

BY-LAWS
OF
THE SOMERTON FORGE
HOMEOWNERS' ASSOCIATION, INC.

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BY-LAWS

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ARTICLE I
NAME AND LOCATION

1. The name of the non-profit corporation is The Somerton Forge Homeowners' Association, Inc. (the "Association"). The principal office of the Association shall be located at 295 Buck Road, Holland, Pennsylvania 18966, but meetings of the Members (hereinafter defined) and Directors (hereinafter defined) may be held at such places as may be designated by the Board (hereinafter defined).

ARTICLE II
SEAL

1. The corporate seal of the Association shall be in circular form and shall bear the name of the Association and such other language as may be required by the laws of the Commonwealth of Pennsylvania.

ARTICLE III
DEFINITIONS

The following words, when used in these By-Laws or any amendment or supplement hereto (unless the context clearly indicates otherwise), shall have the following meanings:

1. "Association" shall mean and refer to The Somerton Forge Homeowners' Association, Inc., a non-profit corporation formed under the laws of the Commonwealth of Pennsylvania.

2. "Board" shall mean the Board of Directors of the Association.

3. "By-Laws" shall mean the By-Laws of the Association.

4. "Common Areas" shall mean and refer to those areas shown on any recorded subdivision plat of the Property and improvements thereto which are not within the title lines of the Lots (hereinafter defined) and which are intended to be devoted to the common use and enjoyment of the Occupants.

5. "Declarant" shall mean and refer to Somerton Forge, Inc., a Pennsylvania corporation, its successors and assigns (other than the Association) if any such successor or assign acquires all or substantially all of Somerton Forge,

Inc.'s business of developing the Property, or a mortgagee taking title, by foreclosure or a deed in lieu thereof, to all or substantially all of the Property, or a purchaser of all or substantially all of the Property at a mortgage foreclosure sale.

6. "Declaration" shall mean and refer to the Declaration of Restrictions, Covenants and Easements of Somerton Forge recorded with the Recorder of Deeds of Bucks County, Pennsylvania.

7. "Directors" shall mean the members of the Board.

8. "Lot" shall mean any plot of land shown as a single lot on any recorded subdivision plat of the Property upon which Declarant intends to erect or cause to be erected a single family dwelling and to convey title to such Lot and single family dwelling to a purchaser.

9. "Member" shall mean a member of the Association.

10. "Occupant" shall mean the occupant of a Unit who shall be either the Owner (hereinafter defined) or a tenant.

11. "Owner" shall mean the then record owner including Declarant, whether one or more Persons (hereinafter defined), of the fee simple title to any Lot, but excluding any Person having an interest, however described, merely as security for the performance of an obligation, unless and until such Person has acquired fee simple title pursuant to foreclosure, other legal proceedings or a deed in lieu of foreclosure.

12. "Person" shall include an individual, corporation, partnership, unincorporated association or other entity.

13. "Property" shall mean and refer to the real property described in Exhibit "A" to the Declaration.

14. "Township" shall mean Lower Southampton Township, Bucks County, Pennsylvania or any arm, instrumentality, authority, agency, board or subdivision thereof.

15. "Unit" shall mean all or any portion of a building located upon a Lot and designated and intended for the use and occupancy as a residence by a single family.

16. "Institutional Lender" shall mean and refer to one or more commercial or savings banks, savings and loan associations, insurance companies, mortgage bankers, pension funds, business trusts, or other similar lenders, including, but not limited to, real estate investment trusts, and other lenders regularly engaged in financing the purchase, construction or

improvement of real estate or any assignee of loans made by such a lender, or any private governmental institution which has insured a loan of such a lender, or any individual who loans money for home purchase or any combination of any of the foregoing entities.

ARTICLE IV
MEETINGS OF MEMBERS

Section 1. Annual Meetings. The first annual meeting of the Members shall be held when 50% of the Lots and Units have been conveyed, and each subsequent regular annual meeting of the Members shall be held on the same day of the same month of each year thereafter, at the hour of 8:00 p.m. If the day for the annual meeting of the Members is a legal holiday, the meeting will be held at the same hour on the first day thereafter which is not a legal holiday.

Section 2. Special Meetings. Special meetings of the Members may be called at any time by the President or by the Board, or upon written request of one-fifth (1/5) of the Members.

