

AMENDED AND RESTATED BYLAWS

OF

PENN ESTATES PROPERTY OWNERS ASSOCIATION, INC.

ANALOMINK, PENNSYLVANIA

Effective May 2, 2020

BYLAWS
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***AMENDED AND RESTATED BYLAWS
OF THE
PENN ESTATES PROPERTY OWNERS ASSOCIATION, INC.***

ARTICLE I

INTRODUCTION

Section A. Name. The name of the Association is Penn Estates Property Owners Association, Inc., a Pennsylvania nonprofit corporation.

Section B. Purposes. The purposes of the Association are as stated in the Articles of Incorporation of the corporation, as amended. A copy of the present version of the Articles is attached to these Bylaws for informational purposes.

Section C. Location. The registered office of the Association shall be located in the Community or at any other place in Monroe County as may be designated by the Board of Directors.

Section D. Effective Date. These Bylaws shall be effective on May 4, 2019

Section E. Definitions.

"Assessment"	Common expense assessment.
"Association"	Penn Estates Property Owners Association, Inc., its successors and assigns.
"Board"	The Board of Directors of the Association.
"Chair"	Chairperson.
"Common Facilities"	All real estate within the Community owned by the Association or leased to the Association and excluding any residential lots.
"Community"	The planned community known as Penn Estates, located in Stroud and Pocono Townships, Monroe County, Pennsylvania.
"Conflict of Interest"	A situation in which a person is in a position to derive personal benefit, not otherwise available to the general membership, from actions or decisions made in their official capacity.
"Developer" or "Declarant"	Cranberry Hill Corporation, its successors and assigns, including the Association.
"Declaration"	The Declaration of Covenants, Conditions and Restrictions recorded

in the office of the Recorder of Deeds, as amended.

“Fine”	A financial penalty imposed on a member, guest, occupant or invitee for violation of the Community’s legal documents.
“Immediate family”	Shall include married couples and non-traditional couples and their respective children.
“Improved lot”	A lot on which one single-family dwelling has been constructed
“In good standing”	A Member who is in compliance with the Declaration of Covenants, Bylaws and Rules, and who has paid all financial obligations owed to the Association.
“Lot”	Any numbered residential lot or unit in the Community owned by a Member or held for sale to the general public; two or more adjoining lots which have been legally merged with municipal approval into one lot and treated as one lot for the purposes of voting, assessments and special assessments.
“Majority”	Those votes, owners, or other group as the context may indicate totaling more than fifty (50%) percent of the total group.
“New Construction Project”	A construction project deemed to be first-time, original, distinct or unrelated to existing Association facilities, roads and equipment; excludes construction projects that involve modifications, enhancements, improvements, add-ons, or updates to or maintenance of existing association facilities, roads and equipment.
“Number and Gender”	Number and gender as used by these Bylaws shall extend to and include both singular and plural and both genders as the context and construction requires.
“Open Meeting”	Proceedings held in public for property owners, excluding deliberations in executive session for confidential or privileged topics such as personnel or litigation issues.
“Qualified Resident”	A person who owns at least one residential lot in Penn Estates, whose name appears as a grantee on a recorded deed for the property and is registered at his Penn Estates lot’s address to vote in municipal elections. Qualified Residents may only be natural persons; they may not be corporations, LLC’s Trusts or Partnerships.
“Recuse/Recusal”	The act of abstaining from participation in an official action due to a conflict of interest.
“Rules”	The body of rules and regulations for the Community adopted by

	the Board
“Special assessment”	A charge levied by the Board upon Members to cover unbudgeted, unfunded or special project spending
“Task Force”	Group of persons appointed by the Board for a stand-alone, limited or ad hoc project or purpose.
“Unimproved lot”	A lot on which no single-family dwelling has been constructed

ARTICLE II

MEMBERSHIP

Section A. Membership. The Association shall have one class of membership comprised of all owners of residential property in the community. Membership in the Association is automatic upon a person's being an owner of a lot in the Community. When a person is no longer an owner **of a Community lot that person's membership ends; despite termination of the membership**, that person shall remain personally liable for all unpaid financial obligations owed to the Association.

Section B. Rights of all Members. All Members, regardless of their standing, shall have the right to:

- (1) Reasonable access to and from their community lots.
- (2) Attend general and special membership meetings, exclusive of their right to participate or to vote.
- (3) Attend all open Board, committee and membership meetings.

Section C. Additional Privileges of Members in Good Standing. In addition to rights listed in the previous section, members in good standing shall have the further privilege to:

- (1) Vote in all elections and at all membership meetings.
- (2) Cast one vote per lot owned by the member or as the co-owner designated to cast **that lot's vote**.
- (3) Use and enjoy Common Facilities, subject to Association Rules and fees, and to extend **those same rights to the member's family**, guests and tenants.
- (4) Serve in an elected Association position or on Association committee(s).

Section D. Obligations of all Members. All members shall:

- (1) Comply with the Declaration of Covenants, Articles of Incorporation, Bylaws, and Rules of the Association, collectively called the Community legal documents.
- (2) **Be responsible that the member's family members, guests, tenants, contractors and other invitees** shall comply with the Community legal documents.
- (3) Pay all assessments, special assessments, fees, fines and other financial obligations to the Association in the time prescribed by the Association.

