

BYLAWS
OF
AVONLEA ESTATES PHASE III
COMMUNITY ASSOCIATION

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ARTICLE I
Introductory Provisions

1.1. Applicability. These Bylaws provide for the governance of the Association pursuant to the requirements of §5306 of the Pennsylvania Uniform Planned Community Act, 68 Pa. C.S.A. §5101 et seq. (the "Act"), with respect to the Community created by the recording of the Declaration among the land records of Allegheny County in Deed Book Vol. ____ at Page ____.

1.2. Definitions. Capitalized terms used herein without definition shall have the meanings specified for such terms in the Declaration to which these Bylaws pertain or, if not defined therein, the meanings specified or used for such terms in the Act.

1.3. Compliance. Pursuant to the provisions of the Act, every Unit Owner and all Persons entitled to occupy a Unit shall comply with these Bylaws.

1.4. Office. The office of the Community, the Association, and the Executive Board shall be located at the Property or at such other place as may be designated from time to time by the Executive Board.

1.5. Incorporation of Statutory Law. Except as expressly provided herein, in the Declaration, or in the Act, the Association shall be governed by the provisions of the Non-profit Corporation Law of 1988 of the Commonwealth of Pennsylvania, 15 Pa. C.S. §5101 et seq., as it may be amended from time to time (the "Corporation Law"). The "Board of Directors" described therein shall be referred to herein and in the Declaration as the "Executive Board".

ARTICLE II
The Association

2.1. Composition. The Association is hereby organized on the date hereof as a non-profit corporation in the Commonwealth of Pennsylvania under the Corporation Law on a non-stock basis, with two classes of membership.

2.1.1. Class A Members shall include the Declarant until sale of all of the Units owned by it, and all Unit Owners who are not Class B Members. Class A Members shall have full voting rights in the Association.

2.1.2. Class B Members shall be all of those Unit Owners who purchased said Unit with the intent of either: i) constructing a single family residential Building thereon for sale to a third party (a contractor); or ii) having a single family residential Building constructed thereon in which the Unit Owner would reside. Class B Members shall be given notice of all meetings of the membership of the Association and shall have the right to attend and speak at all meetings of the Association, but shall have no voting rights in the Association.

2.1.3. Class B Member who is a contractor shall only remain as a Class B Member until the earlier of: i) resale of the Unit to a third party after construction of a single family residential Building thereon; or ii) eighteen (18) months after becoming a Class B Member.

2.1.4. A Class B Member who purchased the Unit with the intent of residing therein shall only remain a Class B Member until the earlier of: i) issuance of an occupancy permit for the single family residential Building constructed on the Unit; or iii) eighteen (18) months after becoming a Class B Member.

2.1.5. The Class B Member who has not satisfied the conditions stated in subsection i) of paragraphs 2.1.3 or 2.1.4 above, as the case may be, shall, at the expiration of said eighteen (18) month period, automatically become a Class A Member, subject to all rights and obligations of Class A Members thereafter.

2.1.6. Any person purchasing a Unit from a Class B Member after construction of a single family residential Building thereon shall be a Class A Member.

2.2. Responsibility. The Association shall consist of all of the Unit Owners acting as a group in accordance with the Act, the Declaration and these Bylaws. The Association shall have the responsibility of administering the Community, repairing, maintaining and insuring the Common Facilities, establishing the means and methods of collecting assessments and charges, arranging for the management of the Community and performing all of the other acts that may be required or permitted to be performed by the Association pursuant to the Act and the Declaration. The foregoing responsibilities shall be performed by the Executive Board or by a managing agent appointed by the Executive Board, as more particularly set forth in these Bylaws.

2.3. Annual Meetings. The annual meetings of the Association shall be held on the third Monday of September of each year, commencing in 2000, unless such date shall occur on a holiday, in which event the meetings shall be held on the succeeding Tuesday. At such annual meetings the Executive Board shall be elected by ballot of the Class A Members in accordance with the requirements of Section 3.3 of these Bylaws (subject to Article VIII of the

Declaration) and such other business as may properly come before the meeting may be transacted.

2.4. Place of Meetings. Meetings of the Association shall be held at the principal office of the Association or at such other suitable place convenient to the Unit Owners as may be designated by the Executive Board.

2.5. Special Meetings.

2.5.1. The President shall call a special meeting of the Association if so directed by resolution of the Executive Board or upon a petition signed and presented to the Secretary by Class A Members entitled to cast at least twenty percent (20%) of the votes in the Association. The notice of any special meeting shall state the time, place and purpose thereof. Such meeting shall be held within forty-five (45) days after receipt by the President of such resolution or petition; provided, however, if the purpose includes the consideration of the rejection of a budget or capital expenditure pursuant to Section 5.8 below, such meeting shall be held within fifteen (15) days after receipt by the President of such resolution or petition. No business shall be transacted at a special meeting except as stated in the notice.

2.5.2. Within sixty (60) days after conveyance of twenty-five percent (25%) of the Units to Class A Members other than the Declarant, a special meeting of the Association shall be held at which two (2) of the five (5) members of the Executive Board designated by the Declarant shall resign (such members to be selected by the Declarant), and the Class A Members, excluding the Declarant as a Unit Owner, shall thereupon elect successor members of the Executive Board to act in the place and stead of each of the two members resigning. Such successor members shall serve until the second annual meeting of the Association following the meeting at which they were elected.

