessments is imposed against each Owner and Class A Member and becomes a lien upon the Lot against which such Assessments are made as provided in the Declaration.

Section 5.5 Quorum. A meeting of Members duly called shall not be organized for the transaction of business unless a quorum is present. The presence, either in person or by proxy, of the Members holding at least twenty-five percent (25%) of the votes in the Association shall constitute a quorum at all meetings of the Members for the transaction of business except as may be otherwise provided by law or by the Articles of Incorporation. The Members present at a duly organized meeting can continue to do business until adjournment, notwithstanding withdrawal of enough Members to leave less than a quorum. Any

action which may be taken at a meeting of the Members or of a class of Members may be taken without a meeting if a consent or consents in writing setting forth the action so taken shall be signed by all Members who would be entitled to vote at a meeting for such purpose and shall be filed with the Secretary of the Association.

Section 5.6 Annual Meeting. The annual meeting of the Association shall be held on the first business day in March in each year at 10:00 a.m. or at such other time and date as the Board of Directors may determine, but not less than twelve (12) days or more than sixty (60) days after the end of the Association's fiscal year.

Section 5.7 Special Meeting. A special meeting of the Association for any purpose may be called at any time by the Declarant (for so long as the Class B Membership exists), the President or any two (2) or more Directors, or upon written request of twenty-five percent (25%) of the Class A Membership.

Section 5.8 Notice. Notice of any annual or special meeting of the Association shall be given to the Members by the Secretary. Notice may be given to the Member either personally or by sending a copy of the notice through the mail, postage thereon, fully prepaid to the Member's address appearing on the books of the Association. Each Member shall register his address with the Secretary. Notice of any meeting, regular or special, shall be mailed at least ten (10) days in advance of the meeting and shall set forth the time, date, place and the general nature of the business to be transacted, provided, however, that if the business of any meeting shall involve any action governed by the Articles of Incorporation or by the Declaration, notice of such meeting shall be given or sent as therein provided.

Section 5.9 Meeting Rules. Meetings of the Association shall be conducted under such reasonable rules consistent with these By-Laws as the Board of Directors may adopt.

Section 5.10 Attendance in Person or by Proxy. Any Member may attend all meetings of the Association, either in person or by proxy, and votes may be cast in person or by proxy. Any proxy shall be in writing and shall be delivered to the Board of Directors by 5:00 p.m. of the day of the meeting for which the proxy has been given. Such proxy may be revoked at any time by written notice to the Board of Directors. No proxy shall endure for more than one meeting and any postponements

thereof unless the proxy shall state some longer period of duration, which in any event shall not exceed eleven months.

Section 5.11 Affirmative Vote. Except as otherwise provided in the Declaration or herein, all decisions of the Association's membership shall require the affirmative vote of fifty percent (50%) of the Members in good standing entitled to vote and in attendance, either in person or by proxy, at a meeting which has the quorum specified by Section 5.5 hereof.

ARTICLE VI

BOARD OF DIRECTORS

Section 6.1

(a) **Composition.** The Board shall be composed of three members. Not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Lots which may be created to Owners other than a Declarant, at least one (1) Member of the Board shall be elected by Owners other than the Declarant. Not later than the termination of any period of Declarant control, the Declarant shall cause the two (2) Directors appointed by the Declarant to resign and the Class A Members entitled to vote shall elect two (2) Directors to the Board. Thereafter, the Board shall consist of three (3) Members elected by the Class A membership at the annual meeting. After the initial terms are served by the elected Directors, all terms of the elected Directors shall be for two (2) years on a staggered basis with at least one (1) Director elected at each annual meeting. That Director may serve an unlimited number of terms and may succeed himself. The Board shall elect the officers. The Board and officers shall take office upon election. Notwithstanding any provision of the Declaration or By-Laws to the contrary, the Owners by a two-thirds (2/3) vote of all persons present and entitled to vote at any meeting of the Owners at which a quorum is present may remove any Member of the Board with or without cause, other than a Member appointed by the Declarant.

(b) **Appointed Directors.** The Directors appointed by the Declarant shall serve at the pleasure of the Declarant and need not be Members of the Association.

Section 6.2 Method of Election. Election shall be by secret written ballot cast at the annual meeting or delivered to the president or his designee prior to the start of the annual meeting. Each person or entity entitled to cast a vote may cast that vote for each vacancy. Cumulative voting (casting

more than one vote for a single candidate) is not permitted. Those persons receiving the largest number of votes shall be elected.

Section 6.3 Resignation and Removal. The unexcused absence of an Elected Director from three consecutive regular meetings of the Board shall be deemed a resignation. Any Elected Director may be removed from the Board, with or without cause, by a majority vote of the Members of the Association.

Section 6.4 Vacancies. A vacancy in any seat on the Board shall be filled by special election of the Members within thirty (30) days of the onset of said vacancy. The person who fills that vacancy shall serve for the remainder of the term of a Director whose seat is so filled.

