

DAYBREAK AT BLUE MOUNTAIN HOMEOWNERS ASSOCIATION
BY-LAWS

(As amended and readopted, October 14, 1997.)

ARTICLE I

Name and Address

1.1. Name. The name of this association shall be DAYBREAK AT BLUE MOUNTAIN HOMEOWNERS ASSOCIATION (hereinafter, "Association").

1.2. Address. The office of the Association shall be at the place to be designated by the Board, subject to change upon notice to the Members of the Association.

ARTICLE II

Applicability

2.1. Applicability. These By-Laws shall be applicable to the Association and all present and future owners and tenants, their guests, licensees, servants, agents, employees and any other person or persons that shall be permitted to use the Common Elements described in the Declaration of Rights, Covenants, Easements, Conditions and Restrictions of Daybreak at Blue Mountain ("Declaration"), dated January 6, 1994 and recorded in the Dauphin County, Pennsylvania, Recorder of Deeds' Office on February 23, 1994, in Record Book 2169 at 66 through 136, in which Declaration was created and restated Daybreak at Blue Mountain, a Planned Unit Development, ("Development"), and which shall be subject to these By-Laws and to the rules and regulations as may be issued by the Board of Directors of the Association from time to time to govern the conduct of its Members. Ownership, rental or occupancy of any of the Units in the Development shall be conclusively deemed to mean that said owner, tenant or occupant has accepted and ratified these By-Laws and the rules and regulations of the Association and will comply with them.

2.2. Interpretation. In the event of a conflict of interpretation between the provisions set forth in these By-Laws and the Declaration, the Declaration shall govern. In the event that the Internal Revenue Code is hereafter amended or changed, both the Declaration and these By-Laws shall be interpreted in such a manner as to conform to the provisions of the Internal Revenue Code with respect to non-profit entities, it being the intention to preserve the lawful status of the Association as a bona fide non-profit entity.

ARTICLE III

Purpose

3.1. Association Purposes. The purpose of the Association is to maintain, regulate and administer the Common Elements (except as otherwise provided in the Declaration), for the use, benefit and enjoyment of the owners and lawful occupiers of the Units in the Development. In addition thereto, the Association is to provide for the orderly economical management and maintenance of the Common Elements and to provide for the collection of such revenue as necessary to effectuate the maintenance of these facilities and other such facilities as may be established for the Members. This Association does not contemplate pecuniary gain or profit to its Members.

ARTICLE IV Definitions

4.1. Any capitalized term used herein which is not defined herein shall have the same meaning ascribed to it in the Declaration, unless it is plainly evident from the context that a different meaning is intended. The following terms shall have the meanings ascribed to them:

"Association" means the Daybreak at Blue Mountain Homeowners Association, a Pennsylvania nonprofit corporation (originally incorporated on or about November 9, 1993) and organized on a nonstock basis, the Members of which are the lot owners, and their successors and assigns.

"Development" means the 94 lots and the Common Areas constituting the Property.

COMMENT: The Declaration, Art. I, Sections 1.1 through 1.14 defines the following terms:

"Assessments"
"Association" See Association above.
"Board"
"By-laws" and "Articles"
"Common Area"
"Common Expense"
"Declarant" as New Dawn Homes, Inc
"Declaration"
"Lot"
"Member" or "Lot Owner"
"Person"
"Plan"
"Project"
"The (sic) Property"

ARTICLE V
Membership

5.1. Membership. Membership in the Association shall be limited to the Owners or co-Owners of a Unit in the Development as provided in the Declaration. The Owner of each Unit in the Development shall have one vote in the Association. Cumulative voting shall not be permitted.

5.2. Affirmative Vote. Except as otherwise provided herein, in the Declaration or in the Uniform Planned Community Act, Act of December 19, 1996, P.L. 1336, No. 180, effective February 2, 1997 (hereinafter, "Act"), all decisions shall require for passage, the affirmative vote of at least a majority of the votes of the Members in good standing and entitled to vote in attendance at a meeting having present, in person or by proxy, the quorum required in Section 5.5 hereof. Cumulative voting shall not be permitted.