2.5.3. Within sixty (60) days immediately preceding the date by which all Declarant appointed members of the Executive Board must resign pursuant to §8.1 of the Declaration, a special meeting of the Association shall be held at which all of the members of the Executive Board shall resign, and the Class A Members, including the Declarant if the Declarant owns one or more Units, shall thereupon elect successor members of the Executive Board to act in the place and stead of those resigning. The two successor members receiving the highest numbers of votes shall serve until the third annual meeting of the Association following the date of their election, the two successor members receiving the next highest numbers of votes shall serve until the second annual meeting of the Association following the date of their election, and the successor member receiving the next highest number of votes shall serve until the first annual meeting of the Association following the date of his/her election.

2.5.4. Notwithstanding the foregoing, if any meeting required pursuant to Sections 2.5.2 and 2.5.3 above could be held on the date an annual meeting of the Association is scheduled, then such meeting(s) shall be held concurrently with such annual meeting.

2.6. Notice of Meetings. The Secretary shall give to each Unit Owner a notice of each annual or regularly-scheduled meeting of the Association at least ten (10) but not more than sixty (60) days prior to the meeting, and of each special meeting of the Unit Owners at least ten (10) but not more than forty-five (45) days, prior to such meeting, stating the time, place and purpose thereof, including, without limitation, any proposed budget or assessment changes, the general nature of any proposed amendment to the Bylaws or Declaration, and any proposal to remove an Executive Board member or Officer. The giving of a notice of meeting in the manner provided in this Section and Section 8.1 of these Bylaws shall be considered service of notice.

2.7. Adjournment of Meetings. If at any meeting of the Association a quorum is not present, Class A Members entitled to cast a majority of the votes represented at such meeting may adjourn the meeting to a time not less than forty-eight (48) hours after the time for which the original meeting was called.

2.8. Voting. Each Unit owned by a Class A Member shall be entitled to a single vote at all meetings of the Association.

2.8.1. If the Class A Member which is a Unit Owner is a corporation, joint venture, partnership or unincorporated association, the natural person who shall be entitled to cast the vote for such Unit shall be the natural person named in a certificate executed by such entity pursuant to its governing documents and filed with the Secretary. Such certificate shall be valid until revoked by a subsequent certificate similarly executed.

2.8.2. If the Class A Member which is a Unit Owner is a trust, the trustee or trustees shall be deemed to be the Class A Member for voting purposes.

2.8.3. Where the ownership of a Unit is in more than one person who are Class A Members, the person who shall be entitled to cast the vote of such Unit shall be the natural person named in a certificate executed by all of the Class A Members who are Owners of such Unit and filed with the Secretary (which shall remain valid until revoked by a subsequent certificate similarly executed) or, in the absence of such named person from the meeting, the natural person who shall be entitled to cast the vote of such Unit shall be the natural person owning such Unit who is present, provided that person is a Class A Member.

a. If more than one of the multiple Owners of a Unit who are Class A Members are present, then such vote shall be cast only in accordance with their unanimous agreement pursuant to §5310(a) of the Act.

b. There shall be deemed to be unanimous agreement if any one of the multiple Owners who are Class A Members casts the vote allocated to that Unit without protest being made promptly to the presider at the meeting by any of the other Owners of the Unit who are Class A Members.

2.8.4. Subject to the requirements of the Act, wherever the approval or disapproval of a Unit Owner is required by the Act, the Declaration or these Bylaws, such approval or disapproval shall be made only by the natural person who is a Class A Member and would be entitled to cast the vote of such Unit at any meeting of the Association. Except with respect to election of members of the Executive Board and except where a greater number is required by the Act, the Declaration or these Bylaws, the vote of more than fifty percent (50%) of the Class A Members present in person or by proxy at a duly convened meeting of the Association at which a quorum is present is required to adopt decisions at any meeting of the Association. Any specified percentage of the Class A Members means the Unit Owners owning such Percentage Interests in the aggregate.

2.8.5. In all elections for Executive Board members, cumulative voting by Class A Members shall be permitted, such that each Unit shall be entitled to one vote for each vacancy on the Executive Board to be filled at the meeting, and the Class A Member representing that Unit may cast that total number of votes to which he/she is entitled for a single position on the Executive Board or may cast that number of votes among the positions for the Executive Board being determined at the election (e.g., if there are three (3) vacancies on the Board a Class A Member would have three (3) votes, and could cast all three (3) votes for one position, and no votes for the other positions, could cast two (2) votes for one position, one (1) for another position, and none for the third position, or could cast one (1) vote for each of the three (3) positions).

2.8.6. Those candidates for election receiving the greatest number of votes cast in such elections shall be elected and, if Executive Board members are being elected to unequal terms, the candidates receiving the highest number of votes shall be elected to the longest terms.

2.8.7. Except as set forth in Section 2.5.2, if the Declarant owns or holds title to one or more Units, the Declarant shall have the right at any meeting of the Association to cast the votes to which such Unit or Units are entitled. No votes allocated to a Unit owned by the Association may be cast.

2.9 Proxies. A vote may be cast in person or by proxy. If a Unit is owned by more than one Person who is a Class A Member, each such Owner of the Unit may vote or register protest to the casting of votes by the other Owners of the Unit through a duly executed proxy. Such proxy may be granted by any Class A Member in favor of only another Class A Member, a holder of a mortgage on a Unit or the Declarant. Proxies shall be duly executed in writing, shall be valid only for the particular meeting designated therein and must be filed with the Secretary before the appointed time of the meeting. Such proxy shall be deemed revoked only upon actual receipt by the Person presiding over the meeting of written notice of revocation from the grantor(s) of the proxy. No proxy shall be valid for a period in excess of one year after the execution thereof. A proxy is void if it is not dated or purports to be revocable without notice.

