WATSON RUN

Homeowner's Association

WATSON RUN HOMEOWNER'S ASSOCIATION

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Watson Run

- Public Offering Statement:
  - Exhibit A: Declaration of Covenants, Conditions And Restrictions
  - Exhibit B: Bylaws
- Agreement of Sale
- Budget
- Designation of Directors and Officers

Buyer hereby acknowledges receipt of these documents.

_____ _____

Signature Date

_____ _____

Signature Date

Watson Run

- Public Offering Statement:
  - Exhibit A: Declaration of Covenants, Conditions And Restrictions
  - Exhibit B: Bylaws
- Agreement of Sale
- Budget
- Designation of Directors and Officers

WATSON RUN, A PLANNED COMMUNITY

Purchaser Should Read This Document
Carefully for His or Her Own Protection.

PUBLIC OFFERING STATEMENT

NAME OF PLANNED COMMUNITY:	Watson Run, A Planned Community
LOCATION OF PLANNED COMMUNITY:	Leacock Township, Lancaster County, Pennsylvania
NAME OF DECLARANT:	Red School, LLC, a Pennsylvania limited liability company
ADDRESS OF DECLARANT:	3335 Morgantown Road Mohnton, Pennsylvania 19540
EFFECTIVE DATE OF PUBLIC OFFERING STATEMENT:	June 15, 2008

IMPORTANT NOTICE:

WITHIN SEVEN DAYS AFTER RECEIPT OF THIS PUBLIC OFFERING STATEMENT OR AN AMENDMENT TO THIS PUBLIC OFFERING STATEMENT THAT MATERIALLY AND ADVERSELY AFFECTS THE RIGHTS OR OBLIGATIONS OF THE PURCHASER, THE PURCHASER, BEFORE CONVEYANCE, MAY CANCEL ANY CONTRACT FOR PURCHASE OF A UNIT FROM DECLARANT. IF THE PURCHASER ELECTS TO CANCEL THE CONTRACT, THE PURCHASER MUST DELIVER NOTICE OF CANCELLATION TO THE DECLARANT BY HAND (IN WHICH CASE EVIDENCE OF RECEIPT SHOULD BE OBTAINED) OR BY UNITED STATES MAIL, POSTAGE PREPAID, RETURN RECEIPT REQUESTED.

IF THE DECLARANT FAILS TO PROVIDE A PUBLIC OFFERING STATEMENT, AND ANY AMENDMENT THERETO, TO A PURCHASER BEFORE CONVEYING A UNIT, THAT PURCHASER MAY RECOVER FROM THE DECLARANT, IN ADDITION TO ANY OTHER RELIEF, AN AMOUNT EQUAL TO 5% OF THE SALE PRICE OF THE UNIT UP TO A MAXIMUM OF $2,000, OR PURCHASER'S ACTUAL DAMAGES, WHICHEVER IS GREATER. A MINOR OMISSION OR ERROR IN THE PUBLIC OFFERING STATEMENT, OR ANY AMENDMENT THERETO, THAT IS NOT WILLFUL, SHALL ENTITLE THE PURCHASER TO RECOVER ONLY ACTUAL DAMAGES, IF ANY.

IF A PURCHASER RECEIVES THE PUBLIC OFFERING STATEMENT MORE THAN SEVEN DAYS BEFORE SIGNING A CONTRACT OF SALE, HE CANNOT CANCEL THE CONTRACT PURSUANT TO THE FOREGOING PROVISIONS, EXCEPT THAT, THE PURCHASER SHALL HAVE THE RIGHT TO CANCEL THE CONTRACT BEFORE CONVEYANCE WITHIN SEVEN DAYS AFTER RECEIPT OF ANY AMENDMENT TO THE PUBLIC OFFERING STATEMENT THAT WOULD HAVE A MATERIAL AND ADVERSE EFFECT ON THE RIGHTS OR OBLIGATIONS OF THAT PURCHASER.

WATSON RUN, A PLANNED COMMUNITY

PUBLIC OFFERING STATEMENT

1. Introduction

Red School, LLC, a Pennsylvania limited liability company ("Declarant") proposes to develop a flexible planned community on certain real property located in Leacock Township, Lancaster County, Pennsylvania. The real estate will constitute a single Planned Community to be known as Watson Run, A Planned Community ("Planned Community"). Units will be offered by the Declarant for sale to the public.

The Residential Units of the Planned Community are intended as housing for persons who are 55 years of age or older in compliance with the Fair Housing Act, published as 24 C.F.R. §100.304 et seq., as amended ("HUD Regulations"). However, the Declarant reserves the right to provide for occupancy by persons not 55 years of age or older so long as such occupancy is in compliance with the HUD Regulations. In general, at least one occupant of each Residential Unit must be 55 years of age or older. In order to comply with the HUD Regulations, the Planned Community has adopted a "55 or Older Housing Policy" in substantially the form attached as Exhibit E (as it may from time to time be amended as provided in the Bylaws). Each owner of a Residential Unit, by purchasing a Residential Unit in the Planned Community: (i) acknowledges receiving a copy of the Planned Community's then-effective "55 or Older Housing Policy"; (ii) understands that as a condition to occupying the Residential Unit, he or she must first prove to the Association that at least one occupant of the Residential Unit will be 55 years of age or older; and (iii) certifies that they will abide by the Planned Community's "55 or Older Housing Policy", including provisions for verification.

This Public Offering Statement consists of two parts, a narrative portion and an Exhibit portion. The Exhibits include required documents for the creation, marketing and operation of the Planned Community and are as follows:

Exhibit A -	Declaration of Covenants, Conditions and Restrictions for Watson Run, A Planned Community (together with Exhibit A-1, collectively referred to as the "Declaration")
Exhibit A-1	First Amendment to Declaration of Covenants, Conditions and Restrictions for Watson Run, A Planned Community (together with Exhibit A, collectively referred to as the "Declaration")
Exhibit B -	Bylaws of Watson Run Community Association ("Bylaws")
Exhibit C -	Form of Agreement of Sale ("Agreement of Sale")

Exhibit D-1 - Proposed Annual General Budget for Watson Run Community Association (for initial year of operation) (59 Units)

Exhibit D-2 - Proposed Annual Community Water System Budget for Watson Run Community Association (for initial year of operation) (59 Units)

Exhibit D-3 - Proposed General Budget for Watson Run Community Association (178 Units)

Exhibit D-4 - Proposed Community Water System Budget for Watson Run Community Association (178 Units)

Exhibit E - 55 or Older Housing Policy

Exhibit F - Rules and Regulations

Exhibit G - Chart of Maintenance Responsibilities

The narrative portion of the Public Offering Statement is intended to summarize the significant features of the Exhibits and also to present other information of importance to a prospective purchaser. In the event of any inconsistency between the Exhibits and the narrative, the provisions of the Exhibits will govern. All capitalized terms used in this Public Offering Statement which are not specifically defined herein, shall have the meanings ascribed to such terms by the Pennsylvania Uniform Planned Community Act (the "Act"), the Declaration and the Bylaws.

All of the Declarant's sales personnel and other representatives are prohibited from orally modifying any of the terms or conditions of this Public Offering Statement or any of its Exhibits or attempting to interpret their legal effect.

2. General Description of the Planned Community

(a) Planned Communities in General. The term "Planned Community" refers to real estate with respect to which a person, by virtue of ownership of an interest in any portion of the real estate, is or may become obligated by covenant, easement or agreement imposed on the owner's interest to pay any amount for real property taxes, insurance, maintenance, repair, improvement, management, administration or regulation of any part of the real estate other than the portion or interest owned solely by the person. Watson Run, A Planned Community, consists of several types of property. Units are portions of the Planned Community which are set aside for individual ownership and occupancy. They will be maintained by and at the expense of the owner of the Unit. Common Facilities, on the other hand, are all portions of the Planned Community which are not included within the Units. The Common Facilities consist of the land and amenities outside of the Unit as described on the Declaration Plan. The Common Elements

will be owned and maintained by the Watson Run Community Association ("Association"). The Planned Community also contains Controlled Facilities which consists of any real estate within the Planned Community, whether or not a part of a Unit, that is not a Common Facility but is maintained, improved, repaired, replaced, regulated, managed, insured or controlled by the Association. The Common Facilities and the Controlled Facilities are referred to collectively as the "Common Elements." Each individual Unit Owner has assigned to his/her Unit, a Allocated Interest usually expressed in the form of a percentage or decimal. It is this Allocated Interest which gives each Unit Owner voting rights subject to the terms of the Act, the Declaration, the Bylaws, and the Plats and Plans, to use and participate in the control of the Common Elements (through membership in the Association), and also imposes upon each Unit Owner the obligation to pay a percentage of the expenses of operating and maintaining the Common Elements equal to his/her Allocated Interest multiplied by the aggregate amount of these Common Expenses. The amounts of these Common Expenses are determined in annual budgets established by the Executive Board of the Planned Community Association.

Certain Common Facilities are designated Limited Common Facilities. A Limited Common Facility is a portion of the Common Facilities allocated to a particular unit or units. The owners of the Units to which the Limited Common Facilities is assigned have an exclusive right to use such Limited Common Facility.

Certain Controlled Facilities are designated Limited Controlled Facilities. A Limited Controlled Facility is a portion of the Controlled Facilities, other than Controlled Facilities which are themselves part of a Unit, allocated by or pursuant to the Declaration or by operation of the Act for the exclusive use of one or more but fewer than all of the Units.

Each Unit (including the corresponding undivided interest in the Common Facilities) is taxed separately for real estate purposes. No Unit Owner is liable for the payment of real estate taxes on any other Unit. Similarly, no Unit is subject to the lien of a mortgage on any Unit other than his own.

(b) Watson Run, A Planned Community. Watson Run, A Planned Community is a mixed use flexible planned community being developed by the Declarant. A portion of the Additional Real Estate is owned and may be developed by Alido Group, LP, a Pennsylvania limited liability company ("Commercial Owner"); however, the Commercial Owner shall not be deemed a Declarant with respect to the Residential Units. The Planned Community is located on a tract of land that, if fully developed, shall contain approximately 73.094 acres located in Leacock Township, Lancaster County, Pennsylvania.

The initial phase of the Planned Community consisting of 59 Residential Units was created in March, 2007. The Declarant anticipates that the second phase of the Planned Community consisting of 58 Residential Units will be added in July, 2008. In addition, as hereinafter noted, the Declarant has reserved the right to create an additional 108 Residential Units on an adjacent tract of land containing approximately 23.22 acres which is designated as Additional Real Estate in the Declaration. Further, the Declaration provides that 20 Commercial Units may be developed on an adjacent tract of land containing approximately 14.444 acres which is also designated as a portion of the Additional Real Estate.

Berks Homes has been designated the exclusive builder for all Dwellings to be built on Residential Units and has been granted an option from the Declarant to purchase the Residential Units. Accordingly, each purchaser will contract directly with Berks Homes for the purchase of the Dwelling and the Residential Unit.

The Declarant currently anticipates that all Dwellings to be built on Residential Units shall be either one or two-story homes constructed of wood frame, with vinyl siding, stucco stone and brick exterior finishes and fiberglass shingle roofs. Basements may be added to certain Residential Units at the Declarant's discretion.

It is anticipated that the residential portion of the Planned Community will include homes of six different model types, which the Declarant and Berks Homes have identified as the Orchard Brook, the Rosemill, the Summerhill, the Chestnut Grove, the Stone Hill, and the Sweetwater. Typical floor plans for each model type and outline specifications are available to perspective purchasers. The size of interior floor area of the model types range from approximately 1,492 square feet to approximately 2,471 square feet.