- (4) Be responsible for all damage to Common Facilities or to other owners' property caused by the member, the member's family, guests, tenants or other invitees.

ARTICLE III

ASSOCIATION MEETINGS

Section A. Place of Meetings. Meetings of the Association shall be held in the Community or at any other suitable place convenient to the Community as may be designated by the Board of Directors.

Section B. Annual Meetings. The annual meeting of the members of the Association shall be held on the first Saturday in May of each year, commencing at 10:00 A.M. The order of business at the Annual Meeting shall be as follows:

- (1) Call to order and Officer roll call.
- (2) Determination of a quorum.
- (3) Acceptance of minutes of prior membership meeting.
- (4) **Board's report on budget and assessment.**
- (5) Individual candidate presentations.
- (6) Special issue voting.
- (7) Report on balloting.
- (8) Questions and Answers/Public Comment.

Section C. Notice of Meetings. It shall be the duty of the Secretary to mail or to cause to be delivered to the Members at their addresses shown in the membership register of the Association, written notice of each meeting of the Members of the Association. The notice shall state the date, time, place and purpose or agenda items for the meeting. If any Member wishes notice to be given at an address other than the Member's Community lot, the Member shall designate the other address by notice in writing to the Secretary. The mailing or delivery of a notice of any meeting in the manner provided in this Section shall be considered service of notice. Notices shall be served not less than thirty (30) days before a meeting.

Section D. Special Meetings. The President (1) with the approval of or at the request of the Board, or (2) upon a written petition of at least two hundred (200) Members in good standing, shall call a special meeting of the Members. A special meeting called in response to a valid petition of the Members shall be held within sixty (60) days after the petition is filed with the Secretary of the Association. All special meetings shall be held on a Saturday with a starting time between 10:00 a.m. and 2:00 p.m. No business shall be transacted at a special meeting other than that stated in the notice.

Section E. Waiver of Notice. Waiver of notice of meeting of the Members shall be deemed the equivalent of proper notice. Any Member may, in writing, waive notice of any meeting of the Members, either before or after that meeting. Attendance at a meeting by a Member shall be deemed a waiver by the Member of notice of the time, date, and place of the meeting, unless the Member specifically objects to lack of proper notice at the time the meeting is called to order. Attendance at a special meeting shall also be deemed a waiver of notice or objections to convening of the meeting of which proper notice was not given, unless an objection is specifically raised before any business is put to a vote.

Section F. Adjournment of Meetings. If any meeting of the Association cannot be held

because a quorum is not present, a majority of the Members in good standing who are present at that meeting may adjourn the meeting to a time not less than thirty (30) nor more than sixty (60) days later, to start at the same hour and at a place designated. At the reconvened adjourned meeting, any business which might have been transacted at the meeting originally called may be transacted at the adjourned meeting, according to the laws of the Commonwealth of Pennsylvania. Notice of the date, time and place of the adjourned meeting shall be given to Members in the manner prescribed for meetings of the Members of the Association, and shall be served as soon as is reasonably possible after the decision to adjourn and at least ten (10) days prior to the date of the adjourned meeting.

Section G. Voting. A Member in good standing shall have one (1) vote for each owned lot. A lot with multiple owners shall only vote one (1) vote. Voting may be done either (a) in person or (b) by directed proxy received no later than forty-eight (48) hours prior to the Annual or Special meeting, to the address designated by the Board of Directors or (c) by any other means authorized by law for non-profit associations in planned communities. Cumulative voting shall not be permitted.

Section H. Quorum. The presence in person or by directed proxy, at any meeting of one hundred (100) Members in good standing of the Association shall constitute a quorum. The Members in good standing present at a meeting at which a quorum is present may continue to do business until adjournment, notwithstanding the withdrawal of enough Members to leave less than a quorum.

Section I. Conduct of Meetings. The President shall preside over all meetings of the Members of the Association and the Secretary shall cause the minutes of the meeting to be kept, as well as a record of all resolutions adopted at the meeting. Conduct of the meetings, if not covered by statute or the Bylaws, shall be governed by *The Modern Rules of Order* as published by the Pennsylvania Bar Institute (latest edition)¹.

ARTICLE IV

BOARD OF DIRECTORS

1. MISSION COMPOSITION AND SELECTION

Section A. Mission: The Board of Directors shall determine all matters of Association policy, shall develop the vision and strategic plan for the organization, shall oversee the management and control of the business and property of the Association, and shall exercise all powers of the Association (except for any powers specifically reserved to the Members in the Declaration, the Articles of Incorporation or the Bylaws).

Section B. Governance. The responsibility for overall governance of the affairs of the Association rests with the Board of Directors. It shall be the duty of the Board to affect the **purposes of the Association to the best of the Board's ability, using the powers granted to it by law**, the Declaration of Covenants, Articles of Incorporation and these Bylaws. It shall specifically

¹ Pennsylvania Bar Institute, 5080 Ritter Road, Mechanicsburg, PA 17055-6903, (717)796-0804, (800)932-4637, <http://www.pbi.org>, info@pbi.org.

be the duty of the Board to insure reasonable, flexible, prompt and impartial enforcement of the Declaration of Covenants, Bylaws and Rules.