2.10. Quorum. Except as set forth below, the presence in person or by proxy of twenty percent (20%) or more of all Class A Members at the commencement of all meetings shall constitute a quorum at all meetings of the Association. If a meeting is adjourned pursuant to Section 2.7 above, the quorum at such second meeting shall be deemed present throughout any meeting of the Association if persons entitled to cast ten percent (10%) of the votes which may be cast for the election of the Executive Board are present in person or by proxy at the beginning of the meeting.

2.11 Conduct of Meetings. The President (or in the President's absence, one of the vice-presidents) 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 transactions occurring thereat. The President may appoint a person to serve as parliamentarian at any meeting of the Association. The then current edition of Robert's Rules of Order shall govern the conduct of all meetings of the Association when not in conflict with the Declaration, these Bylaws or the Act. All votes shall be tallied by a committee appointed by the President.

ARTICLE III **Executive Board**

3.1. Number and Qualification. The affairs of the Association shall be governed by an Executive Board. The Executive Board shall be composed of five (5) natural persons, all of whom shall be Class A Members or designees of the Declarant.

3.2. Delegation of Powers; Managing Agent. The Executive Board may employ for the Community a managing agent at a compensation established by the Executive Board. The managing agent shall perform such duties and services as the Executive Board shall authorize, including, but not limited to, all of the duties listed in the Act, the Declaration and these Bylaws; provided, however, where a managing agent does not have the power to act under the Act, the Declaration or these Bylaws, such duties shall be performed as advisory to the Executive Board. The Executive Board may delegate to the managing agent all of the powers granted to the Executive Board by the Act, the Declaration and these Bylaws other than the following powers:

- 3.2.1. to adopt the annual budget and any amendment thereto or to assess any Common Expenses;
- 3.2.2. to adopt, repeal or amend Rules and Regulations;
- 3.2.3 to designate signatories on Association bank accounts;
- 3.2.4. to borrow money on behalf of the Association;
- 3.2.5. to acquire and mortgage Units.

Any contract with the managing agent must provide that it may be terminated with cause on no more than thirty (30) days' written notice and without cause on no more than ninety (90) days' written notice. The term of any such contract may not exceed one (1) year.

3.3. Election and Term of Office.

3.3.1. At the annual meeting of the Association, subject to Article VIII of the Declaration, the election of members of the Executive Board shall be held. The term of office of any Executive Board member to be elected (except as set forth in §§ 2.4.2 and 2.4.3 and 3.5 hereof) shall be fixed at three (3) years. The members of the Executive Board shall hold office until the earlier to occur of the election of their respective successors or their death, adjudication of incompetency, removal, or resignation. An Executive Board member may serve an unlimited number of terms and may succeed himself or herself.

3.3.2. Persons qualified to be members of the Executive Board may be nominated for election only as follows:

a. Any Class A Member may submit to the Secretary at least thirty (30) days before the meeting at which the election is to be held a nominating petition signed by Class A Members owning at least ten (10) Units in the aggregate, together with a statement that the person nominated is willing to serve on the Executive Board and a biographical sketch of the nominee. The Secretary shall mail or hand deliver the submitted items to every Unit Owner along with the notice of such meeting; and

b. Nominations may be submitted from the floor at the meeting at which the election is held for each vacancy on the Executive Board for which no more than one (1) person has been nominated by petition.

3.4. Removal or Resignation of Members of the Executive Board. Except with respect to members designated by the Declarant, at any regular or special meeting of the Association duly called, any one or more of the members of the Executive Board may be removed with or without cause by Class A Members entitled to cast a majority of all votes in the Association and a successor may then and there be elected to fill the vacancy thus created, for the remainder of the term of the member removed. Any Class A Member proposing removal of a Board member shall give notice thereof to the Secretary. Any member whose removal has been proposed by a Class A Member shall be given at least ten (10) days' notice by the Secretary of the time, place and purpose of the meeting and shall be given an opportunity to be heard at the meeting. A member of the Executive Board may resign at any time and shall be deemed to have resigned upon transfer of title to his or her Unit. The Declarant shall have the right to remove and replace any or all members appointed by the Declarant at any time and from time to time until the required resignation date specified in Section 8.1 of the Declaration.

further notice. One or more members of the Executive Board may participate in and be counted for quorum purposes at any meeting by means of conference telephone or similar communication equipment by means of which all persons participating in the meeting can hear each other.

3.11. Compensation. No member of the Executive Board shall receive any compensation from the Association for acting as such, but may be reimbursed for any expenses incurred in the performance of his or her duties.

3.12. Conduct of Meetings. The President shall preside over all meetings of the Executive Board and the Secretary shall keep a minute book of the Executive Board meetings, recording therein all resolutions adopted by the Executive Board and a record of all transactions and proceedings occurring at such meetings. The then current edition of Robert's Rules of Order shall govern the conduct of the meetings of the Executive Board if and to the extent not in conflict with the Declaration, these Bylaws or the Act.

3.13. Action Without Meeting. Any action by the Executive Board required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Executive Board shall individually or collectively consent in writing to such action. Any such written consent shall be filed with the minutes of the proceedings of the Executive Board.