Declarant reserves the right to add other model types in the future. Interior items described in the standard specifications are subject to variation by agreement in any contract for purchase of a Unit signed before construction. Purchasers are advised to review standard plans and specifications to avoid any misunderstanding about the extent of the Declarant's obligations.

Additional Dwellings added to the Planned Community by Declarant in the future will be of the same general quality of construction as the initial Dwellings and will be constructed of the same principal building materials. Although future Dwellings may vary in external appearance and architectural detail due to changes in square footage and overall design considerations, all Dwellings will be of the same architectural style as the initial Dwellings. The Declarant may substitute alternate materials for the materials used for shingles, doors, windows, siding and other exterior features of the Dwellings if substitutions are comparable in quality and consistent with the architectural design of the initial Dwellings.

Construction of the initial phase of the Planned Community began in March, 2007. The Declarant anticipates that the initial phase of 59 Residential Units will be completed by December, 2009. Construction of the second phase of the Planned Community began in July, 2007. Declarant anticipates that the second phase of 58 Residential Units will be completed by May, 2010. The timetable for commencement and completion of construction of additional Residential Units is dependent upon demand. Declarant shall not be responsible for any delay in completion of such construction, regardless of the causes or length of such delay or regardless of whether or not the delay is in whole or in part attributable to Declarant's fault.

Prior to conveyance, Berks Homes will substantially complete construction of each Dwelling (in accordance with the plans and specifications incorporated in the Agreement of Sale) and all utility systems intended to serve the Dwelling. With the exception of the Residential Unit and Dwelling subject to the purchaser's agreement of sale, neither Declarant nor Berks Homes is improving the Planned Community property for or to the specifications of the

purchaser. Except with respect to the specific Residential Unit and Dwelling being purchased, Declarant shall have the sole right to make all decisions regarding the improvement of the Planned Community property, including, without limitation, changes in grade, removal of trees, placement of utility lines and equipment, location and design of walkways, driveways, landscaping, drainage and all items of similar nature.

The Planned Community is served by the Community Water System which was constructed by the Declarant as part of Phase 1 of the Planned Community. The Community Water System is fully operational. Unless and until the Community Water System is transferred to a private water company, public utility or municipal authority, the Community Water System shall be owned, operated and maintained by the Association in accordance with all applicable requirements of the Pennsylvania Department of Environmental Protection ("PADEP"). All costs of operation of the Community Water System and the cost of any repair, replacement, addition or reserve associated therewith shall be Common Expenses assessed against all Units based upon the relative number of equivalent dwelling units ("EDUs") allocated to each such Unit. Each Residential Unit shall be allocated one EDU and each Commercial Unit shall be allocated the actual number of EDUs required in connection with the Commercial Structure erected thereon at the time of reference. The entire cost of construction of the Community Water System has been guaranteed by the Declarant to Leacock Township by the submission of a letter of credit for the entire construction cost thereof.

Subject to obtaining all required approval of PADEP or other federal, state or local authorities, the Declarant and/or the Association reserve the right to transfer the Community Water System to a private water company, public utility or municipal entity. In such event, the successor operator of the Community Water System shall assess user fees on the Unit Owners, and the cost of maintenance, operation and repair of the Community Water System shall cease to be a Common Expense.

Regardless of whether the Community Water System is transferred by the Declarant or the Association, any proceeds derived from such transaction or attributable to any excess capacity now or at any time hereafter associated with the Community Water System shall be deemed the property of the Declarant, or any person to whom the Declarant has assigned or otherwise transferred such interest. Any transfer of the Community Water System shall be subject to the prior written approval of the Declarant and any person to whom the Declarant has assigned or otherwise transferred the interest referred to above.

As noted above, the Planned Community may in the future include Commercial Units developed by the Commercial Owner in that portion of the Additional Real Estate described as Tract 2 on Exhibit D of the Declaration. The Commercial Units will be included in the Community Association for the sole and limited purpose of being served by the Community Water System. The obligation of a Unit Owner of a Commercial Unit to pay Common Expenses of the Association is expressly limited to the payment of Common Expenses attributable to the operation of the Community Water System or the cost of any repair, replacement, addition or reserve associated therewith. All such costs shall be allocated among Unit Owners as provided above. Further, any Common Expense incurred by the Association with the exception of Common Expenses attributable to the operation of the Community Water System or the cost of

any repair, replacement, addition or reserve associated therewith shall be deemed a Residential Limited Common Expense and shall be assessed solely against the Residential Units.

The water system control building, storage tank, and water/sewer connections to the building and wellhead areas associated with the Community Water System have been constructed in a portion of the Additional Real Estate. Until such time as such portion of the Additional Real Estate is added to the Planned Community, the Association shall have the right to access, operate and maintain all such facilities pursuant to certain access rights set forth in the Declaration.

With the exception of the Community Water System, it is anticipated that all utility services will be separately provided to each Unit and will be charged to the Owner by the utility companies or municipality providing such service.

The Declarant has built a Community Center Building for use by Unit Owners of Residential Units. The Community Center Building opened in November, 2007. Ultimately, the Community Center Building shall be owned by the Association and all costs of operation and maintenance thereof shall be deemed a Residential Limited Common Element. The Declarant has reserved the right to subject a portion of the property upon which the Community Center is to be built (together with an adjacent portion of the Additional Real Estate) to a right-of-way and easement in favor of Garden of Hope, Inc. in order to enable Garden of Hope, Inc. to establish a memorial garden on a certain portion of the Additional Real Estate which may hereafter be added to the Community as a portion of the Common Element thereof.

The Association has overall responsibility for operation of the Planned Community. All Unit Owners are members of the Association. The Association is governed by a Board of Directors called the Executive Board. Members of the Executive Board are initially designated by the Declarant, but Unit Owners will ultimately have the right to elect the directors.

The Association will adopt an annual budget and assess Unit Owners based on each Unit's Common Expense Liability percentage ("Assessment"). The Assessment will cover most costs involved with ownership of the Common Facilities, including most building maintenance, grounds maintenance, snow removal and insurance coverage for the Common Elements. Unit Owners will pay directly expenses incurred in connection with their Unit, including, but not limited to, utility charges, real estate taxes, and insurance premiums.

The respective responsibilities of the Association and the Unit Owners with respect to maintenance, repair and replacement of the Units, Common Elements and Limited Common Elements are as set forth in the chart of maintenance responsibilities attached as Exhibit G.

The Association will also adopt an annual budget with respect to all costs of operation of the Community Water System and the cost of any repair, replacement, addition or capital reserve associated therewith. As previously noted, all such Common Expenses shall be assessed against all Units based upon the relative number of EDUs allocated to each such Unit. Each Residential Unit shall be allocated one EDU and each Commercial Unit shall be allocated the actual number

of EDUs required in connection with the Commercial Structure erected thereon at the time of reference.

3. Sale of Units

Berks Homes has been designated the exclusive builder for Dwellings on Residential Units in the Planned Community and has been granted an option from the Declarant to purchase the Residential Units. Accordingly, in order to convey their respective interests in the Residential Unit and the Dwelling, it is anticipated that the Declarant and Berks Homes will jointly execute the deed to each prospective purchaser.

Offering prices for all Units in the Planned Community have been tentatively established at this time and are subject to change at any time prior to execution of Agreements of Sale for each such Unit. Such offering prices are available from Berks Homes. Different purchasers may be offered different prices or similar prices at the sole discretion of Berks Homes. All prices may be changed without notice at any time, at the sole discretion of Berks Homes. Prices in executed Agreements of Sale cannot be changed except as agreed upon between the purchaser and Berks Homes.

The basic form of Agreement of Sale is included as Exhibit C hereof. The form of Agreement of Sale used in any particular sale may vary, at the sole discretion of Berks Homes.

The land included in the Planned Community will be owned in fee simple. The liens, defects and encumbrances which will affect title of Owners to Units in the Planned Community are identified in the Declaration, including all exhibits and attachments thereto.

Any deposits made in connection with the purchase of a Unit will be held in accordance with the provisions of the Act and under the terms of the Agreement of Sale between Berks Homes and the purchaser. Specifically, any deposit will be refunded to the purchaser if the purchaser cancels a contract to purchase a Unit, before conveyance, or within seven days after receipt of a Public Offering Statement or an amendment to the Public Offering Statement that materially and adversely affects the rights or obligations of the purchaser. However, monies paid for options shall be non-refundable except as specifically set forth in the Agreement of Sale.

Neither the Declarant nor Berks Homes offers any financing program to prospective purchasers. However, Berks Homes will assist prospective purchasers in securing mortgage financing through local lending institutions.

Neither the Declarant nor Berks Homes has any intention at this time of renting any Units or marketing any blocks of Units to investors. However, purchasers may buy more than one Unit and are not obligated to reside in their Units and may rent them to others, subject to the requirements of the Declaration.

At settlement, each purchaser of a Residential Unit will be required to make a nonrefundable initial capital contribution to the Association in the amount of $500.00. The general purpose of the contribution is to establish a capital reserve account for the Association.

This payment is not to be credited as an advanced payment of assessments. The amount of such capital contribution was determined based upon the anticipated need for capital additions and replacements to the Planned Community.

4. Rights to Add Units

Phase 1 and Phase 2 of the Planned Community will involve construction of a total of 117 Residential Units on the Planned Community property. However, the Declarant has reserved the right to add additional Units to the Planned Community at any time within seven years of the recording of the Declaration. As previously noted, the Declarant has reserved the right to create an additional 108 Residential Units on an adjacent tract of land containing approximately 23.22 acres in that portion of the Additional Real Estate described as Tract 1 on Exhibit D of the Declaration. In addition, the Declaration provides that 20 Commercial Units may be developed on that portion of the Additional Real Estate described as Tract 2 on Exhibit D of the Declaration. The Declarant expressly reserves the right to add the Additional Real Estate at any time, at different times, in any order, without limitation and without any requirement that any other real estate be added, converted or withdrawn. The Additional Real Estate may be added to the Planned Community as Convertible Real Estate or Withdrawable Real Estate in accordance with the terms of the Declaration.

The pace at which Declarant may add portions of the Additional Real Estate and construct Residential Units will depend upon market conditions and demand for such Units. With the exception of the seven year time period referred to above, Declarant is under no obligation to adhere to any timetable for development of the Units.

5. Planned Community Documents

The ownership, use and occupancy of the Units within the Planned Community are governed by certain regulations, covenants and restrictions contained in the Declaration, Bylaws and Rules and Regulations which may be promulgated by the Executive Board of the Association, whose responsibility it is to manage the Common Elements. These documents, taken together, are known as the Planned Community Documents. It is important that you read and understand the Planned Community Documents prior to your purchase, so that no restriction placed upon you by these documents will come as a surprise after you purchase. By purchasing a Unit, you automatically agree to abide by the Planned Community Documents and all of the rules and regulations which may be promulgated by the Association from time to time in the future.

The following is a brief narrative description of the significant features of the Planned Community Documents. The terms used herein shall have the meanings ascribed to them in the Planned Community Documents or in the Act.

(a) Declaration

The Declaration of Covenants, Conditions and Restrictions for Watson Run, A Planned Community is the primary document governing the Community and the

interrelationship of the Units and Owners among themselves, and with the Common Elements. The following is only a summary of the significant features of the Declaration. Each purchaser is cautioned to review thoroughly and completely the complete text of the Declaration, a copy of which is attached as Exhibit A.

Article I – Submission; Defined Terms: This article submits the property to the Declaration pursuant to the Pennsylvania Uniform Planned Community Act. In addition, this article provides that the Residential Units within the Community are to be operated as housing designed for persons who are 55 years of age or older pursuant to the HUD Regulations.