Section C. Board Composition. Association Members in good standing shall elect the Directors. All Candidates for Directors and seated Directors must be Members in good standing, and at least 21 years old. The Board shall have nine (9) Board members. Members of the Board shall receive no financial compensation for their service, but may be reimbursed for expenses approved by the Treasurer. All Board members are required to sign a confidentiality agreement.

Section D. Election of Directors

The Association shall conduct an annual election to fill vacancies on the Board of Directors.

- (1) Candidate packets containing information pertinent to those who decide to run for the Board of Directors shall be available by January 2 of each year. Completed nominating forms for candidates must be submitted to the administrative office no later than close of business February 1. If the deadline falls on a weekend or holiday, the deadline for submission will be close of business on the first business day to follow February 1.
- (2) Candidates shall submit the nominating forms authorized by the Board of Directors. Each nominating form shall be verified for accuracy of information by Community Manager with the assistance of the Judge of Elections, as needed.
- (3) A completed Disclosure Form designed by the Board, containing a common set of questions, shall be required of all candidates and published prior to the election in all available Association media outlets.
- (4) All candidates shall be, and remain, Members in good standing of the Association and must be and remain a Qualified Resident.
- (5) Order of placement on the election ballots shall be by lottery at the regular March Open Board Meeting.
- (6) Ballots shall be sent to each Member in Good Standing as determined on the record date.
- (7) Any Member in Good Standing may challenge a candidacy, and such challenges shall be sent directly to the Judge of Elections whose decision shall be final
- (8) The counted ballots will stay in the possession of the Judge of Election for a period of one (1) year.
- (9) Members in good standing shall elect Board Members in person at an Annual Meeting or by directed proxy, with the results of the election announced at the Annual Meeting. Directors shall hold office for their elected terms and until their respective successors have been selected and qualified.
- (10) Directors elected by the Members in good standing shall serve staggered three-year terms.
- (11) Directors shall be limited to two (2) consecutive terms by election for a full six (6) years or a portion thereof. After passage of one full year from the time of service on the Board of Directors, a member shall again be eligible for election to full consecutive terms or for appointment.
- (12) In the event that the number of qualified candidates is less than or equal to the number of director seats up for election, ballots and/or directed proxies for the election shall not be mailed to the membership and the presiding officer shall declare the candidates elected by acclamation at the Annual Meeting. The Annual Meeting will be conducted regardless of whether an election is required or not. Qualified candidates will not assume Directors powers until the commencement of the organizational meeting of the Board of Directors

Section E. Creation, Removal and Filling of Mid-term Board Vacancies.

- (1) A Board position may declared vacant because of:
 - a. The Board member's written resignation accepted by the Board;**
 - b. A deemed resignation of the Board member by a vote of two-thirds of the remaining Directors for reasons of inability to perform Director duties or absenteeism; or
 - c. Involuntary removal for cause by two-thirds votes of Board members in good standing present at a Special Meeting called for that purpose.
 - d. Directors may be removed in accordance with Pennsylvania's Nonprofit Corporation Law (15 Pa.C.S. § 5726), as may be amended from time to time.**

- (2) A Board member shall be deemed to have submitted a resignation from the Board if the Director is absent without good cause as determined in the discretion of the Board, from three (3) successive regular Board meetings or for a total of four (4) regular Board meetings during any calendar year.

- (3) Cause for removal at a Special Meeting of the Board members shall be
 - a. Declaration of unsound mind by order of the courts.
 - b. Facts showing a Director being initially or currently ineligible for Board membership;
 - c. Being found guilty of a misdemeanor or a felony offense under any state or federal jurisdiction.
 - d. Determined to be in violation of the Code of Conduct by two-thirds votes of Board members in good standing present at a Special Meeting called for that purpose.

- (4) The Board shall give immediate written notice of the grounds of involuntary removal for cause. They shall also give notice of a special Board meeting, in writing, to the Director in question. The special Board meeting notice shall also include the alleged cause(s) for removal of each Director involved. The Director shall have a reasonable opportunity to be heard at the special meeting and to defend against grounds asserted. Involuntary removal for cause may not be repeated for the initial offense if a Director is voted not to be removed.

- (5) When a Board vacancy occurs within 60 days after the election, the runner up who had the highest number of votes shall automatically fill the vacancy until the next election. Should that person not accept or there is no such candidate, then the Board shall appoint, an interim successor Director by a majority vote of the remaining Directors. That successor Board member shall serve only until the next annual election at which time the Members shall choose the Board **members' replacement for the remainder of the term. If the vacancy shall have arisen seventy-five (75) or fewer days prior to the next Annual Meeting, no appointments shall be made.**

2. MEETINGS

Section F. Standards Governing All Board Meetings.

(1) The Board shall meet at regular meetings at any intervals it shall determine by resolution. After the Board adopts by resolution the time and place of its regular meetings, no further notice of those regular meetings shall be required.