3.14. Validity of Contracts with Interested Executive Board Members. No contract or other transaction between the Association and one or more of its Executive Board members or between the Association and any corporation, firm or association in which one or more of the Executive Board members are directors or officers, or are financially interested, shall be void or voidable because such Executive Board member or members are present at any meeting of the Executive Board which authorized or approved the contract or transaction or because his, her or their votes are counted, if the circumstances specified in either of the following subparagraphs exists:

3.14.1. The fact that an Executive Board member is also such a director or officer or has such financial interest is disclosed or known to the Executive Board and is noted in the minutes thereof, and the Executive Board authorizes, approves or ratifies the contract or transaction in good faith by a vote sufficient for the purpose without counting the vote or votes of such Executive Board member or members; or

3.14.2. The contract or transaction is made in good faith and is not unconscionable to the Association at the time it is authorized, approved or ratified.

3.15. Inclusion of Interested Board Members in the Quorum. Any Executive Board member holding such director or officer position or having such financial interest in another corporation, firm or association may be counted in determining the presence of a quorum at a meeting of the Executive Board or a committee thereof which authorizes, approves or ratifies a contract or transaction of the type described in Section 3.14 hereof.

3.5. Vacancies. Except as set forth in Section 3.4 above with respect to members appointed by the Declarant, vacancies in the Executive Board caused by any reason other than the removal of a member by a vote of Class A Members shall be filled by a vote of a majority of the remaining members at a special meeting of the Executive Board held for such purpose promptly after the occurrence of any such vacancy, even though the members present at such meeting may constitute less than a quorum. Each person so elected shall be a member of the Executive Board for the remainder of the term of the member being replaced and until a successor shall be elected at the next annual meeting of the Association at which such seat is to be filled upon expiration of the term of his or her predecessor. In the case of multiple vacancies, the member receiving the greatest number of votes shall be elected for the longest term.

3.6. Organizational Meeting. The first meeting of the Executive Board following each annual meeting of the Association shall be held within ten (10) days thereafter at such time and place as shall be fixed by the President (even if he or she is the outgoing President) at the meeting at which such Executive Board shall have been elected, and no notice shall be necessary to the newly elected members of the Executive Board in order legally to constitute such meeting, if a majority of the Executive Board members shall be present at such meeting.

3.7. Regular Meetings. Regular meetings of the Executive Board may be held at such time and place as shall be determined from time to time by a majority of the members, but such meetings shall be held at least once every four (4) months during each fiscal year. Notice of regular meetings of the Executive Board shall be given to each member, by mail or telecopy, at least three business days prior to the day named for such meeting.

3.8. Special Meetings. Special meetings of the Executive Board may be called by the President on at least three (3) business days' notice to each member, given by mail or telecopy, which notice shall state the time, place and purpose of the meeting. Special meetings of the Executive Board shall be called by the President or Secretary in like manner and on like notice on the written request of at least two (2) members of the Executive Board.

3.9. Waiver of Notice. Any member may at any time, in writing, waive notice of any meeting of the Executive Board, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member at any meeting of the Executive Board shall constitute a waiver of notice by him or her of the time, place and purpose of such meeting. If all members are present at any meeting of the Executive Board, no notice shall be required and any business may be transacted at such meeting.

3.10. Quorum of the Executive Board. At all meetings of the Executive Board a majority of the members shall constitute a quorum for the transaction of business, and the votes of a majority of the members present at a meeting at which a quorum is present shall constitute the decision of the Executive Board. If at any meeting of the Executive Board there shall be less than a quorum present, a majority of those present may adjourn the meeting from time to time. At any such adjourned meeting at which a quorum is present, any business which might have been transacted at the meeting originally called may be transacted without

ARTICLE IV Officers

4.1. Designation. The principal officers of the Association shall be the President, the Vice President, the Secretary and the Treasurer, all of whom shall be elected by the Executive Board. The Executive Board may appoint an assistant treasurer, an assistant secretary and such other officers as in its judgment may be necessary. The President and Vice President shall be members of the Executive Board. Any other officers may, but need not, be Unit Owners or members of the Executive Board. An officer other than the President may hold more than one office.

4.2. Election of Officers. The officers of the Association shall be elected annually by the Executive Board at the organizational meeting of each new Board and shall hold office at the pleasure of the Executive Board.

4.3. Removal of Officers. Upon the affirmative vote of a majority of all members of the Executive Board, any officer may be removed, either with or without cause, and a successor may be elected at any meeting of the Executive Board called for such purpose, for the remainder of the term of the officer removed.

4.4. President. The President shall be the chief executive officer of the Association, preside at all meetings of the Association and of the Executive Board and have all of the general powers and duties which are incident to the office of president of a corporation organized under the laws of Pennsylvania including without limitation the power to appoint committees from among the Unit Owners from time to time as the President may in his or her discretion decide is appropriate to assist in the conduct of the affairs of the Association. The President shall cease holding such office at such time as the President ceases to be a member of the Executive Board.

4.5. Vice President. The Vice President shall take the place of the President and perform the duties of the President whenever the President shall be absent or unable to act. If neither the President nor the Vice President is able to act, the Executive Board shall appoint some other member of the Executive Board to act in the place of the President, on an interim basis. The Vice President shall also perform such other duties as shall from time to time be delegated or assigned to the Vice President by the Executive Board or by the President. The Vice President shall cease holding such office at such time as the Vice President ceases to be a member of the Executive Board.