Article II – Allocated Interests, Votes and Common Expense Liability; Unit Identification and Boundaries: This article addresses the Allocated Interest, votes and Common Expense Liability assigned to each Unit. In addition, the article defines the boundaries of all Units.

Article III – Limited Common Elements; Future Allocation of Common Elements: This article identifies those Common Elements within the Community which are allocated exclusively to Residential Units.

Article IV – Additions, Alterations and Improvements of Residential Units: This article describes the procedure for alterations, additions and improvements which a Unit Owner may wish to make to his Residential Unit. The article further identifies the respective maintenance responsibilities of the Association and the Unit Owners with respect to the Units, Common Elements and Limited Common Elements.

Article V – Maintenance, Repair and Replacement Responsibilities: This article sets forth the maintenance responsibilities of the Association and Unit Owners and incorporates a Chart of Maintenance Responsibilities which specifically identifies each such obligation.

Article VI – Easements: This article describes the various easements that exist or may be created in the Community.

Article VII – Use Restrictions of Residential Units: This article describes the restrictions on how the Residential Units are to be used, to preserve the appearance of the Community and prohibit activities and uses that may create a nuisance.

Article VIII – Leasing of Residential Units: This article describes the procedure and limitations on the leasing of a Residential Unit.

Article IX – Assessment and Collection of Common Expenses: This article defines Common Expenses and identifies and allocates Limited Common Expenses among Unit Owners. In addition, the article provides for the adoption of a budget, the collection of assessments and the establishment of a working capital fund.

Article X – Community Water System: This article addresses the creation of a Community Water System as a Common Element of the Community and identifies the rights and obligations of the Association and the Declarant therein.

Article XI – Rights of the Municipality: This article discusses the rights that the Planned Community has granted to the municipality, such as the right to inspect and make repairs if for any reason the Association fails to do so.

Article XII – Declarant Control and Special Declarant Rights: This article describes certain rights that the Declarant is permitted to reserve for itself during the time when it is developing the Planned Community.

Article XIII – Limitation of Liability: This article provides for the limitation of liability to members of the Executive Board.

Article XIV – Insurance: This article describes the insurance coverage that each Unit Owner and the Association are either required or permitted to carry.

Article XV – Damage to or Destruction of Property: This article addresses the obligations of the Unit Owner and the Association to restore portions of the Community and the manner in which insurance proceeds are to be applied.

Article XVI – Amendments to Declaration: This article identifies the procedure for amending the Declaration.

Article XVII – Amendments to Bylaws: This article identifies the procedure for amending the Bylaws.

Article XVIII – Rights to Notice and Comments; Notice and Hearing: This article provides for certain procedural rights and for certain actions may be taken by the Executive Board.

Article XIX – Powers of the Association: This article enables the Association to exercise such powers authorized by the Act.

Article XX – Residential Community Amenities: This article permits the Declarant to construct certain amenities within the Community for use by Residential Units.

Article XXI – Convertible Real Estate:,
Article XXII – Withdrawable Real Estate: and
Article XXIII – Additional Real Estate: These articles taken as a whole enable the Declarant to expand the Planned Community by adding Additional Real Estate and creating additional Residential Units and Commercial Units therein.

Article XXIV – Termination of the Community: This article sets forth the procedure for termination of the Community.

Article XXV – Notice Prior to Legal Action:,
Article XXVI – Interpretation:,
Article XXVII – Severability: and
Article XXVIII – Effective Date: These articles contain miscellaneous legal and administrative provisions.

(b) Bylaws

Attached to this Public Offering Statement as Exhibit B are copies of the Bylaws of the Association. The Bylaws describe how the Association will be governed and how its powers will be exercised. Significant features include the following: powers, offices, membership and voting rights, the Executive Board, officers, assessments, amendments and various other housekeeping items.

(c) Rules and Regulations

The Association has adopted Rules and Regulations for the safety or convenience of residents, the maintenance and use of Common Elements, and to preserve the appearance of the Community, among other things. Any applicable Rules and Regulations for the Community are attached as Exhibit F.

(d) Agreement of Sale

The Agreement of Sale is a legal document which sets forth the rights and obligations of Berks Homes, as seller, and the prospective unit purchaser. The Agreement of Sale will obligate Berks Homes to construct or otherwise convey a Dwelling on the Residential Unit subject to the Agreement of Sale. The Agreement of Sale will set forth the purchase price, warranty provisions and other material terms of the transaction. It is important that each prospective purchaser fully review and understand the terms of the Agreement of Sale.

(e) Material Contracts Subject to Cancellation

Currently there are no contracts or agreements of a material nature to the Planned Community that may be subject to cancellation by the Association following the termination of the period of Declarant control. However, the Declarant anticipates that in the future there may be a community management contract, and community maintenance and landscaping contracts that will be in effect from time to time, including following the expiration of the period of Declarant control. Under Pennsylvania law, the Executive Board elected by the Owners following the period of Declarant control may generally terminate any such contracts.

6. Budget

Watson Run Community Association will be formed as a Pennsylvania non-profit corporation at the time the Planned Community is created and has no current balance sheet. The general budget for the Association (exclusive of Common Expenses attributable to the Community Water System) for the initial 12 months following sale of the first Unit is attached as Exhibit D-1. The Community Water System budget for the same period is attached as Exhibit D-2. Each of these Budgets assumes inclusion of 59 Residential Units in the Planned Community throughout the entire 12 month period. These initial 12 month budgets are collectively referred to as the "Initial Budgets."

The Initial Budgets have been prepared based upon current price quotations and no inflation factor has been taken into account. Certain budgetary assumptions are noted in the Initial Budgets. The Initial Budgets have been prepared by the Declarant. The Initial Budgets do not reflect certain maintenance expenses which may initially be avoided due to various warranties issued by contractors in connection with initial construction or installation. Upon the expiration of such warranties, such expenses will become the responsibility of the Association. In addition, certain grounds care services may be included in construction contracts and are not included in the Initial Budgets. During construction, certain snow removal services may be provided by the Declarant.

In order to assist prospective purchasers in projecting future assessment levels upon completion of the 178 Residential Units which the Declarant anticipates will be included in the Planned Community, the Declarant has prepared projected budgets. Attached as Exhibit D-3 is the anticipated general budget for the Association (exclusive of Common Expenses attributable to the Community Water System). Attached as Exhibit D-4 is the anticipated Community Water System budget. Each of these budgets assumes inclusion of 178 Residential Units in the Planned Community throughout the budget period. In addition, the Community Water System budget assumes overall water usage of 316 EDUs allocated as follows:

Residential Units	178 EDUs
Community Building	1 EDU
Commercial Units	137 EDUs

These budgets reflecting the inclusion of 178 Residential Units in the Planned Community are collectively referred to as the "Build-out Budgets."

As noted in the Initial Budgets, the Declarant will make a contribution to each budget in an amount sufficient to reduce the per unit assessments to the level of the projected per unit assessment shown on the Build-out Budgets. The Declarant covenants to continue to make a similar contribution to both the general budget and the Community Water System budget until at least March 31, 2010.

The general budget contains an annual reserve in the amount of $150.00 per Residential Unit for capital additions and replacements. The Community Water System budget contains an annual reserve in the amount of $20,000.00 for capital additions and replacements. In addition,

at the time of closing of each Residential Unit, the purchaser shall be required to deposit with the Association to establish a capital reserve account, an initial fee of $500.00. This initial fee of $500.00 was determined based upon the anticipated need for capital additions and improvements to the Planned Community.

Except as stated above, there are no services which Declarant will initially provide at its own expense which Declarant expects may become at any subsequent time a Common Expense of the Association.

7. Condition and Useful Life of Structural Components and Major Utility Installations

The Planned Community Act requires that a Declarant give a prospective purchaser a statement as to the present condition, expected useful life and estimated cost (in current dollars) of replacement of structural components and major utility installations in the Planned Community.

The information set forth below represents Declarant's best general estimate of useful lives of the designated components based upon best available information. The estimates are made on the assumption of continuous first class maintenance of all such components. It is expected that some components may remain in service without complete renovation or replacement after the stated period. Functional obsolescence and obsolescence as a result of changing consumer tastes or lifestyles has not been taken into account in determining the useful lives.

This statement is not intended to constitute a representation or warranty by Declarant or enhance or enlarge upon Declarant's obligations to a purchaser of a Unit.

Component	Present Condition	Useful Life	Estimated Current Replacement Cost
Foundation (per Unit)	New	100 years	$20,000.00
Roof (per Unit)	New	20 years	$5,000.00
HVAC System (per Unit)	New	15 years	$9,000.00
Foundation (Community Center)	New	100 years	$50,000.00
Roof (Community Center)	New	20 years	$17,000.00
HVAC System (Community Center)	New	15 years	$20,000.00
Community Water System	New	20 years	$1,363,902.00
Storm water facilities	New	40 years	$316,845.00

Sidewalks (Common Area)	New	30 years	$14,560.00
Streetlights	New	30 years	$116,667.00

Because sewer utility installations will be repaired and replaced by the utility service provider, there will be no cost to the Association of replacing such items.

8. Warranties

Berks Homes warrants against structural defects in each of the Residential Units of the Planned Community for a period of two years from the date of initial conveyance of the Residential Unit to a bona fide purchaser. The Declarant warrants against structural defects in each of the Common Elements of the Planned Community for a period of two years from the date of completion of construction of such Common Element or, if later, two years from the date upon which the first Residential Unit is conveyed to a bona fide purchaser in the phase of the Planned Community in which the Common Element is located. "Structural Defects" means those defects in components constituting any Residential Unit or Common Element of the Planned Community which reduce the stability or safety of the structure below accepted standards or restrict the normal intended use of all or part of the structure and which require repair, renovation, restoration or replacement. Nothing herein shall be construed to make the Declarant or Berks Homes responsible for any items of maintenance relating to the Units or Common Elements. No action to enforce the warranty may be commenced later than six years after the warranty begins.

In addition, it is anticipated that Berks Homes will provide additional warranties to each Unit Owner with respect to the Dwelling to be constructed within the Residential Unit, as more fully set forth in the Agreement of Sale for the Unit.

EXCEPT AS SPECIFICALLY SET FORTH ABOVE, OR OTHERWISE PROVIDED IN THE AGREEMENT OF SALE WITH A UNIT OWNER, THE UNITS (AND ANY DWELLINGS TO BE CONSTRUCTED THEREIN) AND THE COMMON ELEMENTS ARE TO BE SOLD OR, WITH RESPECT TO THE COMMON ELEMENTS, TRANSFERRED "AS IS" WITHOUT WARRANTY OR REPRESENTATION OF ANY KIND, EXPRESS OR IMPLIED, INCLUDING, WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, OR HABITABILITY.

9. Insurance

Commencing no later than the date on which title to the first Unit is conveyed and to the extent reasonably available, the Executive Board shall obtain and maintain comprehensive general liability insurance coverage, including medical payments insurance, in an amount reasonably determined by the Executive Board but in no event less than One Million Dollars ($1,000,000.00), covering all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements. The policy shall name any managing agent as an additional insured.

Each Unit Owner shall be solely responsible for obtaining all property and liability insurance on his Unit in compliance with Section 5312 of the Act, including (i) property insurance on any Dwelling or Commercial Structure located upon the Unit insuring against all common risks of direct physical loss in an amount at least equal to the full replacement value of the Dwelling or Commercial Structure, exclusive of land, excavations, foundations and other items normally excluded from property policies, and (ii) comprehensive general liability insurance covering all occurrences commonly insured against for death, bodily injury and property damage, arising out of or in connection with the use, ownership or maintenance of the Unit in an amount not less than One Million Dollars ($1,000,000.00), or such other amount as may be reasonably determined from time to time by the Executive Board.