Section 6.5 Powers and Duties. The Board shall have all powers for the conduct of the affairs of the Association which are enabled by law, the Declaration, the By-Laws and the Articles of Incorporation which are not specifically reserved to Members or the Declarant. Without limiting the generality of its powers, it shall be the duty of the Board and the Board shall have the power to:

(a) Exercise the powers and duties set forth in the Declaration;

(b) Cause to be kept a complete record of all the corporate affairs of the Association, make such records available for inspection by any Member or his agent, and present an annual statement hereof to the Members;

(c) Adopt and follow procedures for adoption and publication of Board resolutions, including the provision for hearing and notice to Members for resolutions on rules, the annual budget, and other matter affecting the rights of Members;

(d) Supervise all officers, agents and employees of the Association and see that their duties are properly performed;

(e) Designate depositories for Association funds, designate those officers, agents and/or employees who shall have authority to withdraw from such accounts on behalf of the Association, and cause such persons to be bonded as it may deem appropriate;

(f) Send written notice of each Assessment to every Owner subject thereto at least thirty (30) days in advance of

the due date of the assessment or first installment thereof;

(g) Appoint such committees as prescribed in the Declaration;

(h) Exercise its powers and duties in good faith, with a view to the interests of the Association and to this end adopt appropriate guidelines for action on matters where a potential conflict of interest may exist;

(i) Enter into agreements, contracts, deeds, notes, mortgages, and other written instruments, either in the name of the Board or in the name of its designee(s) or trustee(s) appointed by it on behalf of the Association, and to authorize the execution, delivery and (if appropriate) the recording thereof;

(j) Appoint and remove at its pleasure officers, agents and employees of the Association, prescribe their duties, fix their compensation;

(k) Establish, levy and assess, and collect the Assessments referred to in the Declaration; and

(l) Maintain blanket fidelity bonds for all directors, officers and employees of the Association and all other persons who handle or are responsible for funds of or administered by the Association.

ARTICLE VII

MEETINGS OF THE BOARD OF DIRECTORS

Section 7.1 Regular Meetings. Regular meetings of the Board shall be held at least semi-annually, provided that the Board may, by Resolution, change the number and time of such regular meetings.

Section 7.2 Notice Requirements for Regular Meetings. Notice of such regular meetings shall be provided to all Members.

Section 7.3 Special Meetings. Special meetings of the Board shall be held when called by any two Directors, after not less than five (5) days notice to each Director.

Section 7.4 Quorum. A majority of the Board shall constitute a quorum for the transaction of business.

Section 7.5 Executive Sessions. All meetings of the Board shall be open to observers, except a majority of the Board may call that body into executive session on matters of personnel or litigation. Any action taken in executive session shall be recorded in the Minutes of the Board.

Section 7.6 Action Taken Without a Meeting. The Board shall have the right to take any action in the absence of a meeting which it could take at a meeting by obtaining the written approval of all the members of the Board. Any action so approved shall have the same effect as though taken at a meeting of the Board.

Section 7.7 Compensation. No Director shall receive any compensation from the Association for acting as such but may be reimbursed for any expenses actually incurred in the performance of his duties.

ARTICLE VIII

OFFICERS

Section 8.1 Enumeration of Officers. The officers of the Association shall be a President, who shall at all times be a member of the Board, a Secretary, and a Treasurer, and such other officers as the Board of Directors may from time to time by resolution create. Any number of offices may be held by the same person.

Section 8.2 Election of Officers. The election of officers shall take place at the first meeting of the Board following each annual meeting of the Members.

Section 8.3 Term. All officers shall hold such office at the pleasure of the Board.

Section 8.4 Resignation and Removal. Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time, giving written notice to the Board, the President and the Secretary. Such resignation shall take effect on the date of receipt of such notice or at any later time specified herein, and unless otherwise specified herein, the acceptance of such a resignation shall not be necessary to make it effective.

Section 8.5 Vacancies. If the office of any officer becomes vacant for any reason, the Board may chose a successor

or successors who shall hold office at the pleasure of the Board.

Section 8.6 Duties. The duties of the officers are as follows:

(a) **President.** The President shall preside at all meetings of the Board and of the Association; see that orders and resolutions of the Board are carried out; sign all mortgages, leases, deeds, and other written instruments and co-sign all promissory notes and contracts as the Board may approve from time to time.

(b) **Secretary.** The Secretary shall cause the Minutes to be kept of all meetings and proceedings of the Board and of the Members; cause a Book of Resolutions to be maintained; serve as custodian of Association files and records; keep the corporate seal of the Association and affix it on all papers requiring said seal; cause notice to be served to Members and Institutional Lenders as required in the Declaration; cause a roster to be maintained of the names of all Members of the Association, together with their addresses, as registered by such Members; and perform such other duties as required by the Board.