4.6. Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Executive Board, have charge of such books and papers as the Executive Board may direct, maintain a register setting forth the place to which all notices to Unit Owners and holders of mortgages on any Units hereunder shall be delivered and, in general, perform all the duties incident to the office of secretary of a corporation organized under the laws of Pennsylvania. The Secretary shall, upon request, provide any Person, or

cause to be provided to any Person entitled thereto a written statement or certification of the information required to be provided by the Association pursuant to §§5315(h), 5407(a) and 5407(b) of the Act and Sections 5.6 and 5.11 below.

4.7. Treasurer. The Treasurer shall have the responsibility for the safekeeping of Association funds and securities, be responsible for keeping full and accurate financial records and books of account showing all receipts and disbursements, and for the preparation of all required financial data and be responsible for the deposit of all monies in the name of the Executive Board, the Association or the Managing Agent, in such depositories as may from time to time be designated by the Executive Board and, in general, perform all the duties incident to the office of treasurer of a corporation organized under the laws of Pennsylvania.

4.8. Execution of Documents. All agreements, contracts, deeds, leases, checks and other instruments of the Association for expenditures or obligations in excess of \$250.00 shall be executed by any two (2) officers of the Association. All such instruments for expenditures or obligations of \$250.00 or less may be executed by any one officer of the Association.

4.9. Compensation of Officers. No officer shall receive any compensation from the Association for acting as such officer, but may be reimbursed for any out-of-pocket expenses incurred in performing such officer's duties. Notwithstanding the foregoing, the officer designated by the Executive Board to prepare and issue Resale Certificates may, upon majority vote of the Executive Board, be paid fifty dollars (\$50.00) per Resale Certificate.

ARTICLE V Common Expenses; Budgets

5.1. Fiscal Year. The fiscal year of the Association shall be the calendar year unless otherwise determined by the Executive Board; provided, however, that the first fiscal year shall begin upon the recordation of the Declaration.

5.2. Preparation and Approval of Budget.

5.2.1. On or before the first day of November of each year (or sixty (60) days before the beginning of the fiscal year if the fiscal year is other than the calendar year), the Executive Board shall adopt an annual budget for the Association containing an estimate of the total amount considered necessary to pay the cost of maintenance, management, operation, repair and replacement of the Common Facilities and the cost of wages, materials, insurance premiums, services, supplies and other expenses that may be declared to be Common Expenses by the Act, the Declaration, these Bylaws or a resolution of the Association and which will be required during the ensuing fiscal year for the administration, operation, maintenance and repair of the Property and the rendering to the Unit Owners of all related services. Such budget shall also include such reasonable amounts as the Executive Board considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements.

5.2.2. On or before the next succeeding fifth day of November (or fifty-five (55) days before the beginning of the fiscal year if the fiscal year is other than the calendar year), the Executive Board shall make the budget available for inspection at the Association office and shall send to each Unit Owner a copy of the budget in a reasonably itemized form that sets forth the amount of the Common Expenses. Such budget shall constitute the basis for determining each Class B Member's assessment for insurance for the Common Facilities and each Class A Member's assessment for insurance for the Common Facilities and other Common Expenses for the Association and shall automatically take effect at the beginning of the fiscal year for which it is adopted, subject to Section 5.8 below.

5.2.3. The Executive Board shall make reasonable efforts to meet the deadlines set forth above, but compliance with such deadlines shall not be a condition precedent to the effectiveness of any budget.

5.3. Assessment and Payment of Common Expenses.

5.3.1. Common Expenses. The Executive Board shall calculate the monthly assessments for Common Expenses other than insurance on the Common Facilities against each Unit owned by a Class A Member by dividing (a) the total amount of the estimated funds required for the operation of the Property (other than insurance on the Common Facilities) set forth in the budget adopted by the Executive Board for the fiscal year in question, after deducting income expected to be received from sources other than Common Expense assessments, by (b) the number of Units owned by Class A Members in the Community, and further dividing the resultant product by (c) the number of calendar months in such fiscal year. Such assessments shall be deemed to have been adopted and assessed on an annual basis payable in monthly installments, shall be due and payable on the first day of each calendar month and shall be a lien against each Class A Member's Unit as provided in the Act and the Declaration. Within ninety (90) days after the end of each fiscal year, the Executive Board shall prepare and deliver to each Class A Member and to each record holder of a mortgage on a Unit who has registered an address with the Secretary an itemized accounting of the Common Expenses and funds received during such fiscal year less expenditures actually incurred and sums paid into reserves. Any net shortage with regard to Common Expenses, after application of such reserves as the Executive Board may determine, shall be assessed promptly against the Class A Members equally and shall be payable in one or more monthly assessments, as the Executive Board may determine.

5.3.2. Insurance. The Executive Board shall calculate the monthly assessments for insurance on the Common Facilities against each Unit by dividing (a) the total amount of the estimated funds required for insuring the Common Facilities set forth in the budget adopted by the Executive Board for the fiscal year in question, by (b) the number of Units in the Community, and further dividing the resultant product by (c) the number of calendar months in such fiscal year. Such assessments shall be deemed to have been adopted and assessed on an annual basis payable in monthly installments, shall be due and payable on the first day of each calendar month and shall be a lien against each Unit as provided in the Act

and the Declaration. Within ninety (90) days after the end of each fiscal year, the Executive Board shall prepare and deliver to each Unit Owner and to each record holder of a mortgage on a Unit who has registered an address with the Secretary an itemized accounting of the funds received during such fiscal year for payment of insurance coverage for the Common Facilities less the premiums actually paid for such insurance. Any net shortage with regard to insurance coverage premiums for the Common Facilities shall be assessed promptly against the Unit Owners equally and shall be payable in one or more monthly assessments, as the Executive Board may determine.

