

BYLAWS
OF
GRACE MANOR COMMUNITY
SERVICES ASSOCIATION, INC.

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 Planned 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 Owner and all persons entitled to occupy a Unit shall comply with these Bylaws.

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

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.A. 5101 et seq., as it may be amended from time to time (the "Corporation Law").

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. As used herein, the term "Member" shall mean and refer to those persons entitled to membership in the Association as provided in the Declaration and shall also include the Declarant until sale of all of the Units. Members shall have full voting rights in the Association.

2.2. Responsibility. The Association shall consist of all of the Owners acting as a group in accordance with the Act, the Declaration and these Bylaws. The Association shall have the responsibility of administering the Planned Community, repairing, maintaining and insuring the Common Elements, establishing the means and methods of collecting assessments and charges, arranging for the management of the Planned 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 Board of Directors or by a Managing Agent (defined below) appointed by the Board of Directors, as more particularly set forth in these Bylaws.

2.3. Annual Meetings. The annual meetings of the Association shall be held on the second Monday of January of each year, commencing in 2005, 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 Board of Directors shall be elected by ballot of the Members in accordance with the requirements of Article 3.3 of these Bylaws (subject to Article XI 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 Owners as may be designated by the Board of Directors.

2.5. Special Meetings. The President shall call a special meeting of the Association if so directed by resolution of the Board of Directors or upon a petition signed and presented to the Secretary by Members entitled to cast at least thirty percent (30%) 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 Article 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.

2.6. Notice of Meetings. The Secretary shall give to each Member 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 Members 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 Board of Directors member or Officer. The giving of a notice of meeting in the manner provided in this Article and Article 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 Member shall be entitled to a single vote at all meetings of the Association.

2.8.1. If the Member which is an 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 Member which is an Owner is a trust, the trustee or trustees shall be deemed to be the Member for voting purposes.

2.8.3. Where the owner of a Unit is in more than one person who are 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 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.

a. If more than one of the multiple Owners of a Unit 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 casts the vote allocated to that Unit without protest being made promptly to the president at the meeting by any of the other Owners of the Unit.

2.8.4. Subject to the requirements of the Act, wherever the approval or disapproval of an 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 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

Board of Directors 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 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 Members means the Owners owning such percentage interests in the aggregate.

2.8.5. Those candidates for election receiving the greatest number of votes cast in such elections shall be elected, subject to the requirements in Article III below. If Board of Directors members are being elected to unequal terms, the candidates receiving the highest number of votes shall be elected to the longest terms, subject to the restrictions stated above.

2.8.6. Except as set forth in Article III, 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. Nothing in this Paragraph shall be construed in any way as to limit the voting rights of Declarant by way of Declarant-owned Units.

2.9. Proxies. A vote may be cast in person or by proxy. If a Unit is owned by more than one person, 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 Member in favor of another 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 Members at the commencement of all meetings shall constitute a quorum at all meetings of the Association. If a meeting is adjourned pursuant to Article 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 Board of Directors 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
Board of Directors and Committees

3.1 Board of Directors.

3.1.1 The affairs of the Association shall be governed by a Board of Directors. The Board of Directors shall be composed of seven (7) natural persons, all of whom shall be Owners or designees of the Declarant.

3.1.2. Within sixty (60) days after conveyance of twenty-five percent (25%) of the Units to Members other than the Declarant, a special meeting of the Association shall be held at which two (2) of the seven (7) members of the Board of Directors designated by the Declarant shall resign (such members to be selected by the Declarant), and the Members, excluding the Declarant as an Owner, shall thereupon elect successor members of the Board of Directors to act in the place and stead of each of the two or three members resigning. All Members shall vote to fill each position. Such successor members shall serve until the second annual meeting of the Association following the meeting at which they were elected.

3.1.3. On or before the date by which all Declarant appointed members of the Board of Directors must resign pursuant to Article XI of the Declaration, a special meeting of the Association shall be scheduled (unless an annual meeting is scheduled within thirty (30) days thereafter) at which all of the members of the Board of Directors shall resign, and the Members, including the Declarant if the Declarant owns one or more Units, shall thereupon elect successor members of the Board of Directors to act in the place and stead of those resigning. Candidates receiving the greatest number of votes shall be elected. Where more than one candidate is required to be elected, then the next candidate receiving the next highest number of votes shall be elected, continuing until all vacancies are filled within the conditions specified above.