(2) Each resolution of the Board must be documented in either a digital or hard copy in writing in a record of resolutions. The record of each resolution must include the vote upon each resolution entered in the record. A majority of affirmative votes of the Directors present in person or by telephone conference as a Board Meeting at which a quorum is present shall constitute the decision of the Board.

(3) The President shall preside at all Board meetings. In the absence of the President, the Vice President shall act in that capacity. In the absence of both the President and Vice President, the Secretary shall execute these powers. In the absence of the President, Vice President and Secretary, the Treasurer shall execute these powers. The Secretary shall cause the minutes of the meeting to be recorded, including all resolutions adopted at the meeting, as well as a record of all other material transactions. The Secretary shall sign approved minutes of the Board. Minutes shall be available to all Members for inspection as permitted in compliance with state law. The Board shall determine its own rules of procedure and order, subject to these Bylaws.

Section G. Organization Meeting. The organization meeting of the Board shall be held on a Saturday within three weeks after the annual meeting in which the Directors are elected. The agenda for that meeting shall include setting the calendar of regular Board meetings for the coming year.

Section H. Regular Meetings. The order of business at a regular Board meeting shall be as follows:

- (1) Determination of a quorum.
- (2) Approval of minutes of last Board meeting.
- (3) **Treasurer's report.**
- (4) **Community Manager's report.**
- (5) Other unfinished business.
- (6) New business.
- (7) Communications, petitions, and hearings.

Section I. Special Board Meetings.

(1) Special meetings of the Board may be called by a majority of the Directors on the Board. Notice of a special Board meeting may be given in writing or verbally at least twenty-four (24) hours prior to the time of the meeting, or the Directors may waive notice in writing.

(2) The President may poll the members of the Board by electronic or other reliable means of communication in order to secure authorization with majority

approval of a resolution without a regular or special meeting when emergency action is deemed necessary by the President. Decision will be ratified at the next regular Board meeting.

Section J. Waiver of Notice.

(1) Waiver of notice at a Special Meeting of the Board shall be deemed the equivalent of proper notice. Any Director may, in writing, waive notice of any meeting, either before or after that meeting. Attendance at a meeting by a Director shall be deemed a waiver by the Director of notice of the meeting, unless the Director specifically objects to lack of proper notice at the time the meeting is called to order.

(2) No business shall be transacted at a Special Meeting of the Board other than that stated in the notice of the meeting.

3. POWERS AND DUTIES

Section K. Powers Generally. The Board shall have authority to exercise general powers unless otherwise restricted by law, the Declaration of Covenants, the Articles of Incorporation or these Bylaws.

Section L. Conflicts of Interest.

(1) No Director or employee shall accept any personal remuneration, gifts, or services in any form from parties providing goods or services to the Association. Anything of value received from contractors shall be solely for the benefit of the Association.

(2) No Board member or a member of the immediate family of the Board member shall directly or indirectly enter into employment or any other contract with the Association during **the Member's term in office other than temporary part-time** employment of qualified family members by the Association in the normal course in its recreation program. This limitation precludes employment by or other contracts with any contractor or subcontractor of the association as well.

(3) Members of the same household shall not serve on the Board at the same time.

ARTICLE V

OFFICERS

Section A. Officers. The officers of the Association shall be elected annually by the Board of Directors at the Organization Meeting of the Board held subsequent to the Annual Meeting of the Members. Subject to these Bylaws, vacancy in any office arising because of death, resignation, removal or otherwise may be filled by the Board of Directors for the unexpired portion of the term. The officers shall be a President, Vice President, Secretary and Treasurer of the Association. They shall have the powers and duties described in this Article. All officers shall be elected from among the members of the Board of Directors.

Section B. Signature Authority. The officers are the authorized signatories for the **Association's contracts and other instruments, with any two (2) of the officers** required to sign checks, notes, drafts and any other instruments approved by the Board. All authorized signatories shall be bonded at the expense of the Association.

Section C. President. The President shall generally perform the duties incident to the Office of the President and oversee the following Association tasks:

- (1) With Board approval, have general oversight of management of Association business and supervise the Community Manager.
- (2) Preside over all Member and Board meetings.
- (3) Vote on all Board and Member matters. In the case of a roll call vote, the President must vote last.
- (4) Be an *ex officio* member of all committees except the Election Committee.

Section D. Vice President. In the absence of the President, the Vice President shall act for the President and assume all presidential authority and duties. The Vice President shall perform any duties as may be assigned from time to time or delegated to the Vice President by the President.

Section E. Secretary. The Secretary shall generally perform duties incident to the office of Secretary and oversee the following Association tasks:

- (1) Receive, respond to, record and report on all correspondence of the Board.
- (2) Maintain permanent files of all correspondence.
- (3) Act as custodian of the Corporate Seal and all legal records.
- (4) Issue notices of all Regular and Special Meetings.
- (5) Record all minutes at all meetings.
- (6) Properly record and preserve all minutes of proceedings, including records of voting.
- (7) Arrange distribution of notices, newsletters and other information needed by

members.