If such insurance is not reasonably available, and the Executive Board determines that any insurance described herein will not be maintained, the Executive Board shall cause notice of that fact to be hand-delivered or sent prepaid by United States Mail to all Unit Owners at their respective last known addresses.

Insurance policies carried by the Association shall provide that: (i) each Unit Owner is an insured person under the policy with respect to liability arising out of his membership in the Association; (ii) the insurer waives its rights to subrogation under the policy against any Unit Owner or member of his household; (iii) no act or omission by any Unit Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery under the policy, if, at the time of a loss under the policy, there is other insurance in the name of a Unit Owner covering the same risk covered by the policy, the Association's policy provides primary insurance; (iv) the insurer may not cancel or refuse to renew the policy until 30 days after notice of the proposed cancellation or non-renewal has been mailed to the Association and each Unit Owner and each holder of a security interest to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.

The Association shall maintain a blanket fidelity bond or similar security for anyone who either handles or is responsible for funds held or administered by the Association, whether or not he receives compensation for his services. The bond shall name the Association as obligee and shall cover the maximum funds that will be in the custody of the Association or the manager at any time while the bond is in force, and in no event less than the sum of three months' Common Expense Liability and reserve funds on deposit. The bond shall include a provision that calls for 30 days' written notice to the Association before the bond can be canceled or substantially modified for any reason. However, if cancellation is for nonpayment of premiums, only ten days' notice shall be required.

The Executive Board shall also obtain and maintain worker's compensation insurance to meet the requirements of the laws of the Commonwealth of Pennsylvania and the Executive Board may obtain directors' and officers' liability insurance to satisfy the indemnification obligations set forth in the Declaration, if and to the extent available at a reasonable cost.

The Association may carry other insurance that the Executive Board considers necessary or advisable to protect the Association or the Unit Owners and all insurance premiums and

deductibles for policies maintained by the Association shall be a Common Expense, unless the deductible may be charged against one or more Unit Owners pursuant to the Act.

10. Votes in the Association

Each Unit Owner shall be entitled to cast Votes in the affairs of the Association equal to the Allocated Interest assigned to his or her Unit. Cumulative and class voting shall not be permitted.

11. Zoning, Permits and Governmental Approvals

The residential portion of the Planned Community is zoned Suburban Residential under the zoning ordinance for Leacock Township, which permits the intended residential use thereof as a conditional use. Such conditional use was approved by the Board of Supervisors of Leacock Township on July 6, 2004.

The commercial portion of the Planned Community is zoned Commercial under the zoning ordinance for Leacock Township, which permits the intended commercial use thereof.

Final subdivision and land development approval for Phase I of the Planned Community was approved by the Board of Supervisors of Leacock Township and the plan therefore recorded in the Recorder's Office in and for Lancaster County, Pennsylvania in Plan Book J-226, Page 32. Final subdivision and land development approval for Phase II of the Planned Community was approved by the Board of Supervisors of Leacock Township and the plan therefore recorded in the Recorder's Office aforesaid in Plan Book J-231, Page 117. All governmental approvals and permits required for the use and occupancy of the Residential Units have been or will be obtained by the Declarant.

The PADEP has issued a Public Water Supply Permit and a Water Treatment Operation Permit (No. 3605501) to enable the Declarant to construct and operate the Community Water System.

In addition, the following development-related permits have been obtained by Declarant:

(a) Highway Occupancy Permit (No. 08062669) issued by the Pennsylvania Department of Transportation on September 15, 2005;

(b) Pennsylvania National Diversity Index Clearance (No. N148265) issued by the U.S. Fish and Wildlife Commission on July 7, 2004;

(c) Pennsylvania Historical and Museum Commission Clearance (No. ER-2005-0950-071-B) issued by the Pennsylvania Historical and Museum Commission on March 7, 2005;

(d) NPDES Erosion and Control/Stormwater Permit (No. PAG20036005016) issued by the Lancaster County Conservation District and the Pennsylvania Department of Environmental Protection on February 15, 2005;

(e) Jurisdictional Determination (No. 2005-00329-4) issued by the Army Corp of Engineers on March 8, 2005.

All such permits and approvals shall remain valid for the duration of development of the Planned Community.

The Declarant has no knowledge of any currently outstanding notices of uncured violations of building, housing, health or fire codes or other governmental requirements.

12. Hazardous Conditions

Except as provided below, Declarant has no knowledge of any hazardous conditions, including contamination affecting the Planned Community property by hazardous substances, hazardous wastes or the like, or the existence of underground storage tanks for petroleum products or other hazardous substances, or the existence of any investigation conducted to determine the presence of hazardous conditions on or affecting the Planned Community property.

The PADEP has found that ground water serving a number of residential wells in the vicinity of the Community is contaminated with trichloroethylene ("TCE"), a degreasing solvent, and has initiated steps to address the concern. The Community Water System has incorporated commercial grade granular activated carbon treatment units for the removal of TCE. Although the detected level of TCE present in the wells to serve the Community Water System was marginally above the PADEP maximum contaminant level, treatment units have been designed to reduce the TCE levels to non-detectable limits. The wells to serve the Community Water System include 77 feet of casing which prohibits any shallow water bearing zones to introduce water into the wells. The Public Water Supply Permit Application Design Engineers Report is available for review by any prospective purchaser at the office of the Declarant.

Information concerning environmental conditions affecting the Planned Community property may be obtained from:

The Pennsylvania Department of Environmental Protection
South Central Region
909 Elmerton Avenue
Harrisburg, PA 17110
Phone: (717) 705-4700

United States Environmental Protection Agency
Region 3 Regional Office
1650 Arch Street
Philadelphia, PA 19103-2029
Phone: (215) 814-5700

13. Pending Litigation

As of the effective date of this Public Offering Statement, there are no judgments against the Association, nor is the Association a party to any pending litigation. To the knowledge of. Declarant, there are no pending suits material to the Planned Community.

14. Declarant's Financial Arrangements

Declarant presently intends to construct all Common Element improvements which "MUST BE BUILT" within the Planned Community from the proceeds of equity and construction financing in the amount of $3,517,396.00 provided by Fulton Bank. Declarant believes that the available funds are sufficient to enable Declarant to carry out construction of all required improvements.

15. General Information

ANY INFORMATION OR DATA REGARDING WATSON RUN, A PLANNED COMMUNITY NOT PRESENTED IN THIS PUBLIC OFFERING STATEMENT OR CONTAINED IN THE EXHIBITS MAY NOT BE RELIED UPON. NO PERSON HAS BEEN AUTHORIZED BY THE DECLARANT TO MAKE ANY REPRESENTATION OR WARRANTY NOT EXPRESSLY CONTAINED HEREIN, AND NOTHING IN THIS PUBLIC OFFERING STATEMENT MAY BE CHANGED OR MODIFIED ORALLY.

This Public Offering Statement is subject to change without notice in order to reflect any material change in the information set forth herein or otherwise required by the Act. Copies of all such amendments will be available in Declarant's office or from the secretary of the Association and will be provided to each purchaser at or prior to settlement for his Unit.

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Prepared By: Barley Snyder
126 East King Street
Lancaster, PA 17602
(717) 299-5201
Return To: Paul M. Browning, Esquire
Parcel ID #: N/A

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

WATSON RUN, A PLANNED COMMUNITY

Pursuant to the provisions of the
Pennsylvania Uniform Planned Community Act,
68 Pa. C.S. §5101 et seq. ("Act")

DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

WATSON RUN, A PLANNED COMMUNITY

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DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS

FOR

WATSON RUN, A PLANNED COMMUNITY

ARTICLE I

SUBMISSION; DEFINED TERMS

Section 1.1. Declarant; Property; County; Name. Red School, LLC, a Pennsylvania limited liability company ("Declarant"), owns a fee simple interest in the real estate described in Exhibit A hereof ("Real Estate"), located in Leacock Township, Lancaster County, Pennsylvania, hereby submits the Real Estate, including all easements, rights and appurtenances related thereto and the Dwellings and other improvements to be erected thereon (collectively, the "Property" or "Watson Run") to the provisions of the Pennsylvania Uniform Planned Community Act, 68 Pa. C.S. §5101 et seq. ("Act"), and hereby creates with respect to the Property a flexible planned community to be known as "Watson Run, A Planned Community" ("Community").

Section 1.2. Housing for Older Persons. It is the intent of the Declarant to operate the Residential Units within the Community as housing designed for persons who are 55 years of age or older pursuant to the HUD Regulations.

Section 1.3. Name of Community. The name by which the Property shall hereafter be identified is WATSON RUN, A PLANNED COMMUNITY.

Section 1.4. Easements and Licenses. Included among the easements, rights and appurtenances referred to in Section 1.1 hereof are the recorded easements, rights and licenses affecting the Property set forth on Exhibit A-1 attached hereto and made a part hereof.

Section 1.5. Defined Terms

1.5.1. Capitalized terms not otherwise defined herein or identified on the Plats and Plans shall have the meanings specified or used in the Act.

1.5.2. The following terms when used herein shall have the meanings set forth below:

(a) "Additional Real Estate" means the Real Estate described in Exhibit D attached hereto, so long as the Declarant's right to add such Real Estate to the Community continues to exist.

(b) "Allocated Interest" means the Common Expense liability and the votes in the Association allocated to a Unit.

(c) "Annual Assessment" means a Unit's individual share of the anticipated Common Expenses for each fiscal year as reflected in the budget adopted by the Executive Board for such year.

(d) "Architectural Review Committee" means a committee comprised of three (3) members appointed by the Executive Board, the purpose of which shall be to review and evaluate any alteration to, or change in appearance of, the exterior of a Dwelling proposed by the Unit Owner and to make a recommendation to the Executive Board whether to approve or disapprove, or condition the approval, of such proposed alteration.

(e) "Association" means the Unit Owners' association of the Community, which shall be a Pennsylvania non-profit corporation known as "Watson Run Community Association" and shall have all powers and duties designated by the Act.

(f) "Bylaws" means the Bylaws of Watson Run Community Association providing for the governance of the Association pursuant to Section 5306 of the Act, as such document may be amended from time to time.

(g) "Commercial Units" are not part of the Community, as initially created, but may be added to the Community as Units to be created in the Additional Real Estate pursuant to Section 22.1 hereof. All such Commercial Units shall be located in Tract 2 of the Additional Real Estate described in Exhibit D.

(h) "Commercial Structure" means a non-residential unit and related improvements situate within a Commercial Unit.

(i) "Common Elements" means Common Facilities or Controlled Facilities.

(j) "Common Expenses" means expenditures made by or financial liabilities of the Association, together with any allocations to reserves.

(k) "Common Facilities" means any Real Estate within the Property as depicted on the Plats and Plans, as they may be revised from time to time, that is not a Unit and that is owned by or leased to the Association.

(l) "Community" means the Community described in Section 1.1 hereof.

(m) "Community Documents" include the Declaration, Plats and Plans, Bylaws and Rules and Regulations.

(n) "Community Water System" means the wells, well heads, water treatment building, water distribution system and related facilities and appurtenances that will serve the Property as shown on the Plats and Plans.

(o) "Condominium Act" means the Pennsylvania Uniform Condominium Act, 68 Pa. C.S. § 3101 et seq.

(p) "Controlled Facilities" means any real estate within the Property, whether or not a part of a Unit, that is not a Common Facility, but is maintained, improved, repaired, replaced, regulated, managed, insured or controlled by the Association.

