

SECTION 8. Board of Directors.

(a) Subject to the provisions of this Declaration and the By-Laws, the Board of Directors shall have the power to act on behalf of the Community Association. The initial Board of Directors shall consist of three (3) Directors. The initial Directors shall be appointed, removed and replaced from time to time by the Declarant without the necessity of obtaining resignations. The Declarant-appointed Directors shall be replaced with Directors elected by the Owners in accordance with the provisions of paragraph (b) of this Section.

(b) For purposes of this Subsection 8(b), the term "First Election Meeting" shall mean the first meeting of the Community Association which shall occur no later than sixty (60) days after twenty-five (25%) percent of the Dwellings are conveyed to Owners. The term "Transitional Meeting" shall mean the meeting of the Community Association which shall be held no later than sixty (60) days after seventy-five (75%) percent of the Dwellings are conveyed to Owners. Subject to the right of the Declarant to alter the following procedure so as to have all or part of the transition process occur earlier than as hereafter described, the transition from a Board of Directors comprised solely of Directors appointed by the Declarant to a Board of Directors comprised solely of Directors elected by the Owners (including Declarant, so long as Declarant owns Lots in the Property) shall occur as follows:

(i) At the First Election Meeting, the Owners shall elect two (2) Owners to serve on the Board of Directors thereby creating a five (5) Director Board of Directors. These two (2) elected Directors shall serve until the next annual meeting of the Community Association which is at least one hundred and eighty (180) days after the First Election Meeting, at which time these Directors may be reelected or their successors elected to serve two (2) year terms.

(ii) At the Transitional Meeting, the Owners (including Declarant, with one vote per Lot owned by Declarant) shall elect three (3) Owners to serve as Directors who shall replace the three (3) Directors appointed by the Declarant. The Directors elected pursuant to this Subsection 8(b)(ii) shall serve until the next annual meeting of the Community Association. At that meeting, the three (3) Directors elected pursuant to this Subsection 8(b)(ii) shall be reelected or their successors elected to serve two (2) year terms. In order for the meeting to be valid, a quorum must be present. Section 2.8 of the By-Laws defines a quorum as twenty (20%) percent of each class⁶ of members present, either in person or by proxy, at the beginning of any meeting.

(iii) Notwithstanding the foregoing, at the Transitional Meeting the Declarant shall have the right to appoint one (1) non-voting Director to serve until the earlier of (1) six (6) months after the last Dwelling in the Property is conveyed by the Declarant to an Owner, or (2) seven (7) years following the conveyance of the first Dwelling to an Owner.

(c) For purposes of determining the number of Lots owned by Declarant for voting purposes under Section 7, and whether the period of Declarant control has terminated or whether Owners are entitled to elect Directors under this Section 8, Declarant will be presumed to own seventy (70) Lots upon recordation hereof, and the percentage of Dwellings conveyed by Declarant is presumed to be that percentage which would have been conveyed if all seventy (70) Dwellings which the Declarant reserves the right to build in the Property were included in the Property subject to this Declaration, or, if the Declarant receives governmental approvals entitling the Declarant to build more than a total of seventy (70) Dwellings within the Property, as if such higher number of Dwellings were included within the Property subject to this Declaration. The Declarant explicitly reserves the right to build such higher number of total Dwellings if the appropriate approvals are obtained in the Declarant's sole discretion.

SECTION 9. Transfer of Community Facilities and Community Association Upon Transition. Upon any of the Community Facilities' substantial completion, the Community Association shall thereupon assume all responsibility for the management, operation, maintenance, insurance, repair and replacement of such Community Facilities and for the costs and expenses associated with such Community Facilities. Not later than the substantial completion of the Community Facilities, the Declarant shall transfer and the Community Association shall accept ownership of the lands upon which are situated Community Facilities, provided such acceptance shall not be deemed a waiver of the Declarant's obligation to complete the Community Facilities if not yet substantially complete. For purposes of this Section, substantial completion shall mean the date when the Community Facilities are sufficiently complete so that they can be used for the use intended, and, if required by law, use and/or occupancy permits have been obtained for the Community Facilities. Notwithstanding anything to the contrary contained in this Section, not later than the election held pursuant to Subsection 8(b)(ii), the Declarant shall deliver all property of the Community Association to the Community Association, including, but not limited to, the following:

(a) A photocopy of the Declaration and all amendments thereto, certified by affidavit of the Declarant, or an officer or agent of the Declarant, as being a complete copy of the actual Declaration.