Section 3. Proxies. Each Member may vote in person or by proxy. All proxies shall be in writing and filed with the Secretary. Every proxy shall be revocable and shall automatically cease one (1) year after its date.

Section 4. Method of Voting. Elections or questions to be submitted to the Members may be decided at a meeting or by ballot vote, by mail, or at polling places designated by the Board. The Board shall determine the method of voting by resolution and give notice thereof as provided herein.

Section 5. Notice. Notice of meetings or ballot polls where action by Members is required to amend the Declaration, By-Laws, or Articles of Incorporation of the Association shall be provided to Members at least thirty (30) days prior to such meeting or ballot poll. Notice of all other meetings of Members shall be provided to Members at least fifteen (15) days before such meeting.

Notice of meetings or ballot polls shall specify the place, day and hour. In the case of a special meeting, the notice shall state the purpose of the meeting. In the case of a ballot poll, the notice shall include the matter(s) to be voted upon.

Section 6. Voting Rights. The Association shall have two (2) classes of voting Members: Class A Members shall consist of the Owners of all Units and the Class B Member shall be the Declarant. The Owner (whether one (1) Person or more than one

(1) Person) of each Unit, other than the Declarant, shall be entitled to cast one (1) vote per Unit wherever such voting is provided herein. Whenever more than one (1) Person shall be the Owner of any Unit, all such Owners shall appoint one (1) Person for the purpose of voting in accordance with the By-Laws and such division of ownership shall not increase the number of votes per Unit.

Class A. Each Class A Member shall be entitled to one (1) vote for each Unit owned. The Class A Members shall not include the Declarant unless and until its Class B membership has ceased and has been converted to a Class A membership as hereinafter provided.

Class B. As the sole Class B Member, the Declarant shall be entitled to three (3) votes for every Lot which Declarant owns. The Class B membership shall cease and be converted to a Class A membership on the happening of either of the following events, whichever first occurs: (a) the total votes outstanding in the Class A membership equals the total votes outstanding in the Class B membership; or (b) on that date which is three (3) years after the first Lot and Unit are conveyed by Declarant.

Section 7. Members - Quorum. The presence, in person or by proxy, of Members entitled to cast at least a majority of the votes which all Members are entitled to cast on the particular matter shall constitute a quorum for the purpose of considering such matter. If the required quorum is not forthcoming at the meeting, the meeting may be adjourned to another time provided notice of such subsequent adjourned meeting is given in accordance with this Article. The required quorum for any such subsequent adjourned meeting shall be one-half (1/2) of the quorum requirement for the original meeting. Unless otherwise provided by statute, the acts at a duly organized meeting of the Members with the required quorum present, in person or by proxy, shall be the acts of the Members. The Members present at a duly organized meeting can continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section 8. Action Taken Without a Meeting. The Members of the Association shall have the right to take any action in the absence of a meeting which they would take at a meeting by obtaining the written approval of two-thirds (2/3) of the Members. Any action so approved, shall have the same effect as though taken at a meeting of all Members.

ARTICLE V
BOARD OF DIRECTORS

Section 1. Number. The affairs of the Association shall be managed by the Board consisting of three (3) Directors. Until the first annual meeting, the Board shall consist of Directors appointed by the Declarant. Thereafter, as long as the Class B membership exists, the Board shall consist of appointed Directors and elected Directors. When the Class B membership expires, all Directors shall be elected except that the Declarant retains the right to retain a single appointed Director until six (6) months after the conveyance of the final Lot and Unit.

Section 2. Composition and Term.

(a) Appointed Directors. Appointed Directors shall be appointed by the Declarant and shall serve at the pleasure of the Declarant. They need not be Members of the Association. Three (3) Directors shall be appointed to serve until the first annual meeting. At the first annual meeting and at each annual meeting thereafter, the Declarant shall appoint up to two (2) Directors until such time as the Class B membership expires.

(b) Elected Directors. Elected Directors shall be elected by the Class A Members at the annual meetings and shall serve for two-year terms, except as provided herein. At the first annual meeting, two (2) Directors shall be elected by the Members to serve. At the first annual meeting only, the Director receiving the highest number of votes shall be elected for a two-year term. The other elected Director shall serve a one-year term.