3.1.4. Notwithstanding the foregoing, if any meeting required pursuant to Articles 3.1.2 and 3.1.3 above could be held within thirty (30) days of the date an annual meeting of the Association is scheduled, then such meeting(s) shall be held concurrently with such annual meeting.

3.2. Delegation of Powers; Managing Agent. The Declarant before transfer of control, or the Board of Directors upon transfer of control by the Declarant, may employ for the Planned Community a Managing Agent at a compensation established by the Board of Directors. Any Managing Agent shall perform such duties and services as the Board of Directors 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 Board of Directors. The Board of Directors may delegate to the Managing Agent all of the powers granted to the Board of Directors by the Act, the Declaration and these Bylaws other than the following powers:

- 3.2.1. adopt the annual budget and any amendment thereto or to assess any Common Facility Expenses;

- 3.2.2. adopt, repeal or amend Rules and Regulations;
- 3.2.3. designate signatories on Association bank accounts;
- 3.2.4. borrow money on behalf of the Association;
- 3.2.5. acquire and mortgage Units.

Any contract with a 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 XI of the Declaration, the election of members of the Board of Directors shall be held. The term of office of any Board of Directors member to be elected (except as set forth in Article 3.5 hereof) shall be fixed at three (3) years. The members of the Board of Directors shall hold office until the earlier to occur of the election of their respective successors or their death, adjudication of incompetency, removal, or resignation. A Board of Directors member may serve an unlimited number of terms and may succeed himself or herself. Notwithstanding the foregoing, after the period of Declarant Control specified in Article XI of the Declaration, the number and composition of members in each category of Owners on the Board of Directors shall comply in all respects with Article 3.1.3 above.

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

a. Any 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 Members owning at least ten (10) Units in the aggregate, together with a statement that the person nominated is willing to serve on the Board of Directors and a biographical sketch of the nominee. The Secretary shall mail or hand deliver the submitted items to every 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 Board of Directors for which no more than one (1) person has been nominated by petition.

3.4. Removal or Resignation of Members of the Board of Directors. 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 Board of Directors may be removed with cause by 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 Member proposing removal of a Board member shall give notice thereof to the Secretary. Any member whose removal has been proposed by 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 Board of Directors 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 of all members appointed by the Declarant at any time and from time to time until the required resignation date specified in Article XI of the Declaration.

3.5. Vacancies. Except as set forth in Article 3.4 above with respect to members appointed by the Declarant, vacancies in the Board of Directors caused by any reason other than the removal of a member by a vote of Members shall be filled by a vote of a majority of the remaining Members at a special meeting of the Board of Directors 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 Board of Directors 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 Board of Directors 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 Board of Directors shall have been elected, and no notice shall be necessary to the newly elected members of the Board of Directors in order legally to constitute such meeting, if a majority of the Board of Directors members shall be present at such meeting.

3.7. Regular Meetings. Regular meetings of the Board of Directors 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 Board of Directors 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 Board of Directors 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 Board of Directors 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 Board of Directors.

3.9. Waiver of Notice. Any member may at any time, in writing, waive notice of any meeting of the Board of Directors, and such waiver shall be deemed equivalent to the giving of such notice. Attendance by a member at any meeting of the Board of Directors 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 Board of Directors, no notice shall be required and any business may be transacted at such meeting.

3.10. Quorum of the Board of Directors. At all meetings of the Board of Directors 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 Board of Directors. If at any meeting of the Board of Directors 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 further notice. One or more members of the Board of Directors 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 Board of Directors 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 Board of Directors and the Secretary shall keep a minute book of the Board of Directors meetings, recording therein all resolutions adopted by the Board of Directors 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 Board of Directors 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 Board of Directors required or permitted to be taken at any meeting may be taken without a meeting if all of the members of the Board of Directors 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 Board of Directors.

3.14. Validity of Contracts with Interested Board of Directors Members. No contract or other transaction between the Association and one or more of its Board of Directors members or between the Association and any corporation, firm or association in which one or more of the Board of Directors members are directors or officers, or are financially interested, shall be void or voidable because such Board of Directors member or members are present at any meeting of the Board of Directors 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 Board of Directors member is also such a director or officer or has such financial interest is disclosed or known to the Board of Directors and is noted in the minutes thereof, and the Board of Directors 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 Board of Directors 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 Board of Directors 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 Board of Directors or a committee thereof which authorizes, approves or ratifies a contract or transaction of the type described in Article 3.14 hereof.