(b) Certified copies of the Community Association's Articles of Incorporation and the By-Laws, and the Minute Books, including all minutes, and other books and records of the Community Association, and any rules and regulations which have been promulgated.

(c) Resignations of officers and Directors who are required to resign because the Declarant is relinquishing control of the Board of Directors.

(d) An accounting for all Community Association funds, including capital accounts and contributions, and the funds of, or control of, the funds of the Community Association.

(e) All tangible personal property that is the property of the Community Association, represented by the Declarant to be part of the Community Facilities or ostensibly part of the Community Facilities, and an inventory of that property.

(f) All insurance policies held by the Association.

(g) Any permits issued by governmental bodies applicable to the Property in force.

(h) All written warranties of the contractor, subcontractor, suppliers and manufacturers, if any, that are still effective.

(i) A roster of Owners and their addresses and telephone numbers, if known, as shown on the Declarant's records.

(j) Leases to which the Community Association is a party, if any; employment contracts, management contracts, maintenance contracts, contracts for the supply of equipment or materials, and service contracts in which the Community Association is one of the contracting parties; and maintenance contracts and service contracts in which the Community Association or Owners have an obligation or responsibility directly or indirectly to pay some or all of the fee or charge of the person or persons performing the service.

SECTION 10. Limited Warranty for Community Facilities.

(a) Upon the conveyance of any of the Community Facilities to the Community Association, the Declarant warrants to the Community Association that such Community Facilities shall be free from structural defects for a period of eighteen (18) months from the date such Community Facilities were conveyed to the Community Association.

(b) **THE WARRANTY DESCRIBED IN THIS SECTION IS THE ONLY WARRANTY MADE TO THE COMMUNITY ASSOCIATION BY THE DECLARANT AND IS NOT A WARRANTY TO ANY OF THE OWNERS AND IS EXPRESSLY MADE IN**

LIEU OF ANY OTHER EXPRESSED OR IMPLIED WARRANTIES BY THE DECLARANT, THE DECLARANT'S AGENTS OR EMPLOYEES OR ANY OTHER PERSON ON BEHALF OF THE DECLARANT.

(c) The warranty described in this Section shall not apply to the Community Facilities if they have been subjected to misuse or damage by accident or have not been afforded reasonable care. The liability of the Declarant under this warranty is limited to replacing or repairing any defective parts or materials which do not comply with the above warranty and in no event shall the liability of the Declarant exceed the replacement cost of the Community Facility which contains the structural defect(s) upon which a warranty claim is based. In no event shall the Declarant be liable to the Community Association or to any Owner for consequential damages arising from any breach of the above warranty or for the negligence of the Declarant. The Declarant shall have the sole right to determine whether the structural defect shall be corrected by repair or replacement and the Community Association and the Owners shall make every reasonable effort to make the Community Facilities, together with reasonable access thereto, available to the Declarant and its agents, employees and invitees during normal business hours in order to permit such repair or replacement to be made.

(d) No claim arising out of the foregoing warranty may be brought unless, prior to the expiration of the warranty period set forth in Subsection (a) above, the Community Association shall have delivered notice to the Declarant of all alleged breaches of the warranty that would give rise to such a claim.

SECTION 11. Insurance.