5.3. Membership List. Not less than thirty (30) days prior to the date of the annual or any special meeting of the Association, the Secretary shall compile and maintain at the principal office of the Association, an updated list of Members and their last known post office addresses. Such lists shall also show opposite each Member's name the address of the Unit owned by such Member. The list shall be revised by the Secretary to reflect changes in ownership of Units occurring prior to the date of such annual or special meeting. This list shall be open to inspection by all Members and other persons lawfully entitled to inspect the same during regular business hours up to the date of such annual or special meeting. The Secretary shall also keep current and retain custody of the Minute Book of the Association, containing the minutes of all annual and special meetings of the Association and all resolutions of the Board.

5.4. Proxies and Mail Ballots. Votes may be cast in person, by mail ballot or by written proxy. Proxies and mail ballots, to be valid, must be duly executed by the Unit Owner as the appropriate person whose name appears on a certificate on file with the Association and must be received by the Secretary no later than 4:00 p.m. of the day prior to the date of the meeting for which the proxy or mail ballot is specified to be effective.

5.5. Quorum. Except as otherwise provided in these By-Laws, the presence in person, by mail ballot or by proxy of thirty (30%) percent of the Members of the Association shall constitute a quorum at the beginning of any annual or special meeting of Members. If any meeting of Members cannot be

organized because a quorum has not attended, the Members present, either in person, by mail ballot or by proxy, may adjourn the meeting to a time not less than forty-eight (48) hours from the time the original meeting was called.

5.6. Actions Without Meeting. Any action which, under any provision of these By-Laws, may be taken at a meeting of Members, may be taken without a meeting if authorized by a writing signed by all of the Members entitled to vote by the required percentage for that particular matter at a meeting for such purpose and filed with the Secretary of the Association.

ARTICLE VI Meetings of Members

6.1. Place of Annual and Special Meetings. All annual and special meetings of the Association shall be held at the principal office of the Association, if any, or at such other suitable and convenient place as may be permitted by law and from time to time fixed by the Board and designated in the notices of such meetings.

6.2. Date of Annual Meetings. Annual meetings of the Members of the Association shall be held in January of each year or such other date as shall be fixed by the Board. At each annual meeting there shall be elected by a ballot of a majority of the Members present at the meeting in person or by proxy and entitled to vote, the members of the Board of the Association in accordance with the provisions of Article VII of these By-Laws. The Members may also transact such other business as may properly come before the meeting.

6.3 Notice of Annual Meetings. The Secretary shall mail notices of annual meetings to each Member of the Association and all Eligible Mortgagees directed to his/its last known post office address as shown on the records of the Association, by regular mail, postage prepaid. Such notice shall be mailed not less than ten (10) nor more sixty (60) days before the date of such meeting and shall state the date, time and place of the meeting and the purpose or purposes thereof, the items on the agenda, including the general nature of any proposed amendment to the Declaration or these By-Laws, any budget or assessment charges and, where the Declaration or these By-Laws require approval of Unit Owners, any proposal to remove a Board member or officer. In lieu of mailing notice as herein provided, such notice may be delivered by hand to the Members or left at their residence in their absence.

6.4. Special Meeting. It shall be the duty of the President to call a special meeting of the Members of the Association whenever he is directed to do so by resolution of the Board or upon presentation to the Secretary of a petition, stating the specific purposes of such special meeting, signed by thirty (30%) percent of all Members.

6.5. Notice of Special Meetings. The Secretary shall mail notice of such special meeting to each Member of the Association in the manner provided in Section 6.3 hereof. In lieu of mailing notice as herein provided, such notice may be delivered by hand to a Member or left at his residence in his absence. Such notice shall state the same items required by Section 6.3 hereof for notices of annual meetings and shall specify the general nature of the business to be transacted at the special meeting. No business shall be transacted at any special meeting except as stated in the notice thereof unless by consent of two-thirds (2/3) of the Members present, either in person or by proxy.