(q) "Convertible Real Estate" means any portion of the Additional Real Estate hereinafter added to the Community which is designated as "Convertible Real Estate," so long as the Declarant's rights to create Units or Limited Common Elements therein continue to exist.

(r) "Declarant" means the Declarant described in Section 1.1 hereof, and all successors to any Special Declarant Rights.

(s) "Declaration" means this document, as the same may be amended from time to time.

(t) "Dwelling" means the housing unit and related improvements situate within a Residential Unit.

(u) "Executive Board" means the Executive Board of the Association.

(v) "Final Subdivision Plan" means the Phase 1 Final Subdivision and Land Development Plan for Watson Run, prepared by RGS Associates, as approved by the Municipality, as the same may be amended or modified by the Declarant from time to time in accordance with the Municipality's and other governmental requirements.

(w) "First Settlement" means the date of the first closing whereby a Unit is conveyed to an Initial Third Party Purchaser.

(x) "HUD Regulations" means the regulations adopted pursuant to the Fair Housing Act and published at 24 Code of Federal Regulations § 100.304 et seq., as the same may be amended from time to time.

(y) "Initial Third Party Purchaser" means an initial purchaser of a Unit.

(z) "Limited Common Elements" means Limited Common Facilities or Limited Controlled Facilities.

(aa) "Limited Common Expenses" means expenditures made by or financial liabilities of the Association which shall be assessed against any one or more Units to provide services which are exclusively for such Units as provided in this Declaration or otherwise in the Act.

(bb) "Limited Common Facilities" means those portions of the Common Facilities allocated by or pursuant to the Declaration or by operation of Section 5202 of the Act for the exclusive use of one or more but fewer than all the Units.

(cc) "Limited Controlled Facilities" means those portions of the Controlled Facilities, not part of a Unit, allocated by or pursuant to the Declaration or by operation of Section 5202 of the Act for the exclusive use of one or more but fewer than all the Units.

(dd) "Maintenance" means the maintenance, repair and replacement activities required with respect to any facility located on the Property.

(ee) "Master Association" means any nonprofit homeowners' association created pursuant to Section 5222 of the Act and as described in Section 3222 of the Condominium Act. The members of a master association shall be (i) the members of the Association and (ii) the members of any other community or condominium created within the boundaries of Watson Run.

(ff) "Municipality" means Leacock Township, Lancaster County, Pennsylvania.

(gg) "Notice and Comment" means the right of a Unit Owner to receive notice of an action proposed to be taken by or on behalf of the Association, and the right to comment thereon. The procedures for Notice and Comment are set forth in Section 17.1 hereof.

(hh) "Notice and Hearing" means the right of a Unit Owner to receive notice of an action proposed to be taken by the Association, and the right to be heard thereon. The procedures for Notice and Hearing are set forth in Section 17.2 hereof.

(ii) "PADEP" means the Pennsylvania Department of Environmental Protection.

(jj) "Plats and Plans" means the Plats and Plans attached hereto as Exhibit C and made a part hereof, as the same may be amended from time to time.

(kk) "Property" means the Property described in Section 1.1 hereof.

(ll) "Public Street Infrastructure" means the roadway, pavement, curbs, inlets, signage, manhole covers, valves and other roadway appurtenances which comprise the public streets within the Community.

(mm) "Residential Community Amenities" means certain real property and any improvements located thereon, located within the boundaries of Watson Run, owned and operated for recreational and related purposes, on a club membership basis, use fee basis, or otherwise.

(nn) "Residential Parcel" means the entire portion of the Property at the time of reference with the exception of those Units located therein designated as Commercial Units.

(oo) "Residential Units" means those Units designated as "Residential Units" on Exhibit B.

(pp) "Rules and Regulations" means such rules and regulations as are promulgated by the Executive Board from time to time, with respect to various details of the use of all or any portion of the Property, either supplementing or elaborating upon the provisions in the Declaration or the Bylaws.

(qq) "Security Interest" means an interest in real property or personal property, created by contract or conveyance, which secures payment or performance of an obligation. The term includes a lien created by a mortgage, land sales contract, and any other consensual lien or title retention contract intended as security for an obligation.

(rr) "Special Assessment" means a Unit's individual share of any assessment made by the Executive Board in addition to the Annual Assessment.

(ss) "Subdivision Plan" means the Preliminary Plan for Watson Run, prepared by RGS Associates, as approved by the Municipality, as the same may be amended or modified by the Declarant from time to time in accordance with the Municipality's and other governmental requirements.

(tt) "Unimproved Unit" means any Unit which has not yet been improved by the construction thereon of a Dwelling Unit or a Commercial Structure.

(uu) "Unit" means the land located within the lot lines of a lot shown on the Subdivision Plan, and which is expressly designated as a Unit on the Plats and Plans, whether improved or unimproved, together with any Dwelling or Commercial Structure and any other permanent improvements constructed thereon from time to time. Each Unit is designated as either a "Residential Unit" or a "Commercial Unit" on Exhibit B.

(vv) "Unit Owner" means the holder of legal title to a Unit.

(ww) "Watson Run" means those portions of the real estate described on Exhibit A attached hereto and which are developed pursuant to the provisions of this Declaration, or any subsequent declaration recorded pursuant to the provisions of the Act or the Condominium Act and which expressly state that they constitute a part of the "Watson Run" community.

(xx) "Withdrawable Real Estate" means any portion of the Additional Real Estate hereafter added to the Community which is designated as "Withdrawable Real Estate," so long as the Declarant's rights to withdraw such Withdrawable Real Estate from the Community continue to exist.

Section 1.6. Provisions of the Act. The provisions of the Act shall apply to and govern the operation and governance of the Community, except to the extent that contrary provisions, not prohibited by the Act, are contained in one or more of this Declaration, the Plats and Plans or the Bylaws.

ARTICLE II

ALLOCATED INTERESTS, VOTES AND COMMON EXPENSE LIABILITIES; UNIT IDENTIFICATION AND BOUNDARIES

Section 2.1. Allocated Interests, Votes and Common Expense Liabilities.

2.1.1. Attached hereto as Exhibit B is a schedule of the initial fifty-nine (59) Units being created by the Declarant that sets forth their identifying numbers and the Allocated Interest appurtenant to each such Unit, determined on the basis that all such Units shall be assigned a factor of 1.0. Subject to the provisions of this Section 2.1 and Section 9.2 hereof, a Unit's Allocated Interest shall be calculated by (a) converting a fraction to a decimal, the numerator of which fraction is one hundred (100) and the denominator of which fraction is the total number of Units then currently existing within the Community, and (b) multiplying the aforementioned fraction by a factor to be assigned by the Declarant, as described in Subsection 2.1.4 hereof.

2.1.2. The Allocated Interest shall automatically change upon the addition of additional real estate as set forth in Article XXIII below or the conversion of Convertible Real Estate as set forth in Article XXI below, and the new Allocated Interest of each

Unit existing after such conversion shall be determined in accordance with Subsection 2.1.1 hereof.

2.1.3. The Allocated Interest shall determine the number of votes in the Association and, subject to Section 9.2 hereof, the share of Common Expense liability appurtenant to each Unit. A Unit's Allocated Interest shall always be appurtenant to that Unit, and any separate conveyance, encumbrance, judicial sale or other transfer of such Allocated Interest, whether voluntary or involuntary, shall be void unless the Unit to which the Allocated Interest is allocated is also transferred.

2.1.4. Notwithstanding the foregoing, if the Declarant elects to add all or any portion of the Additional Real Estate to the Community and creates additional Units therein, the Declarant reserves the right to assign a factor ranging from 0.75 to 1.50 to any Units created therein based upon the type of Unit (single family, duplex, townhouse, etc.), the relative area of the Units or any other relevant characteristics of those additional Units such as the presence of other amenities. The Declarant shall designate the factor to be assigned to Units in the Community in any amendment to Declaration in which additional Units are created. The Declarant's judgment regarding the factor assigned to any such additional Units shall be final.

Section 2.2. Unit Boundaries. The boundaries of each Unit are situated as shown on the Plats and Plans, and each Unit consists of the land, and all space, fixtures and improvements, including, without limitation, any Dwelling or Commercial Structure, located within the said boundaries. There are no horizontal boundaries.

Section 2.3. Relocation of Boundaries Between Units. Unit Owners desiring to relocate the boundaries between adjoining Units shall submit an application to the Association in accordance with Section 5214 of the Act, and the Association shall have the powers and duties with respect to such application for relocation as set forth therein.

ARTICLE III

LIMITED COMMON ELEMENTS; FUTURE ALLOCATION OF COMMON ELEMENTS

Section 3.1. Limited Common Elements. The following portions of the Property are hereby designated as Limited Common Elements:

3.1.1. Certain of the Common Elements are to be used exclusively by the Residential Units, collectively, and are sometimes herein referred to as the "Residential Limited Common Elements." Except as otherwise provided herein, all Residential Limited Common Elements are Limited Common Elements allocated to the Residential Units, in common, and each Residential Unit shall have allocated to it the non-exclusive right, in common with all other Residential Units and in common with the Association to the extent its use is reasonably necessary for the efficient and property operation and management of the Community, to use the Residential Limited Common Elements. The Residential Limited Common Elements shall

include all Common Elements located within the Community with the exception of the Community Water System.

3.1.2. Individual U.S. Postal Service mailboxes serving one or more, but fewer than all, of the Units, either in locations designated on the Plats and Plans, or otherwise located outside the title lines of a Unit.

3.1.3. Any portion of the Property designated as Limited Common Elements on the Plats and Plans.

3.1.4. Any portion of the Property designated as Limited Common Elements allocated by or pursuant to any amendment to this Declaration and shown on the accompanying amended Plats and Plans.

Section 3.2. Common Elements Not Previously Allocated. The Association shall have the power to allocate a Common Element not previously allocated as a Limited Common Element appurtenant to one or more, but fewer than all, Units in the Community, provided such allocation is effected in accordance with Section 5209(c) of the Act.

ARTICLE IV

ADDITIONS, ALTERATIONS AND IMPROVEMENTS OF RESIDENTIAL UNITS

Section 4.1. Additions, Alterations and Improvements by Unit Owners of Residential Units.

4.1.1. A Unit Owner of a Residential Unit:

(a) May make any improvements or alterations to the interior of his or her Dwelling;

(b) May not change the exterior appearance of a Unit or Dwelling or make alterations to the Limited Common Elements appurtenant to such Unit without the express written consent of the Executive Board;

4.1.2. Subject to the limitations of Subsections 4.1.5 and 4.1.6 hereof, a Unit Owner of a Residential Unit may submit a written request to the Executive Board for approval to do anything that he or she is prohibited from doing under Subsection 4.1.1(b) hereof. The Executive Board shall submit all such requests to the Architectural Review Committee for review and recommendation. The Executive Board shall consider, but shall not be bound by, the recommendation of the Architectural Review Committee in deciding whether to approve, disapprove or condition the approval of such requests. The Executive Board shall answer any written request for such approval, after Notice and Hearing, within sixty (60) days after the request thereof. Failure to do so within such time shall not constitute a consent by the Executive

Board to the proposed action. The Executive Board shall review requests in accordance with the provisions of the Community Documents.

4.1.3. Any applications to any department or to any governmental authority for a permit to make any addition, alteration or improvement in or to any Unit shall be the responsibility of and executed by the Unit Owner. Such execution will not, under any circumstances, create any liability on the part of the Association or any of its members to any contractor, subcontractor or materialman on account of such addition, alteration or improvement or to any person having any claim for injury to person or damage to property arising therefrom.