(a) The Board of Directors shall obtain or cause to be obtained "broad-form" comprehensive public liability and property damage insurance covering liability for loss or damage to persons or property in those amounts, against those risks and in those insurance companies which the Board of Directors shall from time to time determine, but in no event less than Two Million (\$2,000,000) Dollars for bodily injury, including deaths of persons and property damage arising out of a single occurrence. This insurance shall include protection against liability for the property of others, and any other risks which are customarily covered in similar policies for associations similar to the Community Association, including, without limitation, liabilities arising out of or in connection with the Community Association's maintenance responsibility hereunder. This insurance shall also include protection for the Owners and the Community Association against liability arising out of the use of, or occurring on, any portion(s) of the Community Facilities which are located on a Lot(s), including, without limitation, portions of private roads and/or sidewalks which are located on a Lot. All liability insurance contracts shall contain severability of interest provisions and cross liability endorsements to cover liabilities

of the Community Association or the Owners as a group to an Owner.

(b) Each Owner shall be individually responsible for maintaining "all risk" hazard, and, if applicable, flood insurance coverage for his Dwelling and the fixtures installed therein and for all personal property of the Owner in a company or companies acceptable under the standards set by the Board of Directors in an amount equal to the maximum insurable replacement value, providing for no "co-insurance", and containing an "agreed amount endorsement" or its equivalent, and, if available, an "Inflation Guard Endorsement". In the event of damage or destruction to a Dwelling, the Owner shall repair or replace the Dwelling.

(c) All policies purchased by the Association shall be purchased for the benefit of the Association, the Board of Directors, the Declarant, all Owners, and all Eligible Mortgagees, as their interests may appear; however, the Association shall be the named insured and it shall not be necessary to name the Board of Directors, the Declarant or the Owners. Mortgagee endorsements may be issued upon request. The Association shall maintain the appropriate insurance coverage as is required under applicable law and under the guidelines and regulations promulgated by the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Corporation (FHLMC), HUD and VA or their successors. The company or companies with whom the Board of Directors shall place its insurance coverage, as provided in this Declaration, must be qualified and reputable, authorized to do business in the Commonwealth of Pennsylvania and rated A, with a V financial size category, by A. M. Best Company, Inc., in its "Key Rating Guide: Property Casualty", or a comparable rating if Best shall no longer be in existence. Except as otherwise specifically provided herein, premiums for insurance coverage and other expenses related to insurance shall be paid by the Board of Directors and charged to all Owners as a Common Expense. All policies shall provide that they may not be cancelled or substantially modified, by any party, without at least thirty (30) days prior written notice to the Association and to each Eligible Mortgagee listed in the insurance policies. In addition, policies shall provide for the following: recognition of any insurance trust agreement; a waiver of the right of subrogation against the Declarant and Owners individually; a statement that the insurance shall not be prejudiced by any act or neglect of individual Owners which is not in the control of the Owners collectively; and a statement that the policy is primary in the event the Owner or the Declarant has other insurance covering the same loss. Policies purchased by the Association shall be deposited with the Board of Directors and shall provide that all insurance proceeds payable on account of loss or damage shall be payable to the Association.

(d) The Board of Directors shall review, at least annually, all insurance coverage carried pursuant to this Declaration to evaluate this coverage with respect to its compliance with this Declaration and (to the extent the Property is or will be subject to FNMA or FHLMC approval) standards set by FNMA, FHLMC, HUD and VA, as well as with respect to what is reasonably appropriate coverage for communities comparable to the Community. In the event the Board of Directors determines after this review and evaluation that the insurance coverage required hereunder is not consistent with the requirements or standards set by FNMA, FHLMC, HUD or VA or other reasonably appropriate coverage when compared to coverage for communities comparable to the Property, the Board of Directors shall have the power to deviate from the specific provisions of this Section only to the extent of providing consistent and reasonably appropriate coverage; provided the Board of Directors shall give the Owners and all Eligible Mortgagees at least thirty (30) days prior written notice of any deviation.

(e) The Board of Directors is hereby empowered to compromise and settle claims arising under insurance policies purchased by the Community Association, and to execute and deliver releases therefor, upon the payment of claims.