- (8) Oversee the preparation of the Membership Register, which shall contain:
 - (a) **Members' names** listed alphabetically.
 - (b) Addresses and telephone numbers authorized by Members to be used for official contact by the Association.
 - (c) Members Community addresses, including mailbox number, section, and lot number.
 - (d) The date the Member became an owner.
 - (e) The Members in good standing status with the date last determined and the reason if the status is not in good standing.

Section F. Treasurer. The Treasurer shall generally perform duties incident to the office of Treasurer and oversee the following Association tasks:

- (1) Be responsible for Association funds, securities, and financial records.
- (2) Oversee the deposit of all Association monies and valuables in investments and institutions approved by the Board.
- (3) Be bonded by the Association for any sum designated by the Board.
- (4) Cause preparation of monthly financial statements to the Board on the financial and budgetary condition of the Association.
- (5) Function as Liaison to the Finance committee.
- (6) Cause to be prepared all materials needed for the Annual Audit and for any additional audits approved by the Board.
- (7) See that the annual financial reports at the Association office for reference by members.

ARTICLE VI

COMMITTEES

Section A. General. All committees function in an advisory capacity to the Board and provide assistance to the proper function of the Association. The Board shall prescribe the duties of all Committees. The Board shall publish the names of all Committee Members after their appointment. Members of designated committees are required to sign a confidentiality agreement. The required Standing committees of the Association are:

- (1) Appeals
- (2) Architectural Review
- (3) Finance
- (4) Election

The Board of Directors may add other Standing and Ad Hoc committees and Task Forces at its discretion. The Board of Directors will maintain a list of authorized committees.

Section B. Participation of non-Members on Committees and Task Forces. In the discretion of the Board, non-Members may assist at committee and task force meetings and activities and be **considered "committee volunteers", but they shall not be considered members of the committee** or task force and shall not be permitted to vote on committee or task force business.

Section C. Voting By Committee Members.

(1) Owners of the same Lot serving on the same committee – A lot with multiple owners shall only vote one (1) vote.

(2) To ensure a fair decision, a minimum of three voting members are necessary for a quorum in a meeting where a vote is required.

(3) Committee members must recuse themselves from all decisions where a conflict of interest exists.

ARTICLE VII

COMMUNITY MANAGEMENT

Section A. Employment. The Board shall employ Community Management with compensation set by the Board.

Section B. Function and Qualifications of the Community Management. The Community Management shall be responsible to the Board for administration of the affairs of the Association, and for execution of Board policies and decisions. The Community Management shall be subject to the oversight of the Board President. The Community Management must be a full-time professional manager employed either by the Association or by a contracted management company.

Section C. Required Contract Terms. The contract for the Community Management may not exceed three years and shall include provisions dealing with contract termination by either party. In the event the Community Management is an individual employee who is absent or disabled, the Community Management may appoint a qualified administrative employee of the Association to act temporarily as Community Management, or the Board may do so if the absence exceeds thirty (30) days. Individual Directors and Association Members shall not request nor direct the appointment or removal of, nor give orders to, nor interfere with the performance of any subordinate of the Community Management.

Section D. Powers and Duties. The Community Management shall:

- (1) **Execute and consistently enforce the Board's policies and the Association's legal documents.**
- (2) Hire and remove all non-contract Association employees.
- (3) Administer the compensation for Association employees, within budget requirements **and job descriptions, and have general responsibility for employees' performance.**
- (4) Negotiate contracts for the Association, subject to Board approval.
- (5) Recommend Community strategic and tactical plan priorities and execute same when approved by the Board of Directors.
- (6) Assure that legal duties concerning the Association or its Members are met and that the Board is notified of violations.
- (7) Participate, without vote, in all Board and committee meetings, as necessary.

- (8) Keep the Board and its Members informed about the conduct of Association affairs.
- (9) Administer the approved Annual Budget.
- (10) Be responsible to the Board for carrying out all policies and the administration of all Association operations.

ARTICLE VIII

Finances

Section A. Annual Budget. **The Association's Annual Budget shall contain two parts,** an Operating Budget and a Capital Budget. Each part shall be itemized as to expenditures, revenues, and surplus, following generally accepted accounting principles (GAPP) guidelines.

Section B. Budget Development.

(1) Draft Budget.

The Community Manager shall prepare a Draft Budget and submit to the Finance Committee for review by September 10th of each year. The Finance Committee may make changes to the Draft Budget as it deems necessary, and by September 20th **of each year, submit the Committee's** recommended Draft Budget to the Board of Directors for Board consideration.

(2) Public Budget Work Session

The Board shall hold at least two public work sessions at least seven days prior to the board taking final action on the budget. Notice for these sessions shall include a summary of the proposed budget plus the anticipated dues to be levied upon the membership if said budget is approved. Notice of the meeting shall be provided to the membership a minimum of one week prior on website and other available social media.

(3) Adoption of Budget

The Board of Directors shall adopt the Final Budget for the Association by a majority vote of those Directors present at a Board meeting held for this purpose at least forty-five (45) days **prior to the end of the calendar year. The Board of Directors' resolution adopting the Final** Budget shall also establish and levy the annual assessments for the next calendar year. Once approved, the manager shall print it in reasonable detail in the official Penn Estates publication, post it on community media outlet and make copies available at the Administration Office.