4.1.4. All additions, alterations and improvements to the Units and Common Elements shall not, except pursuant to prior approval by the Executive Board, cause any increase in the premium of any insurance policies carried by the Association or by the owners of any Units other than those affected by such change.

4.1.5. The provisions of this Section 4.1 shall not apply to the Declarant in the exercise of any Special Declarant Right.

4.1.6. The provisions of this Section 4.1 shall not apply to the owner of an Unimproved Unit (including, without limitation, a contractor or designee of the Unit Owner or the Declarant) in the initial construction of a Dwelling and other improvements within a Unit.

Section 4.2. Additions, Alterations and Improvements by the Executive Board. Subject to the limitations of Sections 9.5 and 9.6 of this Declaration, the Executive Board may make any additions, alterations or improvements to the Common Elements which, in its judgment, it deems necessary or advisable.

ARTICLE V

MAINTENANCE, REPAIR AND REPLACEMENT RESPONSIBILITIES

Section 5.1. Maintenance Responsibilities. The Units and Common Elements shall be maintained and repaired by each Unit Owner and by the Association in accordance with the provisions of Section 5307 of the Act, except as expressly set forth to the contrary in the Community Documents.

Section 5.2. Common Elements; Specific Maintenance Obligations.

5.2.1. The Association shall maintain, repair and replace the Common Elements.

5.2.2 Without limiting the generality of Section 5.2.1 above, the Association shall be responsible for the following maintenance obligations:

(a) The Association shall maintain, repair and replace the Community Water System in accordance with all applicable requirements of PADEP.

(b) The Association shall at all times maintain the water surface elevation of Storm Water Pond B as shown on the Final Subdivision Plan in accordance with the design specifications therefore and all applicable plan notes shown on the Final Subdivision Plan.

(c) The Association shall maintain, repair and replace all streetlight installations and all electricity fees associated therewith shall be deemed a Common Expense.

(d) The Association shall maintain and perform regular upkeep of all street trees, including pruning as may be necessary to achieve a minimum 14 foot vertical clearance from the adjacent street.

(e) The Association shall perform all required leaf collection and disposal.

(f) The Association shall provide all required winter street maintenance including snowplowing, snow removal and the application of anti-skid products.

(g) The Association shall perform all required street sweeping including the removal of cinders and other anti-skid materials.

5.2.3 The Association shall be responsible for repairing any physical damage caused to the Public Street Infrastructure in the performance of the maintenance responsibilities set forth in Sections 5.2.2(c) through 5.2.2(g) above.

5.2.4 Any contractor hired by the Association to perform any of the services set forth in Sections 5.2.2(c) through 5.2.2(g) above shall deliver to the Township a certificate of insurance evidencing insurance coverage reasonably acceptable to the Township. In addition, the Association shall name the Township as an additional insured on the general liability insurance policy maintained by the Association pursuant to Section 13.3 hereof.

Section 5.3. Units and Limited Common Elements. Each Unit Owner shall maintain, repair and replace, at his or her own expense, all portions of his or her Unit and the Limited Common Elements appurtenant thereto, except the portions thereof to be maintained, repaired or replaced by the Association.

Section 5.4. Failure to Maintain Units and Common Elements. Each Unit Owner shall reimburse the Association for the reasonable cost of repair of any damage to the Common Elements caused by such Unit Owner's failure to properly maintain, repair or replace any portion of his or her Unit or the Limited Common Elements appurtenant thereto for which the Unit Owner is responsible. The Association shall reimburse a Unit Owner for the reasonable cost of repair of any damage to his or her Unit caused by the Association's failure to properly

maintain, repair or replace any portion of the Common Elements or any portion of a Unit or the Limited Common Elements appurtenant thereto which is to be maintained, repaired or replaced by the Association.

Section 5.5. Chart of Maintenance Responsibilities. The respective responsibilities of the Association and the Unit Owners with respect to maintenance, repair and replacement of the Units, Common Elements and Limited Common Elements are set forth in the Chart of Maintenance Responsibilities adopted by the Association, as amended from time to time.

Section 5.6. Access. Any person authorized by the Executive Board shall have the right to enter upon the exterior portion of each Unit, at reasonable times and in a reasonable manner, without notice to the Unit Owner, for any proper purpose. For example, any authorized person shall have the right to enter upon the exterior portion of each Unit for the purpose of correcting any condition threatening a Unit or the Common Elements; for the purpose of performing installations, alterations or repairs; for the purpose of repairing or replacing utility meters and related pipes, valves, wires and equipment; for the purpose of performing pest control inspections and treatment; and for any other purpose necessary for the Association to carry out its powers or responsibilities, including correction of any violation of Article VII hereof, provided that all requests for entry are made in advance and that any such entry is at a time reasonably convenient to the affected Unit Owner. In case of an emergency, no such request or notice is required and such right of entry shall be immediate, whether or not the Unit Owner is present at the time.

ARTICLE VI

EASEMENTS

Section 6.1. Additional Easements. Each Unit Owner shall have a perpetual nonexclusive easement of use and enjoyment over, upon and through the Common Elements. In addition to such and in supplementation of the easements provided for and hereby created pursuant to Sections 5216, 5217, 5218 and 5302(a)(9) of the Act, the following additional easements are hereby created:

6.1.1. Declarant's Use for Sales Purposes. The Declarant shall have the right to maintain one or more sales offices and models throughout the Property and to maintain one or more directional, promotional and advertising signs on the Common Elements and on Units owned by the Declarant pursuant to Section 5217 of the Act, even if such Units are under contract with a Unit purchaser. The Declarant reserves the right to place models and sales offices on any portion of the Common Elements or in a Unit in such a manner, or such size and number and in such locations as the Declarant deems appropriate. The Declarant may from time to time relocate models and sales offices to different locations within the Property notwithstanding that the Community Documents may otherwise preclude such use in those locations.

6.1.2. Utility Easements. The Units and Common Elements shall be, and are hereby, made subject to easements in favor of the Declarant, and appropriate utility and service companies and governmental agencies or authorities designated by Declarant (including Leacock Township and applicable municipal authorities) for such utility and service lines and equipment as may be necessary or desirable to serve any portion of the Property. The easements created in this Subsection 6.1.2 shall include, without limitation, rights of the Declarant, or the providing utility or service company, or governmental agency or authority, to install, lay, maintain, repair, relocate and replace gas lines (including, without limitation, propane gas lines), pipes and conduits, water mains and pipes, sewer and drain lines, telephone wires and equipment, television equipment and facilities (cable or otherwise), electric wires, conduits and equipment over, under, through, along and on the Units and Common Elements. Notwithstanding the foregoing provisions of this Subsection 6.1.2, unless approved in writing by the Unit Owner or Unit Owners affected thereby, any such easement through a Unit shall be located either in substantially the same location as such facilities or similar facilities existed at the time of first conveyance of the Unit by the Declarant or as shown on an approved recorded plan, or so as not to materially interfere with the use or occupancy of the Unit by its occupants.

6.1.3. Declarant's Easement to Correct Drainage. The Declarant reserves an easement on, over and under those portions of the Common Elements and Units not improved with buildings for the purpose of constructing, maintaining, replacing and correcting drainage of surface water in order to maintain reasonable standards of health, safety and appearance, and further reserves the right to grant and/or assign such easements to appropriate persons, parties or entities. The easement created by this Subsection 6.1.3 expressly includes the right to cut any trees, bushes, or shrubbery, to grade the soil, or to take any other action reasonably necessary to achieve this purpose, following which the Declarant shall restore the affected property as closely to its original condition as practicable.

6.1.4. Declarant's Reservation of Right to Grant Easements. The Declarant reserves the right to grant, sell and convey easements for the purpose of benefiting any other person or entity or any tract of land adjacent to or near the Property. Without limiting the generality of the preceding sentence, the Declarant may subject the Property to storm water and detention pond easements to be used by or jointly with adjoining properties. In addition, the Declarant anticipates that it will subject a portion of the Property upon which Residential Community Amenities may be built (together with an adjacent portion of the Additional Real Estate) to a right-of-way and easement in favor of Garden of Hope, Inc. in order to enable Garden of Hope, Inc. to establish a memorial garden on a certain portion of the Additional Real Estate which may hereafter be added to the Community as a portion of the Common Element thereof.

6.1.5. Declarant's Easement for Development of Convertible and Additional Real Estate. The Declarant reserves an easement on, over and under the Common Elements for all purposes relating to the construction, development, leasing, and sale of improvements on the Convertible and Additional Real Estate. This easement shall include without limitation, the right of vehicular and pedestrian ingress and egress, the right to park motor vehicles and to engage in construction and marketing activities of any nature whatsoever,

including the movement and storage of building materials and equipment, the conduct of sales, leasing and management activities, the maintenance of models and offices and the erection and maintenance of directional and promotional signs. The Declarant's easement hereunder shall remain in full force and effect on, over and under any portions of the Withdrawable Real Estate, even after said portion(s) have been withdrawn from the Community.

6.1.6. Temporary Easement for Construction. During such time as the Declarant is conducting construction activities within the Property, the Declarant reserves unto itself, its agents, employees and contractors, the right to enter onto the unimproved portions of any Unit within the Community as may reasonably be necessary to facilitate the Declarant's construction, repair or replacement activities, provided however that the Declarant shall take reasonable steps to minimize any interference with a Unit Owner's use of his or her Unit and shall promptly repair any damage to a Unit resulting from the Declarant's exercise of the rights it has pursuant to this Article.

6.1.7. Access to Community Water System. Subject to the provisions of Section 10.2 hereof, the Association is hereby granted an easement on, over and under those portions of the Common Elements and the Additional Real Estate not improved with buildings for the purpose of operating, maintaining and repairing the Community Water System and as reasonably necessary to provide access thereto.

6.1.8. Access Easement. Each Unit in the Community is subject to an easement permitting the Association or its designated agents to enter upon the exterior of the Unit for any or all of the purposes, and subject to the limitations, described in Section 5.6 hereof.

ARTICLE VII

USE RESTRICTIONS OF RESIDENTIAL UNITS

Section 7.1. Use and Occupancy of Units and Common Elements. Except as otherwise expressly set forth in the Community Documents, all Unit Owners of Residential Units, including the Declarant, shall have the same rights and duties that are appurtenant to each Unit. The occupancy and use of the Residential Units and Common Elements shall be subject to the following restrictions:

7.1.1. Permitted Use. The buildings in the Residential Parcel of the Community (with the exception of any Units during the time period when they are being used by the Declarant as a sample, model or sales office and of any buildings constructed upon the Common Elements for recreational or other reasonable and appropriate Community purposes) are restricted to residential use and may not be used for any other purpose by the Unit Owner or occupant. Notwithstanding the foregoing, Units may also be used for accessory uses that are customarily incidental to the foregoing use, including a professional office; provided that any such use conforms with the applicable zoning regulations of the Municipality, as the same may be amended from time to time, and further provided that the prior written consent of the Executive Board is obtained.

7.1.2. No Unlawful Purposes. No Unit Owner may permit his Unit to be used or occupied for any prohibited or unlawful purpose.

7.1.3. Preservation of Exterior of Units. The Declarant will establish the structural location, architectural style and exterior appearance of each Dwelling and other improvements that are first constructed upon a Unit (whether by the Declarant or its designee), which it intends to have preserved for the maintenance of overall appearance and continuing value of the Units within the Community. To accomplish this intention, the following requirements are created and imposed:

(a) Except as otherwise approved by the Executive Board in accordance with Subsection 4.1.2 and Section 7.3 hereof, the exterior structural appearance and architectural style of all exposed portions (front, rear, sides) of all Dwellings shall not be altered in any way that would result in the modification of appearance of such Dwellings as first constructed. The foregoing restriction shall be deemed to prohibit the installation of any window air conditioners, exhaust fans or any other item which protrudes through any window or wall of a Dwelling.