ARTICLE VII Board of Directors

7.1. Number of Directors. The affairs of the Association shall be governed by a Board consisting of five (5) Directors comprised of five (5) Members (or as to Units owned by a corporation, an officer, director or agent duly appointed by the corporation to serve on the corporation's behalf) elected by the Members present in person or by proxy at a meeting of the Association.

COMMENT: See Decl., Art.VII, Sections 7.5, 7.6

7.2. Term of Directors. All Directors shall be elected to serve for terms of two (2) years, with two (2) Directors being elected in one year and three (3) Directors being elected in the next year, and shall continue to hold office until their successors are elected.

COMMENT: See Declaration, Secs. 7.5, 7.6

7.3. Nominations to Board. Owners may be nominated for election to the Board in one of the following ways:

(a) A Director shall be deemed to have been nominated for the next election for re-election to that position by his signifying his intention to seek re-election in writing addressed to the Board.

(b) An Owner who is not a Director and who desires to run for election to that position shall be deemed to have been nominated for election as a Director upon his filing with the Board a written petition of nomination bearing the genuine signature of such Unit Owner and one other Unit Owner.

© Nominations of other Owners may be made from the floor of the meeting at which an election is held.

7.4. Vacancy on Board. If the office of any Director shall become vacant by reason of his death, resignation, retirement, disqualification, removal from office or otherwise, the remaining Directors, at a special meeting duly called for such purpose, shall choose a successor, who shall hold office until the end of the term for which he was appointed, at which time shall occur his re-election or the election of his successor. In the event that there shall be a deadlock in the voting for a successor, the three (3) Directors with the longest continuous terms on the Board shall select the successor. The person so selected shall serve for the unexpired term in respect to which such vacancy occurred.

7.5. Regular Board Meetings. Regular meetings of the Board may be held at such time and place permitted by law as from time to time may be determined by the Board. Notice of regular meetings of the Board shall be given to each Director personally, by telegram, telephone or by United States mail, with postage prepaid, directed to him at his last known post office address as the same appears on the records of the Development Association, at least five (5) days before the date appointed for such meeting. This notice shall state the date, time and place of such meeting and the purpose thereof.

7.6. Waiver of Notice. Before any meeting of the Board, whether regular or special, any Director may waive, in writing, notice of the meeting and the waiver shall be deemed equivalent to the giving of the required notice.

7.7. Quorum. At all duly convened meetings of the Board, a majority of the Directors shall constitute a quorum for the transaction of business, except as otherwise expressly provided in these By-Laws or by law, and the acts of the majority of the Directors present at such meeting at which a quorum is present shall be the acts of the Board. If at any meeting of the Board, there shall be less than a quorum present, the Director or Directors present may adjourn the meeting from time to time, and at such adjourned meeting at which a quorum is present, any business that might have been transacted at the meeting as originally called may be transacted without further notice to any Director.

7.8. Consent in Writing. Any action by the Board may be taken without a meeting if all of the Board shall individually or collectively consent in writing to such action. Such written consent or consents shall be filed with the minutes of the proceedings of the Board. Such action by written consent shall have the same force and effect as a unanimous vote of the Directors.

7.9. Fees and Compensations. No Director shall receive any salary or compensation for his services as an Director but the Director may be reimbursed for expenses he incurs on behalf of the Association.

COMMENT: For indemnification of Officers and Directors, see Decl., Art. VII, Sec. 7.7

7.10. Records. The Board shall cause to be kept a complete record of all of its acts and corporate affairs and to present a statement thereof to the Owners at annual meetings of the Association.