Section C. Implementation of Budget

All operating funds spent by the Association may not exceed Budget, and no Capital Budget line items may be exceeded at all unless those expenditures are approved by a majority of the Board. The transfer of funds from one line item to another shall be approved by the Board. In the event of an emergency that presents imminent danger to residents or property (fire, flood, storm or act of God) the President of the Association without prior approval of the Board, shall

be empowered to authorize an immediate transfer of already approved expenditures from one budget line item to another.

- (1) Expenditures for proposed new construction projects that exceed 5% of the Annual Budget must be approved by a majority of Members in good standing participating in a **special vote. The Board's proposal to the Members for the expenditure must include** detailed explanations of the project cost and the sources of project funding.
- (2) The Board may direct the special vote on new construction projects that exceed 5% of the Annual Budget be held using one of the following procedures:
 - (a) Conduct the vote at the Annual Meeting or at a Special Meeting of the Members.
 - (b) Conduct the vote of Members in good standing by mail ballot or by any other means authorized by law for non-profit associations in planned communities, with a minimum of 100 valid votes being cast.
- (3) The approval of expenditures obtained according to (2) above remains in effect through the completion of the project and may not be rescinded by the Membership.

Section D. Surplus. The Board may appropriate unexpended funds, up to a maximum of fifteen percent of the current budget, for a Capital Fund which shall be invested prudently, and which shall be withdrawn only upon approval by a majority vote of the Board of Directors in **compliance with the Association's Capital Budget, as amended. Any surplus in the current year's** budget not appropriated to the Capital Fund shall be included in the following year's budget as anticipated revenues.

Section E. Assessments. The Board shall set annual common expense assessments. Assessments shall be charged uniformly per lot or unit, as described below. Annual assessments are intended to support the annual Budget, after considering all outlays, both operating and capital, non-assessment income, and other available funds.

(1) The common expense assessment per unimproved lot and the common expense assessment per improved lot shall be established by the Board. The aggregate sum of all currently collectible assessments and anticipated income must equal the net revenue needed to fund the annual Budget.

(2) Special assessments may be used with Board approval to cover unbudgeted spending that otherwise is not provided for in the Budget, including but not limited to, approved overspending on budgeted line items, and unusual or non-recurring special projects or services. Special assessments shall not exceed ten percent of the total Annual Budget in any fiscal year without approval of a majority of the Members in good standing voting at a meeting called for that purpose.

(3) Annual bills should be mailed to Members prior to December 1st unless otherwise provided by Board policy, assessments for the calendar year shall be due and payable in one installment on January 15th or other time provided by the Board policy. The Board may grant a

discount for payments received for assessments earlier than the due date. The Board may impose late fees for delinquent assessments and annual service charges of fifteen percent (15%) per year, which service charge shall continue until all charges are paid in full. Interest of fifteen percent also applies to any delinquencies by Members under special payment schedules. All owners shall remain responsible for payment despite the **owners' failure to use the** Common Facilities or by abandonment of the lot or unit.

Section F. Delinquent Accounts. The Association may bring suit to collect any **delinquent account and also may enforce the Association's right to foreclose on its statutory lien** on the lot or unit in question. The Association shall also be entitled to collect all service charges, late **charges, costs of collection, attorney's fees, and other amounts permitted by statute.**

Section G. Accounting Principles. The Association shall employ generally accepted accounting principles (GAAP), a common set of accounting principles, standards, and procedures. The Association shall segregate accounting duties. Disbursement by check shall require two authorized signatures for all amounts.

(1) Cash accounts shall not be commingled with others except for joint investments, and then only on the **condition that the Association's books shall show each account's contribution to** the investment.

(2) All funds of the Association shall be kept in depositories approved by the Board and insured by the Federal Deposit Insurance Corporation. No changes of depository shall be made without the approval of the Board. All funds in any depository in excess of the statutory insurance limit set by the Federal Deposit Insurance Corporation, or funds not needed for immediate use by the Association, or in excess of Association's cash flow requirements shall be invested by the Treasurer in investments as shall be approved by the Board. The investments shall only be made in (a) United States Treasury or Agency instruments guaranteed by the full faith and credit of the United States Government or (b) in money market accounts or similar investments that substantially (1) are invested in U.S. Treasury and U.S. Government Agency instruments and securities or (2) are directly secured by U.S. Treasury and U.S. Government Agency instruments and securities. Investment funds or other investment vehicles shall be controlled or managed by banks chosen by the Board of Directors of the Association.

Section H. Annual Reports. Before the end of the fiscal year, the Board shall engage an independent CPA firm as auditor to audit the books and records, prepare tax returns and certified financial statements, and submit written comments and suggestions for improving association financial practices. Audited financial statements, **with footnotes and auditor's opinion,** shall be available to the Members as required by law.

Section I. Contracts.

(1) Solicit bids for goods and services needed by the Community. Contracts of \$10,000.00 but less than \$50,000 may be made after soliciting multiple competitive quotations. Contracts projected for \$50,000 or more shall require the additional process of an RFP (Request for Proposal) that includes confidential, sealed bidding. A performance bond may be required by the successful bidder for construction contracts in excess of \$50,000.00. All bids shall be

opened at an open Board Meeting, which members can attend. The bid will be awarded to the lowest qualified bidder determined by the Board

(2) The Association may purchase goods or services without public advertising for bids under the follows circumstances.