(b) Except as otherwise approved by the Executive Board in accordance with Subsection 4.1.2 and Section 7.3 hereof, exterior masonry elements of all such exposed portions of all Dwellings shall remain as first constructed and shall not be painted, covered, enclosed or otherwise obstructed or modified in appearance.

(c) Except as otherwise approved by the Executive Board in accordance with Subsection 4.1.2 and Section 7.3 hereof: (i) the exterior colors of all such exposed portions, roofs and doorways of all Dwellings shall remain the same as originally installed, including, but not limited to the color of walls, roof shingles, trim materials, doors, windows, shutters, garage doors and driveway/parking surfaces; and (ii) all replacement materials, whether structural or covering, shall perpetuate the same colors as originally installed in order to provide a consistent color scheme.

(d) Except as otherwise approved by the Executive Board in accordance with Subsection 4.1.2 and Section 7.3 hereof, all decks, patios and porches located on any Unit shall remain as first constructed and shall not be painted, covered, enclosed or otherwise obstructed or modified in appearance.

7.1.4. Condition. Each Unit Owner shall be solely responsible for maintaining the interior of the Dwelling located upon his or her Unit. Each Unit Owner and the Association shall be responsible for maintaining the exterior of such Unit in a clean, sanitary and attractive condition, in accordance with the allocation of responsibilities set forth in the "Chart of Maintenance Responsibilities" adopted by the Association, as amended from time to time. To

the extent the Association is obligated to maintain any portion of a Unit, such portion of the Unit shall be deemed a Controlled Facility.

7.1.5. Landscaping. Each Unit Owner and the Association shall be responsible for maintaining the exterior grounds of such Unit, including any landscaping, in a clean, sanitary and attractive condition, in accordance with the allocation of responsibilities set forth in the "Chart of Maintenance Responsibilities" adopted by the Association, as amended from time to time. To the extent the Association is obligated to maintain any portion of the exterior grounds of a Unit, such exterior grounds shall be deemed a Controlled Facility.

7.1.6. Materials. Except as otherwise approved by the Executive Board in accordance with Subsection 4.1.2 hereof, all landscaping in front yards shall consist of natural materials, e.g., shrubs, trees, bushes, rocks, timbers, etc.

7.1.7. Signs. Except as permitted by the Rules and Regulations, no sign or billboard of any kind shall be displayed to the public view on any Unit, except for directional signs established by the Declarant or its designee, or signs used by the Declarant, its designee, their successors in title or assigns.

7.1.8. Temporary Structures. No structure of a temporary character, trailer, shack, garage, barn, or other out-building shall be constructed or used on any Unit at any time as a residence or storage facility, either temporarily or permanently. No motorhome, truck (except for pickup trucks up to one and one half ton size), trailer, camper, boat or similar equipment shall be permitted to remain upon any street within the Community or upon any Unit unless placed or maintained within an enclosed garage, except as permitted by the Rules and Regulations. Notwithstanding the provisions of this Subsection 7.1.8, the Declarant and the owner of any unimproved Unit may construct and maintain on any Unit temporary buildings, structures and vehicles used for construction and administration purposes for use in connection with the initial construction of improvements on any portion of the Units. The Declarant may also construct, operate and maintain one or more model homes and may maintain sales or rental offices in any Dwellings owned by Declarant.

7.1.9. Satellite Dishes; Antennas. Each Unit Owner may install and maintain on his or her Unit satellite dishes or other facilities for the receipt of radio or television broadcasts, subject to compliance with the following requirements:

(a) The satellite dish or other facilities must be of the smallest size reasonably commercially obtainable that will provide radio or television reception;

(b) The satellite dish or other facilities may not be located in front of the plane created by the front of the Dwelling;

(c) If possible, the satellite dish or other facilities shall not be visible from the street in front of the Dwelling;

(d) Without limiting the preceding requirements, the location of such installations must be as unobtrusive as possible, provided reception is of adequate quality in such location;

(e) Unit Owners may not install such facilities on or over the Common Elements or any other Unit not within the exclusive use or control of the Unit Owner;

(f) The Executive Board, in its sole discretion, may require a Unit Owner at the sole expense of the Unit Owner, to paint or screen any such installation, provided that the painting or screening does not invalidate any manufacturer's warranty relating to such installation; and

(g) The Unit Owner must submit a plan showing the proposed location and size of the satellite dish or other facilities to the Executive Board at least thirty (30) days prior to the installation thereof for a determination by the Executive Board whether such installation would comply with the requirements of this Subsection 7.1.9 (subject, however, to the Executive Board's discretion pursuant to Subsection 4.1.2 and Section 7.3 hereof).

In the event that these provisions contradict any rulings of the Federal Communications Commission or any other agency having jurisdiction (the "FCC") in effect, the then current rulings of the FCC shall prevail.

7.1.10. Fences. Fences may be constructed by Unit Owners, subject to the written approval of the Executive Board in accordance with Subsection 4.1.2 and Section 7.3 hereof, and further provided that they conform to the architectural style of the Dwellings in the Community and comply in all respects with the Rules and Regulations.

7.1.11. Animals. No animals other than customary household pets shall be housed, maintained or otherwise permitted in any Unit. All permitted pets shall be regularly housed in a Dwelling, and no exterior housing of pets shall be permitted on any Unit at any time. Without limiting the general authority of the Association to adopt Rules and Regulations, the Association is specifically authorized to adopt Rules and Regulations relating to the regulation of pets.

7.1.12. Swimming Pools. No in-ground or above-ground swimming pools or customary accessory structures shall be permitted on any Unit.

7.1.13. Storage Tanks. No above-ground or underground tanks for storage of petroleum products, propane or any other substance shall be permitted on any Unit.

7.1.14. Use of Streets. All streets within the Community are intended only for vehicular transportation and pedestrian travel of the Unit Owners, occupants and their

invitees. Streets are not to be used as playgrounds, or for skateboarding, basketball or other athletic or recreational purposes, and the use thereof is prohibited.

7.1.15. Motor Vehicles. No unlicensed or inoperable motor vehicles, trailers of any type or kind, or habitable motor vehicles of any nature shall be kept or stored on any Unit or elsewhere in the Community, except within an enclosed garage. No commercial vehicle greater in size than a small van shall be parked overnight except in an enclosed garage.

7.1.16. Use of Common Elements. There shall be no obstruction of the Common Elements. Nothing may be placed or stored on the Common Elements without the prior consent of the Association. Nothing may be done on the Common Elements that would in any way interfere with the use and enjoyment of any other Unit Owner or occupant within the Community. The Association may impose additional restrictions on the use of the Common Elements as it deems necessary or advisable.

7.1.17. Limitations on Application of Restrictions. The restrictions set forth herein shall not apply to the Declarant or the Declarant's agents or employees during the course of construction of improvements on the Units or any portion thereof, to the extent that the restrictions would interfere with such construction.

7.1.18. Laws and Ordinances. Each Owner shall promptly comply with all laws, statutes, ordinances, rules and regulations of federal, state or municipal governments or authorities applicable to the use, occupancy, construction and maintenance of any Unit, including any Dwelling erected thereupon.

7.1.19. Drainage. Each Owner hereby covenants and agrees for himself, his heirs, assigns, vendees and successors in interest that he will refrain from interference with the established drainage pattern over his Unit from adjoining or other Units, and that he will make adequate provision for proper drainage from any such other Unit in the event the established drainage over his Unit is changed or altered. For the purpose hereof, "established drainage" is defined as the drainage which will occur at the time the overall grading of the lots, including the landscaping of each lot, is completed.

7.1.20. Subdivision. Subject to the provisions of Section 2.3 hereof, no Unit shall hereafter be subdivided or re-subdivided by any Unit Owner, nor shall any Unit Owner transfer or convey title to any part or portion of any Unit, except for a transfer or conveyance of title to the whole of said Unit. Any attempt to transfer or convey title to a part or portion of any Unit in violation of the provisions of this Subsection 7.1.19 shall be null and void and of no effect. Notwithstanding the foregoing, the Declarant may subdivide Units owned by the Declarant in accordance with Section 5215 of the Act.

7.1.21. Rules and Regulations. Reasonable Rules and Regulations, not in conflict with the provisions of this Declaration, concerning the use and enjoyment of the Property, may be promulgated from time to time by the Executive Board. Copies of the then current Rules and Regulations and any amendments thereto shall be furnished to all Unit Owners

by the Executive Board promptly after the adoption of such Rules and Regulations or any amendments thereto. With the exception of Rules and Regulations pertaining to the Community Water System, the Executive Board shall have no authority to adopt Rules and Regulations affecting a Commercial Unit or the Commercial Structure located thereon.

Section 7.2. Restriction on Age of Occupants.

7.2.1. Intent to Provide Housing for Persons Who Are 55 Years of Age or Older. Each Dwelling in the Community is intended to be used for and shall be considered as housing for persons who are 55 years of age or older in compliance with the HUD Regulations adopted pursuant to the Fair Housing Amendments Act of 1988, 42 U.S.C. § 3607(b)(2), as amended. Accordingly, at least 80% of the Dwellings in the Community shall, at all times, be occupied by one person who is 55 years of age or older in accordance with the HUD Regulations.

7.2.2. Permitted Occupants. In order to comply with the HUD Regulations, a Dwelling in the Community must be occupied as the personal residence of at least one person who is 55 years of age or older as of the date said person first occupies the Dwelling. Occupancy of Dwellings shall be limited to (i) persons 55 years of age or older, (ii) persons not 55 years of age or older living with their spouse who is 55 years of age or older and provided that such person may continue to occupy the Dwelling after the death of his or her spouse, and (iii) persons providing physical or economic support as a reasonable accommodation to disabled permitted occupants.

7.2.3. Exceptions. Nothing herein shall be construed to limit the right of a permitted occupant to receive persons of any age as guests, which shall include the right of such guests to temporary occupy the Dwelling for a period not to exceed thirty (30) days or an aggregate of ninety (90) days in any calendar year.

7.2.4. Rules and Regulations. The Association may adopt Rules and Regulations to assure compliance with this Section. Such Rules and Regulations may provide for occupancy by persons not 55 years of age or older so long as the Rules and Regulations are in compliance with the HUD Regulations.

7.2.5. Certification. Each Unit Owner shall provide a certification at the time of initial occupancy of a Dwelling, whether as the first Unit Owner, upon resale or upon any lease of the Unit permitted pursuant to Article VIII hereof, in form acceptance to the Association, stating the ages of each proposed occupant of the Dwelling. The Association shall also have the right to conduct a survey, or otherwise confirm the occupancy of the required percentage of Dwellings by persons 55 years of age or older, at least every two (2) years. The certification of the Unit Owners and a summary of occupancy surveys shall be maintained by the Association and shall be available for inspection upon reasonable notice and request by any Unit Owner.

Section 7.3. Waiver Requests. A Unit Owner may submit a written request to the Executive Board for approval to do anything that is forbidden under Section 7.1. The Executive Board shall submit all requests for waivers of the restrictions imposed by Subsections 7.1.3, 7.1.5, 7.1.6, and 7.1.10 to the Architectural Review Committee for review and recommendation. The Executive Board shall consider, but shall not be bound by, the recommendation of the Architectural Review Committee in deciding whether to approve, disapprove or condition the approval of such requests. All other such requests may be decided by the Executive Board without prior submission of the request to the Architectural Review Committee. The Executive Board shall answer any written request for such approval, after Notice and Hearing, within sixty (60) days after the request thereof. Failure to do so within such time shall not constitute a consent by the Executive Board to the proposed action. The Executive Board shall review requests in accordance with the provisions of the Community Documents.