Section 3. Method of Nomination. Nomination procedures shall be determined by resolution of the Board. The Election Committee shall provide all Members with a ballot containing the names of all bona fide candidates with the notice of the annual meeting.

Section 4. Method of Election. Election shall be by a secret written ballot at the annual meeting or delivered to the chairman of the Election Committee or his designees prior to the start of the annual meeting. Each Unit may cast a single vote, in respect to each vacancy. Whenever more than one (1) Person shall be the Owner of a Unit, all such Persons shall appoint one (1) Person for the purpose of voting according to these By-Laws. Cumulative voting is not permitted. Those persons receiving the largest number of votes shall be elected.

Section 5. Resignation and Removal. The unexcused absence of an elected Director from three (3) 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. Vacancies. In the event of death, resignation, or removal of an elected Director, his successor shall be selected by the remaining Directors and shall serve for the unexpired term of his predecessor.

Section 7. Powers. The Board shall have all powers for the conduct of the affairs of the Association, as established by law, the Declaration and the Articles of Incorporation, which powers are not specifically reserved to Members, the Declarant or any committee by said documents or by law.

Section 8. Duties. Without limiting the generality of the Board's powers as set forth above, it shall be the duty of the Board to:

(a) exercise its powers in accordance with the governing documents, including the Declaration, the Articles of Incorporation of the Association and these By-Laws;

(b) cause to be kept current copies of the governing documents and a complete record of all of its corporate affairs including a book of resolutions, make such records available for inspection by any Member, his agent or any Institutional Lender who has an interest in any Lot and/or Unit, and present an annual statement thereof to the Members;

(c) adopt and follow procedures for the adoption and publication of Board resolutions to be included in the book of resolutions, including the provision for hearing and notice of Members for resolutions on rules, the annual budget, and other matters affecting the rights of Members;

(d) adopt and publish the rules and regulations, including fees, if any, governing the use of the Common Areas and facilities, and the personal conduct of the Occupants and their guests thereon, and to include these in the book of resolutions;

(e) establish architectural standards for the Lots and Units;

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

(g) 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 Associ-

ation, and cause such persons to be bonded, as it may deem appropriate;

(h) 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;

(i) appoint such committees as prescribed in Article VII;

(j) 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;

(k) determine and adopt the assessments provided for by the Declaration and these By-Laws; and

(l) issue upon demand by any Member or Institutional Lender a certificate setting forth whether or not any assessment has been paid and giving evidence thereof, for which a reasonable fee may be charged.

Section 9. Presence of Board Members - Quorum. A majority of the Directors in office shall be necessary to constitute a quorum for the transaction of business and the acts of a majority of the Directors present at a meeting at which a quorum is present shall be the acts of the Board. Any action which may be taken at a meeting of the Directors may be taken without a meeting, if a consent or consents in writing setting forth the action so taken shall be signed by all of the Directors in office and shall be filed with the Secretary of the Association.

Section 10. Meetings of the Board of Directors. The meetings of the Board may be held at such times and at such place or places within this Commonwealth, or elsewhere, as a majority of the Directors may from time to time appoint, or as may be designated in the notice calling the meeting.

Section 11. Notice Written or personal notice of every meeting of the Board shall be given to each Director at least ten (10) days prior to the day named for the meeting.

Section 12. Executive Sessions. All meetings of the Board shall be open to observers, provided, however, that the President of the Association or chairman of the Board may call the Board into private session on matters of personnel or for hearings on infractions of published rules and regulations. Any action taken by the Board in private session shall be recorded in the minutes.

Section 13. Special Meetings. Special meetings of the Board shall be held when called by the President of the Association, or by any two (2) members of the Board, after not less than three (3) days notice to each member of the Board.

ARTICLE VI
OFFICERS

Section 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 Vice President, a Secretary, a Treasurer, and such other officers (who need not be members of the Board) as the Board may from time to time by resolution create.

Section 2. Election of Officers. The election of officers shall take place at the first meeting of the Board and thereafter at the first meeting of the Board following each annual meeting of the Members.

Section 3. Term. The officers of the Association shall be elected annually by the Board, each shall hold office for one (1) year unless he shall sooner resign, be removed, or otherwise be disqualified to serve.