5.3.3. Reserves. The Executive Board shall build up and maintain reasonable reserves for working capital, operations, contingencies and replacements. Extraordinary expenditures not originally included in the annual budget which may become necessary during the year may be charged first against such reserves. If the reserves are deemed to be inadequate for any reason, including non-payment of any Class A Member's assessments, the Executive Board may at any time levy further assessments for Common Expenses which shall be assessed against the Class A Members equally, and shall be payable in one or more monthly assessments as the Executive Board may determine.

5.4. Further Assessments. The Executive Board shall serve notice on all Class A Members of any further assessments pursuant to Sections 5.3.1 or 5.3.3 or otherwise, and on all Unit Owners of any further assessments pursuant to Section 5.3.2, as permitted or required by the Act, the Declaration and these Bylaws by a statement in writing giving the amount and reasons therefor, and such further assessments shall, unless otherwise specified in the notice, become effective with the next monthly assessment which is due more than ten (10) days after the delivery of such notice of further assessments. All Class A Members so assessed shall be obligated to pay the amount of such assessments. Such assessments shall be a lien as of the effective date as set forth in the preceding Section 5.3.1.

5.5. Initial Budget. At or prior to the time assessment of Common Expenses commences, the Executive Board shall adopt the budget, as described in this Article, for the period commencing on the date the Executive Board determines that assessments shall begin and ending on the last day of the fiscal year during which such commencement date occurs. Assessments shall be levied and become a lien against the Class A Members Unit Owners during such period as is provided in Section 5.3 above.

5.6. Delivery of Approved Budget and Notice of Capital Expenditure; Effect of Failure to Prepare or Adopt Budget. The Executive Board shall deliver to all Unit Owners copies of each budget approved by the Executive Board and notice of any capital expenditure approved by the Executive Board promptly after each such approval. The failure or delay of the Executive Board to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Class A Member's obligation to pay such Class A Member's allocable share of the Common Expenses or a Unit Owner's obligation to pay such Unit Owner's allocable share of the insurance costs for the Common Facilities, all as herein provided whenever the same shall be determined and, in the absence of any annual budget or

adjusted budget, each Unit Owner shall continue to pay each assessment at the rate established for the previous fiscal year until the new annual or adjusted budget shall have been adopted.

5.7. Accounts; Audits. All sums collected by the Executive Board with respect to assessments against the Unit Owners or from any other source may be commingled into a single fund. All books and records of the Association shall be kept in accordance with good and accepted accounting practices, and financial statements consisting of at least a balance sheet and statement of revenue and expenses of the Association shall be prepared within one hundred eighty (180) days of the close of the Association's fiscal year and provided at cost to each Unit Owner requesting the same, within thirty (30) days of a written request received by the Secretary of the Association.

5.8. Rejection of Budget; Limitations on Expenditures and Borrowing. Anything herein to the contrary notwithstanding, the Association, by majority vote of all votes of Class A Members in the Association, may reject any budget or capital expenditure approved by the Executive Board, within thirty (30) days after approval by the Executive Board. The power of the Executive Board to expend funds, incur expenses or borrow money on behalf of the Association that it is reasonably anticipated will cause the aggregate amount of all expenses in the budget (including reserves) to be exceeded by more than ten percent (10%) of such aggregate amount after taking into account any projected increases in income, and to borrow money so that loans of the Association then outstanding would exceed ten percent (10%) of such aggregate amount, is subject to the approval of at least two-thirds (2/3) of the Class A Members present, in person, or by proxy at any duly called and held meeting of the Association.

5.9. Payment of Common Expenses and Insurance Costs. Each Unit Owner shall pay the Common Expenses and/or insurance costs assessed by the Executive Board pursuant to the provisions of this Article V. No Unit Owner may exempt himself or herself from liability for his or her contribution toward Common Expenses and/or insurance costs by waiver of the use or enjoyment of any of the Common Facilities or by abandonment of his or her Unit. No Unit Owner shall be liable for the payment of any part of the Common Expenses and/or insurance costs assessed against his or her Unit subsequent to the date of recordation of a conveyance by him or her in fee of such Unit. The purchaser of a Unit shall be jointly and severally liable with the selling Unit Owner for all unpaid assessments against the latter for his or her proportionate share of the Common Expenses and/or insurance costs up to the time of such recordation if such amount has been accurately and completely set forth in a resale certificate provided to such purchaser under §5407 of the Act, without prejudice for the purchaser's right to recover from the selling Unit Owner amounts paid by the purchaser therefor, and such purchaser shall not be liable for, nor shall the Unit conveyed be subject to a lien for, any unpaid assessments with respect to the time period covered by such statement, in excess of the amount therein set forth; and, provided further that, subject to §5315(b)(2) of the Act, each record holder of a mortgage on a Unit who comes into possession of a Unit by virtue of foreclosure or by deed or assignment in lieu of foreclosure, or any purchaser at a foreclosure sale, shall take the Unit free of any claims for unpaid assessments or charges against such Unit which accrue prior to the time such holder comes into possession thereof,

except for claims for a pro rata share of such assessments or charges resulting from a pro rata reallocation of such assessments or charges to all Units including the mortgaged Unit.