(f) The Board of Directors shall also obtain the following insurance coverage and endorsements which may be applicable to the Community Facilities or other insured property, all premiums for which are to be charged as Common Expenses: (i) Workmen's compensation policy to meet the requirements of law; (ii) directors' and officers' liability and any other insurance which the Board of Directors shall deem necessary to satisfy the indemnification obligations of the Community Association as provided in Section 19 of this Declaration; (iii) all other insurance which the Board of Directors shall determine from time to time to be necessary or desirable.

(g) If available, and where applicable, the Board of Directors shall endeavor to obtain policies which provide that the insurer waives its right of subrogation as to any claims against Owners, the Community Association, the Declarant, the Board of Directors and their respective servants, agents and guests.

(h) Notwithstanding the duty of Board of Directors to maintain and repair the Community Facilities, the Board of Directors shall not be liable for injury or damage caused by the failure of the Board of Directors to maintain or repair the same, except to the extent of the proceeds of insurance carried by the Board of Directors and collected and received therefor.

(i) To the extent that the use or occupancy of a Dwelling by an Owner or the occupant of any Dwelling is otherwise permitted hereunder, the Community Association shall have the right to charge the Owner of the Dwelling for any increase in

insurance premiums payable by the Community Association occasioned thereby. No Dwelling shall be used, occupied or kept in a manner which will in any way increase fire, liability or other insurance premiums payable by the Community Association, or any other Owner without the prior written permission of the Board of Directors, which permission shall be conditioned upon the Owner of the Dwelling being required to bear the full amount of any increase in premiums payable by the Community Association. No Dwelling or any part of the Property shall be used, occupied or kept in any manner which would violate any law, statute, ordinance or regulation of any governmental body or which would lead to the cancellation of any insurance policy or policies on the Property.

SECTION 12. Easements.

(a) All the Property shall be subject to an easement for the present and future installation and maintenance of electric service, master and/or cable television service, telephone service, water service, storm water and sanitary sewage services and other utility services and the facilities and appurtenances necessary to the same, which easement shall run in favor of the Declarant, the Community Association and the entity or entities owning or operating these facilities and providing the aforementioned services. The Declarant and the Board of Directors shall have the right to grant to third parties additional utility easements which are deemed reasonable by the Declarant or Board of Directors in connection with the supply of utility services to the Dwellings or the Community Facilities. The Declarant and the Community Association shall have the right to connect or tie into an Owner's outdoor water spigots and to use reasonable amounts of water therefrom without cost or charge for purposes of watering planted and grass areas of the Property, including the Owner's Lot. This right shall continue as to areas of the Property for a period of ninety (90) days after the planting of these areas with landscaping, seed or sod.

(b) The Community Association and its Board of Directors, officers, agents and employees, shall have the irrevocable right and easement to have access to each Dwelling and Lot as may be necessary for the inspection, maintenance, repair or replacement of any of the Community Facilities therein or accessible therefrom or the making of any addition or improvements thereto or to make other repairs to any Dwelling and the Community Facilities (if these repairs are reasonably necessary for public safety or to prevent damage to the Community Facilities), or to abate any violation of this Declaration or any rules or regulations of the Community Association or any violation of any laws or orders of any governmental authorities having jurisdiction over the Property. The cost of the repairs made to any Dwelling shall be chargeable to the Owner of the Dwelling.

(c) The Declarant reserves the right with respect to its marketing of Dwellings to use the Community Facilities and, to the extent not already conveyed to purchasers, Lots or Dwellings for the ingress and egress of itself, its officers, employees, agents, contractors and subcontractors. The Declarant also reserves the right to permit prospective purchasers to park in any parking spaces located in the Community Facilities. The Declarant shall also have the right, in connection with its marketing of Dwellings, to erect signs on the Community Facilities, or on those Dwellings not already conveyed to purchasers. Any damage to the Community Facilities resulting from this easement shall be repaired by the Declarant within a reasonable time after the completion of its sale of all of the Dwellings in the Community or termination of the use of the Community Facilities, whichever shall occur first. The Declarant agrees to indemnify and to hold the Community Association harmless from all liabilities resulting from the use of the Community Facilities in conjunction with the marketing of Dwellings. The rights reserved for the Declarant by this Section shall remain in effect for as long as the Declarant shall remain the owner of or have the right to create or build a Lot or Dwelling in the Property. This Subsection shall not be amended without the prior written consent of the Declarant.