(c) **Treasurer.** The Treasurer shall cause all monies of the Association to be deposited in appropriate accounts and disbursed therefrom within the limits of the annual budget or as directed by resolution of the Board; co-sign any promissory notes and contracts; keep proper books of account; cause an annual audit of the Association books to be made by a certified public accountant at the completion of each full fiscal year if required by the Board; be the chief officer responsible for the annual preparation of the budget, the income statement and the balance sheet statement to be presented to the Board and to the membership at its regular annual meeting. The financial duties of the Treasurer may be assigned to a management agent upon approval of the Board.

ARTICLE IX

BOOKS AND PAPERS

Section 9.1 Books and Records. The books, records, resolutions and papers of the Association and Committee shall at all times, during reasonable business hours, be subject to the inspection by any Member.

ARTICLE X

ANNUAL REPORT

Section 10.1 Annual Report. The Board shall present annually to the Members a report verified by the President and Treasurer or by a majority of the Board showing in appropriate detail the following:

(a) The assets and liabilities, including working capital fund of the Association as of the end of the fiscal year immediately preceding the date of the report.

(b) The principal changes in assets and liabilities including working capital fund during the year immediately preceding the date of the report.

(c) The revenue or receipts of the Association, both for the year immediately preceding the date of the report.

(d) The expenses of disbursements of the Association during the year immediately preceding the date of the report, including separate data with respect to each fund held by the Association.

(e) The number of Members of the Association as of the date of the report.

ARTICLE XI

INDEMNIFICATION

Section 11.1 Indemnification. The Association shall indemnify each of its directors, officers and employees whether or not then in service as such (and his or her executor, administrator and heirs) against all reasonable expenses actually and necessarily incurred by him or her in connection with the defense of any litigation to which the individual may have been a party because he or she is or was a director, officer or employee of the Association. The individual shall have no right to reimbursement, however, in relation to matters as to which he or she has been adjudged liable to the Association in the performance of his or her duty as director, officer or employee by reason of willful misconduct, bad faith, gross negligence or reckless disregard of the duties of his or her office or employment. The right to indemnity for expenses shall also apply to the expenses of suits which are compromised or settled if the court having jurisdiction of the matter shall

approve such settlement. The foregoing right of indemnification shall be in addition to, and not exclusive of, all other rights to that which such director, officer or employee may be entitled.

ARTICLE XII

LIMITED LIABILITY OF DIRECTORS

Section 12.1 Fiduciary Relationship. A Director of this Association shall stand in a fiduciary relation to this Association and shall perform his duties as a Director, including his duties as a member of any committee of the Board upon which he may serve, in good faith, in a manner he reasonably believes to be in the best interests of this 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 Directors of employees of this 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 such persons.

(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 12.2 Reliance. 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 this Association, consider the effects of any action upon employees, upon suppliers and customers of this Association and upon communities in which offices of other establishments of this Association are located, and all other pertinent factors. The consideration of these factors shall not constitute a violation of Section 12.1 hereof.

Section 12.3 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 this Association.

Section 12.4 Limited Liability. A Director of this Association shall not be personally liable for monetary damages as such 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 Section 12.1; and

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

Section 12.5 Exclusion to Limited Liability. The provisions of Section 13.04 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.

ARTICLE XIII

NOTICES

Section 13.1 Notices. Whenever written notice is required to be given to any person, it may be given to such person, either personally or by sending a copy thereof by first class mail, postage prepaid to his address appearing on the books of the Association, or, in the case of the Directors, supplied by him to the Association for the purpose of notice. If the notice is sent by mail, it shall be deemed to have been given to the person entitled thereto when deposited in the United States mail. A notice of meeting shall specify the place, day and hour of the meeting and any other information required by statute or these By-Laws. When a special meeting is adjourned it shall not be necessary to give any notice of the adjourned meeting or of the business to be transacted at an adjourned meeting, other than by announcement at the meeting at which such adjournment is taken.

Section 13.2 Notices to Township. The Association, through its officers or the Board, shall notify the Manager of

Abington Township of the Association's mailing address and the names and addresses of all members of the Board and all officers of the Association and any changes thereto on a current basis.

Section 13.3 Waiver. Whenever any written notice is required to be given under the provisions of the statute or the Articles or By-Laws of this Association, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice. Except as otherwise required by statute, neither the business to be transacted at nor the purpose of a meeting need be specified in the waiver of notice of such meeting. In the case of a special meeting of members such waiver of notice shall specify the general nature of the business to be transacted. Attendance of a person at any meeting shall constitute a waiver of notice of such meeting, except where a person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting was not lawfully called or convened.

ARTICLE XIV

FISCAL YEAR

Section 14.1 The fiscal year of the Association shall begin on the first day of January of each year unless changed in accordance with an amendment of these By-Laws in the manner provided in Article XV below.

ARTICLE XV

AMENDMENTS

Section 15.1 These By-Laws may be amended, at a regular or special meeting of the Association, by a vote of a majority of a quorum of the Members present in person or by proxy, provided that those provisions of these By-Laws which are governed by the Articles of Incorporation of this Association may not be amended except as provided in the Articles of Incorporation or applicable law; and provided further that any matter stated herein to be or which is in fact governed by the Declaration may not be amended except as provided in such Declaration.