Section 4. Resignation and Removal. Any officer may be removed from office at any time with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board and 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, and unless otherwise specified therein, the acceptance of such a resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office may be filled by the Board. The officer appointed to such vacancy shall serve for the remainder of the term of the officer he replaces.

Section 6. Multiple Offices. The same person may hold more than one (1) office, provided, however that the offices of President and Treasurer may not be held by the same person.

Section 7. Duties. The duties of the officers are as follows:

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

(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 exercise and discharge such duties as may be required of him by the Board;

(c) Secretary. The Secretary shall cause the minutes to be kept of all meetings and proceedings of the Board and of the Members; cause the 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, the Articles of Incorporation of the Association and these By-Laws; 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; and

(d) 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; and 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 Members at the regular annual meeting. The financial duties of the Treasurer may be assigned to a management agent upon approval by a majority of the Board.

ARTICLE VII COMMITTEES

Section 1. Election Committee. The Board shall appoint an Election Committee no later than forty-five (45) days prior to the annual meeting date. The Committee shall consist of a chairman who may not be a member of the Board, and at least two (2) Members, none of whom shall be candidates for office. Any member of the Committee may be removed by the Board at any time with or without cause. It shall be the duty of the Election Committee to provide supervision of the nomination and election of the members of the Board in accordance with the procedures adopted by the Board and placed in the book of resolutions.

Section 2. Architectural Review Committee. An Architectural Review Committee shall be appointed for the purposes and in the manner set forth in the Declaration. Regular meetings of the Architectural Review Committee shall be held without notice at such place and time as may be fixed from time to time by

members of that Committee. Special meetings of the Architectural Review Committee shall be held when called by the President of the Association, by the chairman of the Architectural Review Committee or by any two (2) members of that Committee, after not less than three (3) days' notice to each member of that Committee. The members of the Architectural Review Committee shall have the right to take any action in the absence of a meeting which they would take at a meeting by obtaining the written approval of all of the members of that Committee. Any actions so approved shall have the same effect as though taken at a meeting of the Architectural Review Committee. A majority of the members of the Architectural Review Committee shall constitute a quorum for the transaction of its business.

Section 3. Rules Committee. A Rules Committee shall be appointed for the purposes and in the manner set forth in the Declaration.

Section 4. Other Committees. The Board may appoint such other committees as it deems necessary or desirable for the operation of the Association.

ARTICLE VIII INDEMNIFICATION

Each officer of the Association and each member of the Board and of committees appointed by the Board, in consideration of his services as such, shall be indemnified by the Association to the extent permitted by law against expenses and liabilities reasonably incurred by him in connection with the defense of any action, suit, or proceeding, civil or criminal, to which he may be a party by reason of his past or present role in or on behalf of the Association. The foregoing right of indemnification shall not be exclusive of any other rights to which the person may be entitled by law, or agreement, or vote of the Members or otherwise.

ARTICLE IX FISCAL YEAR

The Fiscal Year of the Association shall begin on the first day of January and end on the last day of December of every year, except that the first fiscal year shall begin on the date of incorporation.

ARTICLE X AMENDMENT

These By-Laws may be amended at the annual meeting of the Members, or at a special meeting called for that purpose, by a two-thirds (2/3) vote of the Members at such a meeting at which a quorum of Members is present, voting by presence or by proxy,

provided that the proposed amendments have been included in the notice of the Meeting. Amendments shall become effective upon adoption unless otherwise set forth therein.

Notwithstanding the foregoing, if any amendment to this Declaration, the By-Laws, the Articles of Incorporation of the Association, any recorded subdivision plat of the Property or any other related document is necessary to cure any ambiguity or to correct or supplement any provision thereof which is defective or inconsistent with any other provision thereof, or to change, correct or supplement anything appearing or failing to appear therein which is incorrect, defective or similarly inconsistent, or if such amendment is necessary to conform to the then current requirements of the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or other similar institution with respect to PUD projects, the Declarant, until the Control Date as defined in the Declaration, and the Board thereafter may, at any time and from time to time, effect such amendment without the approval of the Owners, mortgagees or any other parties, upon receipt by the Declarant or the Board of an opinion from independent legal counsel to the effect that the proposed amendment is permitted by the terms of this sentence, together with a like opinion from an independent registered architect or licensed professional engineer in the case of any such amendment to any recorded subdivision plat of the Property.