- (a) Professional services and related costs.
- (b) Services of Association employees.
- (c) Election expenses of the Association.
- (d) Actual emergency affecting member health, safety, or security.
- (e) Contract awarded after review by the Community Manager and Finance Committee, and approval by the Board if no bids have been received pursuant to any advertisement for proposals.

(3) If all bids received are deemed to be unreasonable to price or terms, no contract or purchase may be entered into unless the Association notifies each prior bidder of its intention to negotiate; each bidder has a reasonable opportunity to negotiate with the Association, and the negotiated price is lower than the lowest rejected bid price. The Board, by a two-thirds vote, may elect to waive the performance bond requirements if those requirements are deemed to be inappropriate for a particular industry and if the payment for goods and services is held until after complying deliver and full performance.

Section J. Inspection of Books and Records.

(1) The Declaration of Covenants, Bylaws, membership register, books of account and minutes of Member meetings, Board of Director open meetings, and committee meetings shall be made available for inspection and copying by any Members in good standing at any reasonable time during regular business hours, and for a proper, non-commercial purpose related to the Member's interest in the Association, at the places, the Board may prescribe. Association documents may not be removed from their usual locations. Members must submit a written request under oath on a form provided by the Association in compliance with state law to inspect records.

(2) The Board shall establish reasonable rules governing:

- (a) Notice to be given to the records custodian.
- (b) Hours and days of the week when inspection may be made.
- (c) Payment of the cost of reproducing the records and related administrative costs.

Section K. Contracts with other Associations. With the approval of all Directors, the Association may enter into common management, operational, or other agreements with trusts, **condominiums, cooperatives, planned communities, or other neighborhood homeowners' or residents' associations, both within** and without the Community.

Section L. Miscellaneous. Directors and employees may be reimbursed for valid and exclusively association-related expenditures incurred for the benefit of the Association, subject to compliance with generally accepted accounting principles and approval by the Treasurer.

ARTICLE IX

INDEMNIFICATION AND STANDARD OF CARE

Section A. Indemnification Third Party Action Indemnification. The Association shall indemnify, hold harmless and defend Members of the Board of Directors, Officers and any appointed committee Members for actions taken while performing the duties of their respective position in good faith and with that diligence, care and skill which ordinarily prudent persons would exercise under similar circumstances to the fullest extent allowed by the laws of the Commonwealth of Pennsylvania.

Section B. Derivative Action Indemnification. The Association shall have power to indemnify any person who was or is a party, or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Association to procure a judgment in its favor by reason of the fact that the he/she is or was a representative of the Association or is or was serving at the request of the Association directly or as a representative of another corporation, partnership, joint venture, trust or other enterprise, against expenses (including attorneys' fees), actually and reasonably incurred by him/her in connection with the defense or settlement of the action or suit if he/she acted in good faith and in a manner he/she reasonably believed to be in, or not opposed to, the best interests of the Association. No indemnification shall be made in respect of any claim, issue or matter, however, as to which a person shall have been adjudged to be liable for negligence or misconduct in the performance of his/her duty to the Association unless and only to the extent that the court in which the action or suit was brought shall determine upon application that, despite the adjudication of liability, but in view of all the circumstances of the case, the person is fairly and reasonably entitled to indemnity for expenses which the court shall deem proper.

Section C. Mandatory Indemnification. To the extent that a representative of this Association has been successful on the merits or otherwise in defense of any action, suit or proceeding referred to in Section A or Section B or in defense of any other claim, issue or matter in the action, the he/she shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by him/her in connection with the action.

Section D. Standard of Care and Justifiable Reliance.

(1) Director as Fiduciary. A Director of the Association shall stand in a fiduciary relation to **the Association and shall perform the Director's duties as a Director, including the Director's duties** as a member of any committee of the Board upon which the Director may serve, in good faith, in a manner the Director reasonably believes to be in the best interests of the Association, and with the care, including reasonable inquiry, skill and diligence as a person of ordinary prudence would use under similar circumstances. A Director shall not be considered to be acting in good faith **if the Director has knowledge concerning the matter in question that would cause the Director's**

reliance to be unwarranted. In performing the Director's duties, a Director shall be entitled to rely in good faith on information, opinions, reports or statements, including financial statements and other financial data, in each case prepared or presented by any of the following:

- (a) One or more officers or employees of the Association whom the Director reasonably believes to be reliable and competent in the matters presented.
- (b) Counsel, public accountants or other persons as to matters which the Director reasonably believes to be within the professional or expert competence of that person.
- (c) A committee of the Board upon which the Director does not serve, duly designated in accordance with law, as to matters within its designated authority, which committee the Director reasonably believes to merit confidence.

(2) Consideration of Factors. In discharging the duties of their respective positions, the Board of Directors, committees of the Board and individual Directors may, in considering the best interests of the Association, consider the effects of any action upon employees, upon suppliers and customers of the Association and upon communities in which offices or other establishments of the Association are located, and all other pertinent factors. The consideration of those factors shall not constitute a violation of fiduciary duty.