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 Board of Directors. The Board of Directors 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 Board of Directors. Any other officers may, but need not, be Owners or members of the Board of Directors. 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 Board of Directors at the organizational meeting of each new Board and shall hold office at the pleasure of the Board of Directors.

4.3. Removal of Officers. Upon the affirmative vote of a majority of all members of the Board of Directors, any officer may be removed, either with or without cause, and a successor may be elected at any meeting of the Board of Directors 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 Board of Directors 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 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 Board of Directors.

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 Board of Directors shall appoint some other member of the Board of Directors 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 Board of Directors 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 Board of Directors.

4.6. Secretary. The Secretary shall keep the minutes of all meetings of the Association and of the Board of Directors, have charge of such books and papers as the Board of Directors may direct, maintain a register setting forth the place to which all notices to 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 Articles 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 Board of Directors, the Association or any Managing Agent, in such depositories as may from time to time be designated by the Board of Directors 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 \$2,500.00 shall be executed by any two (2) officers of the Declarant before transfer of control, or the Association upon transfer of control by the Declarant . All such instruments for expenditures or obligations of \$2,500.00 or less may be executed by any one officer of the Declarant before transfer of control, or the Association upon transfer of control by the Declarant.

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 Board of Directors to prepare and issue Resale Certificates may, upon majority vote of the Board of Directors, 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 begin July 1st of each year unless otherwise determined by the Board of Directors; 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 January 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 Board of Directors 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 Elements 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 Common Elements and the rendering to the Owners of all related services. Such budget shall also include such reasonable amounts as the Board of Directors considers necessary to provide working capital, a general operating reserve and reserves for contingencies and replacements.

5.2.2. On or before fifty-five (55) days before the beginning of the fiscal year, the Board of Directors shall make the budget available for inspection at the Association office and shall send to each 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 Member's assessment for Common Expenses. The budget shall automatically take effect at the beginning of the fiscal year for which it is adopted, subject to Article 5.8 below.

5.2.3. The Board of Directors 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 Board of Directors shall calculate the monthly assessments for Common Expenses, against each Unit owned by a Member by dividing (a) the total amount of the estimated funds required for the operation of the Common Elements set forth in the budget adopted by the Board of Directors for the fiscal year in question, after deducting income expected to be received from sources other than Common Expenses chargeable to all Owners, by (b) the number of Units owned by Members in the Planned 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 Member's Unit as provided in the Act and the Declaration. Within ninety (90) days after the end of each fiscal year, the Board of Directors shall prepare and deliver to each Member and to each record holder of a mortgage on a Unit who has registered an address with the Secretary a balance sheet and statement of revenue and expenses. Any net shortage with regard to Common Expenses, after application of such reserves as the Board of Directors may determine, shall be assessed promptly against the Members equally and shall be payable in one or more monthly assessments, as the Board of Directors may determine.

5.3.2. Reserves. The Board of Directors 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 Member's assessments, the Board of Directors may at any time levy further assessments for Common Expenses, which shall be assessed against the Members equally. The additional assessments shall be payable in one or more monthly assessments as the Board of Directors may determine.

5.4. Further Assessments. The Board of Directors shall serve notice on all Members of any further assessments pursuant to Articles 5.3.1, or otherwise, on all owners of Units of any further assessments 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 Members so assessed shall be obligated to pay the amount of such assessments. Such assessments shall be a lien on each Unit.

5.5. Initial Budget. At or prior to the time assessment of any one or more of Common Expenses commences, the Board of Directors shall adopt the budget, as described in this Article, for the period commencing on the date the Board of Directors 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 during such period as provided above.