(d) The Declarant reserves the right with respect to the construction of Dwellings and Community Facilities to go upon any and all of the Property for purposes of construction, reconstruction, maintenance, repair, renovation, replacement or correction of the Community Facilities or Dwellings (including without limitation, to change the grade of any portion of the Property and/or to install drainage control devices so as to control possible drainage and/or runoff of storm water in connection with the development of the Property or adjacent lands.) The Declarant agrees to indemnify and hold the Community Association harmless from liabilities resulting from the exercise of this easement. This easement shall be appurtenant and shall pass with title to every Dwelling. The rights hereby reserved for the Declarant shall last as long as the Declarant is the owner of or has the right to create or build a Lot or Dwelling in the Property. This Subsection shall not be amended without the prior written consent of the Declarant.

(e) If any portion of the Community Facilities hereafter encroaches upon any Dwelling or Lot, or if any Dwelling hereafter encroaches upon any other Dwelling, Lot or upon any portion of the Community Facilities as a result of settling or shifting of any Dwelling, other than as a result of the purposeful or negligent act or omission of the Owner of the encroaching Dwelling or of the Community Association in the case of encroachments by the Community Facilities, a valid easement appurtenant to the encroaching Dwellings or Community Facilities for the encroachment and for the maintenance of the same shall exist for so long as the encroachment shall exist.

(f) The rights and duties of the Owners of Dwellings within the Property with respect to sanitary sewer, storm sewer, water, electricity, telephone lines and facilities shall be governed by the following:

(i) Wherever sanitary sewer house laterals and connections and/or water house connections or electricity or telephone lines are installed within the Property, which laterals, connections or any portion thereof lie in or upon a Lot owned by the Owner of a Dwelling served by these connections, the Declarant (as long as it owns a Lot or Dwelling in the Property) and the Community Association shall have the right, and are hereby granted an easement to the full extent necessary therefor, to enter upon the Lot or Dwelling and to have the utility companies or authorities enter upon the Lot or Dwelling in or upon which the laterals, the connections, or any portion thereof, lie, to repair, replace and generally maintain the laterals and connections as and when they may deem the same necessary. The Community Association shall be responsible for restoring the surface of the easement area to the same condition which existed prior to the use to the extent that the utility company or authority is not so responsible or has not done so.

(ii) Wherever sanitary sewer house laterals or connections and/or water house connections or electricity or telephone lines are installed within the Property which connections serve more than one Dwelling, the Owner of each Dwelling served by the lateral or connection shall be entitled to the full use and enjoyment of the portions of the laterals and connections as serve his Dwelling or Lot.

(iii) In the event of a dispute between Owners with respect to repair or rebuilding of these utility connections, or with respect to the sharing of the costs thereof, upon written request of any one of these Owners, addressed to the Community Association, the matter shall be submitted to the Board of Directors, who shall decide the dispute, and the decision of the Board of Directors shall be final, conclusive and binding on all parties.

(g) Each Owner and the Declarant shall have an easement of use, access, ingress and egress to, from, over and through any private road and/or sidewalk which is located either totally or partially within an Owner's Lot.

(h) The foregoing easements shall run with the land and inure to the benefit of and be binding upon the Community Association, each Owner, the Declarant, each Eligible Mortgagee and each tenant, occupant or other person having any interest in any Dwelling or in the Community Facilities at the time of reference. In addition, the easements set forth in Sections 12(a) and (b) above shall inure to the benefit of the Township in so far as required to permit the Township to exercise its rights under Section 24 hereof.