(3) Presumption. Absent breach of fiduciary duty, lack of good faith or self-dealing, actions taken as a Director or any failure to take any action shall be presumed to be in the best interests of the Association.

Section E. Personal Liability of Directors.

(1) General Rule. The Directors of the Association shall not be personally liable for monetary damages as Directors for any action taken, or any failure to take any action, unless:

- (a) **The Director has breached or failed to perform the duties the Director's office** stated above.
- (b) The breach or failure to perform constitutes self-dealing, willful misconduct or recklessness.

(2) Exception. The provisions of Subsection E (1) shall not apply to:

- (a) The responsibility or liability of a Director pursuant to any criminal statute; or
- (b) The liability of a Director for the payment of income and franchise taxes pursuant to Local, State, or Federal law.

Section F. Procedure for Effecting Indemnification. Unless ordered by a court, any indemnification under this Article shall be made by the Association only as authorized in the specific case upon a determination that indemnification of the representative is proper in the circumstances because the Director has met the applicable standard of conduct set forth above. That determination shall be made:

(1) By the Board of Directors by a majority vote of a quorum consisting of Directors who

- were not parties to the action, suit or proceeding.
- (2) If a quorum is not obtainable, or, even if obtainable, when a majority vote of a quorum of disinterested Directors so directs, by independent legal counsel in a written opinion, or,
 - (3) By the Members of this Association.

Section G. Non-exclusivity and Supplementary Coverage

(1) General Rule. The indemnification and advancement of expenses provided above, or by any other provisions of law providing for indemnification or advancement of expenses applicable to any nonprofit corporation, shall not be deemed exclusive of any other rights to which a person seeking indemnification or advancement of expenses may be entitled under any **bylaw, agreement, vote of Members or Directors or otherwise, both as to action in the Director's** official capacity and as to action in another capacity while holding that office. 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 under or pursuant to this section or otherwise.

(2) When Indemnification is not to be Made. Indemnification shall not be made in any case 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.

(3) Grounds. Indemnification under any bylaw, agreement, vote of Members or Directors or otherwise, may be granted for any action taken or any failure to take any action and may be made whether or not the Association would have the power to indemnify the person under any other provision or law except as provided in this section and whether or not the indemnified liability arises or arose from any threatened, pending or completed action by or in the right of the Association.

Section H. Payment of Expenses. Expenses incurred by an Officer, Director, employee or agent in defending a civil or criminal action, suit or proceeding may be paid by the Association in advance of the final disposition of the action, suit or proceeding upon the receipt of a written obligation satisfactory to the Board by or on behalf of that person to repay these amounts if it shall ultimately be determined that the Director is not entitled to be indemnified by the Association.

Section I. Rights to Indemnification. The indemnification and advancement of expenses provided by or granted pursuant to this Article shall continue as to a person who has ceased to be a Director, Officer, employee or agent and shall inure to the benefit of the heirs, executors and administrators of that person.

Section J. Power to Purchase Insurance. The Association shall have power to purchase and maintain insurance on behalf of any person who is or was a representative of the Association, or is or was serving at the request of the Association directly or as a representative of another corporation, partnership, joint venture, trust or other enterprise against any liability asserted against the Director and incurred that capacity, or arising out of that status, whether or not the Association would have the power to indemnify the Director against that liability.

(1) Minimum Insurance Requirements. The Association shall maintain, to the extent reasonably available and subject to reasonable deductibles, no less than the following insurance coverage amounts:

- Property Insurance on the Common Areas: \$4,000,000
- General Liability: \$1,000,000
- Umbrella/Excess Liability: \$10,000,000
- Directors & Officers Liability: \$2,000,000

If the insurance described in this section is not reasonably available, the association promptly shall cause notice of that fact to be given to all unit owners.

ARTICLE X

MISCELLANEOUS

Section A. Conflicts. If there are any conflicts or inconsistencies between the provisions of the applicable law, the Declaration of Covenants, the Articles of Incorporation, these Bylaws and the Rules, the terms of the document first listed in this section shall prevail, in that order, over a more junior document.

Section B. Invalidity. The invalidity of any section or portion of a section shall not invalidate the balance of these Bylaws.

Section C. Amendments. All proposals to amend the Bylaws shall be noticed to the Members in compliance with state law and shall be introduced only at the annual Members meeting. Adoption of the amendment requires a favorable vote by sixty-seven percent of the Members voting in person or by directed proxy. The proposals shall be made in writing, either by the Board after a favorable vote of two-thirds of its members or by a petition signed by no fewer than two hundred (200) Members in good standing. The motion shall contain the full text of the proposed amendment, and shall be accompanied by an explanation of its purpose, stated in 1,500 words or less. The amendment materials must be filed with the Secretary no later than ninety (90) days before the annual Members meeting. The Secretary shall include copies of the materials and the resolution on the ballot to be mailed with the notice of the annual meeting.

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The Membership of the Association adopted these amended and restated Bylaws on May 2, 2020

Penn Estates Property Owners Association, Inc.