7.11. Powers and Duties. The Board shall have and exercise all lawful powers and duties necessary for the proper conduct and administration of the affairs of the Association and the operation and maintenance of the Development and may do or cause to be done all such other lawful acts and things as are now by law or by these By-Laws directed or required to be done by Members of the Association. In the performance of its duties as the administering body of the Association, in addition to those powers and duties set forth in the Act and the Declaration, the Board shall have powers and duties including, but not limited to, the following:

(a) To provide for the operation, maintenance, insurance, management, cleaning, sanitation, renewal, replacement, care and upkeep of the Common Elements (except as otherwise provided in the Declaration) and all property, real or personal, of the Association.

(b) To determine the Common Expenses and assess the same against the Owners in accordance with the provisions of the Declaration, these By-Laws and the Act.

COMMENT: For definition of "Common Expenses", see , Art. I, Sec. 1.6

© To levy and collect, in addition to annual Assessments for Common Expenses, such Special Assessments for Capital Improvements, Supplemental Annual Assessments and Other

Special Assessments in such amounts as the Board deems proper, in accordance with the provisions of the Declaration whenever the Board is of the opinion that it is necessary to do so in order to meet increased operating or maintenance costs, or additional capital expenses, or because of emergencies.

(d) To maintain blanket fidelity bonds for all Directors, officers and employees of the Association and all other persons or firms who handle or are responsible for funds of or administered by the Association. The total amount of fidelity bond coverage shall be adequate as determined by the best business judgment of the Board but not be less than the estimated maximum of funds, including reserve funds, in the custody of the Association or the management firm employed by the Association, as the case may be, at any given time during the term of each bond. Such fidelity bonds shall name the Association as an obligee; contain waivers by the issuers of all defenses based upon the exclusion of persons serving without compensation from the definition of "employees", or similar terms or expressions; provide that they may not be canceled or substantially modified (including cancellation for non-payment of premium) without at least ten (10) days' prior written notice to the Association, and to others as shall be necessary or advisable. The premiums for such fidelity bonds shall be paid by the Association as part of the Common Expenses.

COMMENT: See Declaration, Art. VII, Sec. 7.7

(e) To pay all taxes and assessments levied or assessed against any property that may be owned by the Association, exclusive of any taxes or assessments levied against any Owner or otherwise properly chargeable to the Owner.

(f) To employ and dismiss such personnel which may include, but not be limited to, clerks, stenographers, workmen and gardeners, and to purchase or arrange for such services, machinery, equipment, tools, materials and supplies, as in the opinion of the Board may from time to time be necessary for the proper operation and maintenance of the Common Elements.

(g) To enter, in the sole discretion of the Board, into a contract for professional management of the Development and the Association at such price and upon such terms as shall be determined by the Board, to perform such duties and services as the Board may lawfully delegate. However, any such contract shall not be for a term in excess of two (2) years and shall provide for termination by either party with or without cause on ninety (90) days' written notice thereof to the other.

(h) To collect delinquent Assessments and other charges made by the Association through the Board against any Unit and the Owner thereof, together with such costs and expenses incurred in connection therewith, including, but not limited to, court costs and attorneys' fees, whether by suit or otherwise, to abate nuisance and enforce observance of the rules and regulations relating to the Development, by injunction or such other legal action or means as the Board may deem necessary or appropriate.

(I) To employ or retain such professional counsel and consultants such as, but not limited to, landscape architects, recreation experts, architects, planners, lawyers, accountants and investment counselors, as may be deemed necessary by the Board for any proper purposes of the Association, and to fix their compensation for professional advice or services.

(j) To cause such operating accounts, and escrow and other accounts, if any, to be established and opened as the Board may deem appropriate from time to time and as may be consistent with generally accepted accounting practices.

(k) To adopt a budget for each fiscal year which shall contain estimates of the cost and expenses of the Association, including, but not limited to, the following items:

(I) Common Expense budget which shall include without limiting the generality of the foregoing, the estimated amounts necessary for maintenance and operation of the Common Elements and any and all other expenses related to the operations thereof including, but not limited to, common utility services, casualty and liability insurance, administrative and office expenses and reserves and the costs associated with the administration of the Development Association;

(ii) Any and all expenses incident to the maintenance and repair of any Limited Common Elements as defined herein;

(iii) Amounts to be credited or allocated for reserves for replacements of those Common Elements which require replacement, renovation or rehabilitation periodically. The Board shall accumulate and maintain reasonable reserves for replacements; and

(iv) Proposed Assessments upon each Member for the fiscal year.