5.10. Collection of Assessments. The Executive Board or the Managing Agent, at the request of the Executive Board, shall take prompt action to collect any assessments for Common Expenses and/or insurance costs due from any Unit Owner which remain unpaid for more than thirty (30) days from the due date for payment thereof. Any assessment not paid within five (5) days after its due date shall accrue a late charge in the amount of five percent (5%) of the overdue assessment in addition to interest at the rate of fifteen percent (15%) per annum or such other rate as may be determined by the Executive Board.

5.11. Statement of Common Expenses. The Executive Board shall promptly provide any Unit Owner a written statement containing such information as is required to complete a resale certificate as required under §5407 of the Act. The Executive Board may impose a reasonable charge for the preparation of such statement to cover the cost of its preparation, to the extent permitted by the Act.

ARTICLE VI Compliance and Default

6.1. Relief. Each Unit Owner shall be governed by, and shall comply with, all of the terms of Declaration, these Bylaws, the Rules and Regulations and the Act, as any of the same may be amended from time to time. In addition to the remedies provided in the Act and the Declaration, a default by a Unit Owner shall entitle the Association, acting through its Executive Board or through the Managing Agent, to the following relief:

6.1.1. Additional Liability. Each Unit Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his or her act, neglect or carelessness or the act, neglect or carelessness of his or her tenants, guests, invitees or licensees, but only to the extent that such expense is not covered by the proceeds of insurance carried by the Executive Board. Such liability shall include any increase in casualty insurance premiums occasioned by improper use, misuse, occupancy or abandonment of any Units or its appurtenances. Nothing contained herein, however, shall be construed as modifying any waiver by any insurance company of its rights of subrogation.

6.1.2. Costs and Attorney's Fees. In any proceeding arising out of any alleged default by a Unit Owner, the prevailing party shall be entitled to recover the costs of such proceeding and such reasonable attorney's fees as may be determined by the court.

6.1.3. No Waiver of Rights. The failure of the Association, the Executive Board or of a Unit Owner to enforce any right, provision, covenant or condition which may be granted by the Declaration, these Bylaws, the Executive Board Rules and Regulations or the Act shall not constitute a waiver of the right of the Association, the Executive Board or the Unit Owner to enforce such right, provision, covenant or condition in the future. All rights,

remedies and privileges granted to the Association, the Executive Board or any Unit Owner pursuant to any term, provision, covenant or condition of the Declaration, these Bylaws, the Rules and Regulations or the Act shall be deemed to be cumulative and the exercise of any one or more thereof shall not be deemed to constitute an election of remedies, nor shall it preclude the party exercising the same from exercising such other privileges as may be granted to such party by the Declaration, these Bylaws, the Rules and Regulations or the Act or at law or in equity.

6.1.4. Abating and Enjoining Violations by Unit Owners. The violation of any of the Rules and Regulations adopted by the Executive Board, the breach of any Bylaw contained herein or the breach of any provision of the Declaration or the Act shall give the Executive Board the right, in addition to any other rights: (a) to enter the Unit in which, or as to which, such violation or breach exists and summarily to abate and remove, at the expense of the defaulting Unit Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof, and the Executive Board shall not thereby be deemed guilty in any manner of trespass; or (b) to enjoin, abate or remedy by appropriate legal proceedings, either at law or in equity, the continuance of any such breach.

ARTICLE VII Amendments

7.1. Amendments to Bylaws. These Bylaws may be modified or amended only by vote of Class A Members entitled to cast a majority of the votes in the Association, except as otherwise expressly set forth herein or in the Act; provided, however, that until the date on which all Declarant-appointed Board members voluntarily resign or are required to resign pursuant to Article VIII of the Declaration, (i) Section 2.5, (ii) Section 3.1, and (iii) this Section 7.1 may not be amended without the consent in writing of the Declarant. Additionally, if any amendment is necessary in the judgment of the Executive Board to cure any ambiguity or to correct or supplement any provision of these Bylaws that is defective, missing or inconsistent with any other provision hereof, or with the Act or the Declaration, then at any time and from time to time the Executive Board may effect an appropriate corrective amendment without the approval of the Class A Members or the holders of any liens on all or any part of the Property, upon receipt by the Executive Board of an opinion from independent legal counsel to the effect that the proposed amendment is permitted by the terms of this sentence.

7.2. Amendments to the Declaration. Any two (2) officers or Executive Board members of the Association may prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

ARTICLE VIII Miscellaneous

8.1. Notices. 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, postage prepaid (or otherwise as the Act may permit), (i) if to a Unit Owner, at the single address which the Unit Owner shall designate in writing and file with the Secretary or, if no such address is designated, at the address of the Unit of such Owner, or (ii) if to the Association, the Executive Board or to the Managing Agent, at the principal office of the Managing Agent or at such other address as shall be designated by notice in writing to the Unit Owners pursuant to this Section. If a Unit is owned by more than one Person, each such Person who so designates a single address in writing to the Secretary shall be entitled to receive all notices hereunder.

8.2. Captions. The captions herein are inserted only as a matter of convenience and for reference, and in no way define, limit or describe the scope of these Bylaws or the intent of any provision thereof.

8.3. Gender. The use of the masculine gender in these Bylaws shall be deemed to include the feminine and neuter genders and the use of the singular shall be deemed to include the plural, and vice versa, whenever the context so requires.