5.6. Delivery of Approved Budget and Notice of Capital Expenditure; Effect of Failure to Prepare or Adopt Budget. The Board of Directors shall deliver to all Owners copies of each budget approved by the Board of Directors and notice of any capital expenditure approved by the Board of Directors promptly after each such approval. The failure or delay of the Board of Directors to prepare or adopt a budget for any fiscal year shall not constitute a waiver or release in any manner of a Member's obligation to pay such Member's allocable share of the Common Expenses, all as herein provided whenever the same shall be determined and, in the absence of any annual budget or adjusted budget, each Member 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 Board of Directors with respect to assessments against the 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 no cost to each 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 a vote of the Owners entitled to cast two-thirds (2/3) of the votes of all Owners in the Association, may reject any budget or capital expenditure approved by the Board of Directors, within thirty (30) days after approval by the Board of Directors. There shall be no structural alterations, capital additions to, or capital improvements on, the Common Elements (other than for purposes of repairing, replacing and restoring portions of the Common Elements) requiring an expenditure in excess of Twenty Five Percent (25%) of the annual budget for Common Expenses (including reserves) without the prior approval of the Owners entitled to cast two-thirds (2/3) of the votes of all Owners. The foregoing shall not apply to any Common Expenses that are a result of any Convertible Real Estate being added pursuant to Article 1.5 of the Declaration.

5.9. Payment of Common Expenses. Each Owner shall pay the Common Expenses assessed by the Board of Directors pursuant to the provisions of this Article V. No Owner may exempt himself or herself from liability for his or her contribution toward Common Expenses by waiver of the use or enjoyment of any of the Common Elements, or by abandonment of his or her Unit. No Owner shall be liable for the payment of any part of the Common Expenses assessed against his or her Unit subsequent to the date of recordation of a conveyance by him or her in fee of such Unit.

5.10. Collection of Assessments. The Board of Directors or the Managing Agent, at the request of the Board of Directors, shall take prompt action to collect any assessments for Common Expenses due from any 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 maximum rate allowed by law per annum or such other rate as may be determined by the Board of Directors.

5.11. Resale Certificate. The Board of Directors shall promptly provide any Owner a written statement containing such information as is required to complete a resale certificate as required under §5407 of the Act. The Board of Directors 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 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 Owner shall entitle the Association, acting through its Board of Directors or through the Managing Agent, to the following relief.

6.1.1. Additional Liability. Each Owner shall be liable for the expense of all maintenance, repair or replacement rendered necessary by his or her action, neglect or carelessness or the action, 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 Board of Directors. 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 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 Board of Directors or of a Owner to enforce any right, provision, covenant or condition which may be granted by the Declaration, these Bylaws, the Board of Directors Rules and Regulations or the Act shall not constitute a waiver of the right of the Association, the Board of Directors or the Owner to enforce such right, provision, covenant or condition in the future. All rights, remedies and privileges granted to the Association, the Board of Directors or any 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 Owners. The violation of any of the Rules and Regulations' adopted by the Board of Directors, the breach of any Bylaw contained herein or the breach of any provision of the Declaration or the Act shall give the Board of Directors 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 Owner, any structure, thing or condition that may exist therein contrary to the intent and meaning of the provisions hereof or the applicable Rule or Regulation, and the Board of Directors 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 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 of Directors members voluntarily resign or are required to resign pursuant to Article XI of the Declaration, (i) Article 2.5, (ii) Article 3.1, and (iii) this Article 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 Board of Directors 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 Board of Directors 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 Board of Directors 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 Board of Directors 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 Owner, at the single address which the 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 Board of Directors or to any 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 Owners pursuant to this Article. 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 Board of Directors

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 Board of Directors 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 Article, 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 Board of Directors 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 Article 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 Board of Directors, 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 Article 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 Board of Directors and/or Officer did not constitute willful misconduct or recklessness. Such determination shall be made (a) by the Board of Directors by a majority vote of a quorum consisting of members of the Board of Directors 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 Board of Directors 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 Board of Directors 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 Board of Directors 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 Board of Directors member and/or Officer hereunder for an act or failure to act occurring prior to the time of such amendment or repeal. Each Board of Directors 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 Board of Directors 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 Board of Directors 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.

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

9.6. Self-Dealing, Willful Misconduct or Recklessness. Except for responsibility or liability of an Board of Directors member pursuant to any criminal statute or for payment of taxes pursuant to local, state or federal law, a member of the Board of Directors 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 Board of Directors 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 Board of Directors 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 Board of Directors 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 Non-Profit 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 Class A Members.

ARTICLE XII
Adoption

These Bylaws are adopted as the Bylaws for Grace Manor Community Services Association, Inc. by its initial Board of Directors designated by Declarant.