Copies of the budget adopted by the Board and proposed Assessments due from the Owners in accordance with the budget

shall be available for inspection by all Owners during regular business hours at the Association's office.

(l) To cause a review or audit of the books and accounts of the Association to be made by a competent independent public accountant at the end of each fiscal year, and at such other time or times as may be deemed necessary.

(m) To maintain accounting records in accordance with generally accepted accounting principles.

(n) To make, and enforce compliance with, such reasonable rules and regulations relative to the operation, use and occupancy of the Common Elements and Limited Common Elements and Units including, but not limited to penalties to be levied for violations of these By-Laws, the Declaration and any rules and regulations as the Board shall adopt, and to amend the same from time to time as and when approved by appropriate resolutions which shall be binding on the Owners and occupants of Units, their successors in title and assigns. A copy of such rules and regulations and copies of any amendments thereto shall be delivered or mailed to each Owner or occupant of a Unit promptly upon the adoption thereof.

(o) To keep insured the Common Elements, fixtures, equipment and personal property owned by the Association and Units insured, as provided in the Declaration and the Act, for the benefit and protection of the Unit Owners and the Association.

(p) To establish depositories for the Association with such bank or banks as shall be designated from time to time by the Board and in which monies of the Association shall be deposited. Withdrawal of monies shall be only by check signed by such persons as are authorized by the Board. The Board shall have the power to invest monies of the Association in such investments as the Board shall deem to be reasonably prudent.

(q) To borrow and repay monies, giving notes and security, upon such term or terms as are deemed necessary.

(r) To acquire by purchase, gift, bequest, devise, sale or lease additional real or personal property to protect the Common Elements or additional Common Elements upon such term or terms as the Association deems necessary and proper.

(s) To do all things incidental and necessary to the accomplishment of the above.

COMMENT: For "powers and duties" of association, see Dec. 7.4; for "Common Expenses", see Dec. 1.6, 8.4, 8.7 (Supplemental Annual Assessments).

ARTICLE VIII

Officers

8.1. Officers. The officers of the Association shall be a President, Secretary and Treasurer. The officers shall be elected from the Directors.

8.2. Election. The officers of the Association shall be elected by the Board at the annual meeting after each election of Directors and shall hold office until their successors are elected or appointed by the Board, provided that each officer shall hold office at the pleasure of the Board and may be removed either with or without cause, and his successor elected at any annual or special meeting of the Board called for such purpose, upon the affirmative vote of a majority of the Directors. The Board may, from time to time, appoint such other officers as in its judgment are necessary, which other officers may or may not be Directors. Any officer may resign at any time by giving written notice to the Board or to the President or Secretary of the Association. Any such resignation shall take effect as of the date of the receipt of such notice or any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

8.3. President. The President shall be the chief executive officer of the Association, shall preside at all meetings of the Association and of the Board and shall have the general powers and duties usually vested in the office of the president of an association, including, but not limited to, the power to appoint ad hoc committees from among the Members from time to time as the President may deem appropriate to assist in the conduct of the affairs of the Association. Such ad hoc committees with one or more members, shall not have a vote in the affairs of the Association and shall serve only an advisory function. The President shall be an ex-officio member of all standing committees, if any. The President shall execute such deeds, contracts and other instruments, in the name and on behalf of the Association and under its corporate seal when a seal is required except when such documents are required or permitted by law to be otherwise executed, and except when the signing and execution thereof shall be delegated by the Board to another officer or agent of the Association.