ARTICLE IX

Indemnification of Officers and Executive Board

9.1. Scope of Indemnification. Each 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, including actions by or in the right of the Association, by reason of the fact that he or she is or was a member of the Executive Board and/or Officer of the Association shall be indemnified by the Association against expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by or imposed upon him or her in connection with such action, suit, or proceeding; PROVIDED, HOWEVER, that the Association shall not indemnify any such person 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 and, with respect to any criminal action or proceeding, unless such person had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent shall not of itself create a presumption that the person is not entitled to indemnification under this Section, or with respect to any criminal action or proceeding, had reasonable cause to believe that his or her conduct was unlawful.

9.2. Reimbursement of Expenses.

9.2.1. To the extent that a member of the Executive Board and/or Officer of the Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section 9.1, or in defense of any claim, issue or matter therein, he or

she shall be indemnified against expenses (including attorney fees) actually and reasonably incurred by or imposed upon him or her in connection therewith. The determination of what expenses are actually and reasonably incurred shall be made by the Executive Board, but in the event of disagreement the person making the request may apply to the Court of Common Pleas of the County in which the registered office of the Association is located or the Court in which such action or suit was brought for such determination.

9.2.2. In situations where a Court has not made a determination that the act or failure to act giving rise to a claim for indemnification constituted willful misconduct or recklessness, any indemnification under Section 9.1 (unless ordered by a Court) shall be made by the Association only as authorized in the specific case upon a determination that the act or failure to act of the member of the Executive Board and/or Officer did not constitute willful misconduct or recklessness. Such determination shall be made (a) by the Executive Board by a majority vote of a quorum consisting of members of the Executive Board who were not parties to such action, suit or proceeding, or (b) if such a quorum is not obtainable, or, even if obtainable if a majority vote of a quorum of disinterested members of the Executive Board so directs, by independent legal counsel in a written opinion, or (c) by the Members.

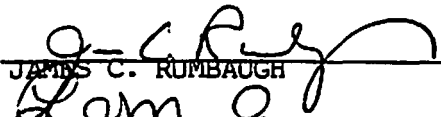
9.2.3. Expenses incurred by or imposed upon a member of the Executive Board and/or Officer in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of such action, suit or proceeding upon receipt of any undertaking by or on behalf of such Executive Board member and/or Officer to repay such amount if it shall ultimately be determined that he or she is not entitled to be indemnified by the Association as authorized in this Article.

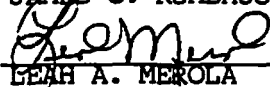
9.3. Change of Law. No amendment or repeal of this Article IX shall adversely affect any right or protection extended to an Executive Board member and/or Officer hereunder for an act or failure to act occurring prior to the time of such amendment or repeal. Each Executive Board member and/or Officer shall be deemed to act in such capacity in reliance upon the rights of indemnification and advancement of expenses hereunder. The rights to indemnification and advancement of expenses hereunder shall continue as to a person who has ceased to be an Executive Board member and/or Officer and shall inure to the benefit of the heirs, executors and administrators of such person.

9.4. Creation of Fund. 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 hereunder or otherwise. The Association may purchase and maintain insurance on behalf of any person who is or was a member of the Executive Board and/or Officer of the Association against any liability asserted against him or her and incurred by or imposed upon him or her in any such capacity, or arising out of his or her status as such, whether or not the Association would have the power to indemnify him or her against such liability under the provisions of this Article or otherwise, upon such terms and conditions as the Association may deem requisite including a requirement that any such person must contribute a portion or all of the cost of maintaining such insurance.


**ARTICLE XII
Adoption**

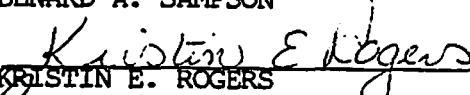
These Bylaws are adopted as the Bylaws for Avonlea Estates Phase III Community Association by its initial Executive Board designated by Declarant.



JAMES C. RUMBAUGH


LEAH A. MEROLA



BERNARD A. SAMPSON


KRISTIN E. ROGERS



LINDA J. RUMBAUGH

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9.5. Effectiveness. The provisions of this Article IX shall be effective for any act or omission of an Executive Board member and Officer.

9.6. Self Dealing, Willful Misconduct or Recklessness. Except for responsibility or liability of an Executive Board member pursuant to any criminal statute or for payment of taxes pursuant to local, state or federal law, a member of the Executive Board of the Association shall not be personally liable for monetary damages for any action taken or any failure to take any action unless (a) such Executive Board member has breached or failed to perform his or her fiduciary duties and (b) the breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

9.7. Fiduciary Relationship. A member of the Executive Board of the Association shall stand in a fiduciary relation to the Association. Absent breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a member of the Executive Board or any failure to take any action shall be presumed to be in the best interest of the Association.

ARTICLE X

Term

10.1. Term. The term of the Association shall be perpetual until dissolved in accordance with these Bylaws.

ARTICLE XI

Dissolution

11.1. Dissolution. In the event it shall be deemed advisable and for the benefit of the Members that the Association should be dissolved, the procedures concerning dissolution set forth in the Pennsylvania NonProfit Corporation Law of 1988, or its successor, shall be followed.

11.2. Distribution. In the event of dissolution, the assets, including any surplus of the Association after payment of all debts, including mortgages and other encumbrances, shall be distributed equally among the Members.