8.4. Secretary. The Secretary shall attend all meetings of the Board and all meetings of the Association and record all votes and the minutes of all meetings and proceedings, including resolutions, in a Minute Book to be kept for that purpose, and shall perform the duties for any committees, when required. The Secretary shall have charge of the Minute Book and such records and papers as the Board shall direct, and perform all duties incident to the office of Secretary, including the sending of notice of meetings to the Members of the Association, the Board and committees, and such other duties as may be prescribed by these By-Laws or by the Board or the President. The Secretary shall also have custody of the corporate seal, and when authorized by the Board, affix the same to any instrument requiring it and attest the same when appropriate. The Secretary shall keep, or cause to be kept, at the principal office of the Association, a membership register showing the following: (a) the names and addresses of all Directors; (b) the names of the Owners and their addresses; © the Unit(s) which each Owner owns; and (d) the number of Units held by each Owner.

8.5. Treasurer. The Treasurer shall have responsibility for the Association's funds and securities, and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Association, and shall deposit all monies, checks and other valuable effects in the name and to the credit of the Association, in such depositories as may from time to time be designated by the Board. The Treasurer shall disburse the funds of the Association as may from time to time be ordered by the Board or by the President, and shall render to the President and the Board at its regular meetings, or whenever they or either of them shall require, an account of the transactions as Treasurer and of the financial condition of the Association. Nothing shall prohibit functions of the Treasurer to be delegated to an agent or independent contractor of the Association provided such delegation is approved by resolution of the Board. The delegation of such duties of the Treasurer shall not relieve the Treasurer from any responsibility related to overseeing and reviewing any duties performed by such agent.

8.6. Compensation. The officers of the Association shall serve without compensation except that they shall be entitled to reimbursement for all expenses reasonably incurred in the discharge of their duties.

8.7. Amendments to Declaration. The President together with the Secretary or Treasurer, or with such other officers as shall be designated by an appropriate resolution of the Board, may prepare, execute, certify and record amendments to the Declaration on behalf of the Association.

ARTICLE IX
Association Books and Records

9.1. Association Books and Records. The Board shall make available to the Owners, and to the holders, insurers or guarantors of first mortgages on any of the Units, current copies of the Declaration, these By-Laws, rules and regulations and the books, records and financial statements of the Association. For purposes of this paragraph, "available" shall mean available for inspection, upon request, during normal business hours at the office of the Association or such other location designated by the Board. Any holder, insurer or guarantor of a first mortgage shall be entitled, upon written request, to an audited financial statement for the immediately preceding fiscal year, free of charge to the party so requesting (provided the cost of copies of such requested financial statement may be assessed by the Association against the Owner of Unit against which the requesting party insures or guarantees a lien).

ARTICLE X
Amendments to By-Laws

10.1. Amendments to By-Laws. Except as otherwise provided herein, these By-Laws may be amended from time to time by the affirmative vote, in person or by proxy, of the Owners representing at least fifty-one (51%) percent of the votes in the Association.

ARTICLE XI
Termination

11.1. Termination. In the event the Development is terminated in its entirety pursuant to the provisions of the Declaration and the Act, the Association shall remain in existence until the distribution of assets, allocation of interests and/or all other aspects of the termination have been completed.

ARTICLE XII
Miscellaneous

12.1. Fiscal Year. The fiscal year of the Association shall be the calendar year unless the Board shall determine otherwise.

12.2. Delegation of Authority. The Board may authorize any officer or officers, agent or agents, to enter into any contract or execute any instrument in the name and on behalf

of the Association, and such authority may be general or confined to specific instances; and, unless so authorized by the Board, no officer, agent or other person shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or to any amount.

12.3. Inspection of By-Laws. The Association shall keep in its principal office the original or a copy of these By-Laws, as amended or otherwise altered to date, certified by the Secretary, which shall be open to inspection by the Members at all reasonable times during office hours.

12.4. Membership Minutes. The membership register and minutes of proceedings of the Association and Board shall be open to inspection upon demand of any Owners at any reasonable time during office hours of the Association, and for a purpose reasonably related to his interest in the Development.

12.5. Construction. Number and gender, as used in these By-Laws shall extend to and include both singular and plural and all genders as the context and construction requires.

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