Section 7.4. Alterations and Improvements. Any applications to any department or to any governmental authority for a permit to make any addition, alteration or improvement in or to any Unit which shall have been approved by the Executive Board shall be the responsibility of and executed by the Unit Owner. Such execution will not, under any circumstances, create any liability on the part of the Association or any of its members to any contractor, subcontractor or materialman on account of such addition, alteration or improvement or to any person having any claim for injury to person or damage to property arising therefrom. All costs incurred for such additions, alterations and improvements to a Unit shall be the responsibility of the Unit Owner.

ARTICLE VIII

LEASING OF RESIDENTIAL UNITS

Section 8.1. Leases. A Unit Owner of a Residential Unit may lease or sublease his Unit (but not less than his entire Unit) at any time and from time to time provided that:

8.1.1. All leases and rental agreements shall be in writing;

8.1.2. All leases shall comply with all Rules and Regulations then in force relating to occupancy of such Residential Unit by persons 55 years of age or older;

8.1.3. No lease or rental agreement shall be for a term of less than one (1) year. However, seasonal rentals of furnished Units for terms of less than one (1) year shall be permitted with the prior written approval of the Executive Board.

8.1.4. All leases and rental agreements shall state that they are subject to the requirements of the Community Documents and the Association;

8.1.5. A Unit Owner shall deliver a copy of the Declaration, the Bylaws and Rules and Regulations to the Unit Owner's tenant at the time any lease or rental agreement is executed, and the tenant shall sign a receipt therefor. Copies of any amendments to the

Declaration, the Bylaws and Rules and Regulations received by the Unit Owner during the term of the lease shall be forwarded to the tenant upon receipt if the amendment(s) affect the tenant's occupancy of the Unit;

8.1.6. The rights of any lessee of a Unit shall be subject to, and each lessee shall be bound by the Community Documents, and a default thereunder shall constitute a default under the lease;

8.1.7. Notwithstanding that a lease may require the lessee to be responsible for the payment of the Common Expense assessments during the term of the lease, any such provision shall not relieve the Unit Owner of his obligation for payment of same in the event that the lessee fails to do so;

8.1.8. A copy of such lease or rental agreement and a copy of the receipt referred to in Subsection 8.1.5 shall be furnished to the Executive Board within ten (10) days after execution of the lease;

8.1.9. A Unit Owner leasing his Unit shall provide his then current mailing address to the Executive Board, if at a location other than his Unit; and

8.1.10. No more than two (2) persons unrelated by blood or marriage shall occupy a leased Unit without the prior written consent of the Executive Board.

Section 8.2. Exceptions. Notwithstanding the foregoing, the provisions of this Article shall not apply to Commercial Units or to Units leased or subleased by the Declarant.

ARTICLE IX

ASSESSMENT AND COLLECTION OF COMMON EXPENSES

Section 9.1. Definition of Common Expenses. Common Expenses shall include:

9.1.1. Expenses of administration, maintenance, and repair or replacement of the Common Elements, subject to the provisions of Section 9.2 hereof;

9.1.2. Expenses declared to be Common Expenses by the Community Documents or the Act;

9.1.3. Expenses agreed upon as Common Expenses by the Association; and

9.1.4. Such reserves as may be established by the Association, whether held in trust or by the Association, for repair, replacement or addition to the Common Elements or any other real or personal property acquired or held by the Association.

Section 9.2. Apportionment of Common Expenses.

9.2.1. Subject to the terms of this Section 9.2, and except as provided in Section 9.3, all Common Expenses shall be assessed against all Units in accordance with their Allocated Interests determined in accordance with Section 2.1. In the event that the Community is merged or consolidated with one or more additional planned communities, as described in Subsection 19.3.1 hereof, the Allocated Interests and allocation of Common Expenses shall be modified as described in Subsection 19.3.2 hereof.

9.2.2. Notwithstanding Subsection 9.2.1 hereof, until a Dwelling or Commercial Structure is completed, a Unit Owner shall be entitled to pay a reduced assessment for Common Expenses. That reduced assessment shall be an amount equal to the projected Common Expense assessment for such Dwelling or Commercial Structure, less those items not benefiting the Unimproved Units such as property insurance, replacement reserves and other maintenance of Dwelling or Commercial Structure. The owners of the Unimproved Units shall pay their proportionate share of the assessments for Common Expenses for such items as Common Element landscaping, snow plowing, liability insurance, property management, professional auditing, etc.

9.2.3. Notwithstanding Subsection 9.2.1 hereof, all Common Expenses attributable to the operation of the Community Water System or the cost of any repair, replacement, addition, or reserve associated therewith shall be assessed against all Units based upon the relative number of equivalent dwelling units ("EDUs") allocated to each such Unit. Each Residential Unit shall be allocated one EDU and each Commercial Unit shall be allocated the actual number of EDUs required in connection with the Commercial Structure erected thereon at the time of reference.

Section 9.3. Special Allocations of Expenses as Limited Common Expenses.

9.3.1. It is specifically the intent of this Declaration that the Common Expense Liability of each Commercial Unit shall be limited to the Common Expenses attributable to the operation of the Community Water System and the cost of any repair, replacement, addition or reserve associated therewith which is assessed against each such Unit in accordance with the provisions of Section 9.2.3 above. Accordingly, any Common Expense associated with the maintenance, repair, replacement, alteration or decoration of any Residential Limited Common Element shall be deemed a Residential Limited Common Expense and shall be assessed only against the Residential Units in proportion to the respective Allocated Interest of such Units. Further, any Common Expense incurred by the Association with the exception of Common Expenses attributable to the operation of the Community Water System or the cost of any repair, replacement, addition or reserve associated therewith shall be deemed a Residential Limited Common Expense.

9.3.2. Any Common Expense benefiting one or more, but fewer than all of the Units shall be assessed exclusively against the Unit or Units benefited.

9.3.3. Any Common Expense for services provided by the Association to an individual Unit shall be assessed against the Unit which benefits from such service.

9.3.4. Assessments to pay a judgment against the Association may be made only against the Units in the Community at the time the judgment was rendered, in proportion to their Common Expense liabilities, except as provided in Section 5319(c) of the Act.

9.3.5. If any Common Expense is caused by the negligence or misconduct of a Unit Owner, the Association may, after Notice and Hearing, assess that expense exclusively against his or her Unit.

9.3.6. Fees, including attorneys' fees, late charges, recording fees, fines and interest charged against a Unit Owner pursuant to the Community Documents and the Act are enforceable as Limited Common Expense assessments.

Section 9.4. Lien.

9.4.1. The Association has a statutory lien on a Unit for (a) any assessment levied against that Unit, and (b) late fees or fines imposed against the Unit Owner, each from the time the assessment, late fee or fine becomes delinquent. Fees, including attorneys' fees, late charges, recording fees, fines and interest charged pursuant to the Act and the Community Documents are enforceable as assessments under this Section 9.4. If an assessment is payable in installments, and one or more installments is not paid when due, the entire outstanding balance of the assessment becomes effective as a lien from the due date of the delinquent installment.

9.4.2. Any lien for delinquent Common Expense assessments or other charges that the Association has on a Unit will be subordinate to a first mortgage on the Unit, if the mortgage was recorded before the due date of the assessment or the due date of the unpaid installment, if the assessment is payable in installments.

9.4.3. Recording of this Declaration constitutes record notice and perfection of the lien. No further recordation of any claim of lien for assessment under this Section 9.4 is required.

9.4.4. A lien for unpaid assessments is extinguished unless proceedings to enforce the lien are instituted within three (3) years after the assessments become payable; provided, that if an Owner of a Unit subject to a lien under this Section 9.4 files a petition for relief under the United States Bankruptcy Code, the period of time for instituting proceedings to enforce the Association's lien shall be tolled until thirty days after the automatic stay of proceedings under Section 362 of the Bankruptcy Code is lifted.

9.4.5. This Section 9.4 does not (a) prohibit actions to recover sums for which Subsection 9.4.1. creates a lien or (b) prohibit the Association from taking a deed in lieu of foreclosure.

9.4.6. A judgment or decree in any action brought under this Section 9.4 shall include costs and reasonable attorney's fees for the prevailing party.

9.4.7. The Association's lien may be foreclosed in like manner as a mortgage on real property.

9.4.8. If a holder of a first or second Security Interest in a Unit forecloses that Security Interest, the purchaser at the foreclosure sale is not liable for any unpaid assessments against that Unit which became due before the sale, other than the assessments which are prior to that Security Interest in accordance with the provisions of the Act. Any unpaid assessments not satisfied from the proceeds of sale become Common Expenses collectible from all the Unit Owners, including the purchaser.

9.4.9. Any payments received by the Association in the discharge of a Unit Owner's obligation may, at the Association's discretion, be applied to reduce any portion of the oldest balance due.

9.4.10. Any fees, including attorneys' fees, late charges, fines and interest which may be levied by the Executive Board pursuant to Sections 5302(a)(10), (11) and (12) of the Act, shall be subordinate to the lien of a Security Interest on a Unit.

Section 9.5. Budget Adoption. Immediately after adoption of any proposed budget or approval of any non-budgeted capital expenditure in excess of $2,500.00 for the Community, the Executive Board shall provide a copy or summary of the budget and notice of any such capital expenditure approved by the Executive Board to all the Unit Owners. Unless a majority of all Unit Owners vote to reject the budget or any such capital expenditure approved by the Executive Board, within thirty (30) days after the approval, the budget or capital expenditure is ratified. In the event the proposed budget is rejected, the periodic budget last ratified by the Unit Owners shall be continued until such time as a subsequent budget is adopted by the Executive Board, and such subsequent budget is not rejected in accordance with this Section 9.5 and Section 5303(b) of the Act.

Section 9.6. Adoption of Non-Budgeted Common Expense Assessments. If the Executive Board votes to levy a Common Expense assessment not included in the current budget, other than one enumerated in Section 9.3 of this Declaration, the Executive Board shall immediately submit a copy or summary of such Common Expenses to the Unit Owners and such Common Expenses shall be subject to rejection in the same manner as a budget under Section 9.5 hereof. Notwithstanding the foregoing, the Unit Owners shall not have the power to reject the imposition of Common Expense assessments due to the actual cost of a budgeted item being in excess of the amount originally budgeted.

Section 9.7. Certificate of Payment of Common Expense Assessments. Upon receipt of a written request, the Association shall furnish to a Unit Owner a statement in recordable form setting forth the amount of unpaid assessments currently levied against the Unit as required by Section 5315(h) of the Act and any credits of surplus in favor of his or her Unit pursuant to Section 5313 of the Act. The statement, which shall be furnished within ten (10) business days after receipt of the request, shall be binding on the Association, the Executive Board and every Unit Owner.

Section 9.8. Frequency of Payment of Common Expenses. All Common Expenses and Limited Common Expenses assessed under Sections 9.2 and 9.3 shall be due and payable either on a monthly, quarterly or annual basis, as the Executive Board deems advisable. Special Assessments shall be due and payable in one or more installments and at such times determined by the Executive Board to be advisable.

Section 9.9. Acceleration of Common Expense Assessments. In the event of default for a period of ten (10) days by any Unit Owner in the payment of any Common Expense assessment levied against his or her Unit, the Executive Board shall have the right, after Notice and Hearing, to declare all unpaid assessments for the pertinent fiscal year to be immediately due and payable.

Section 9.10. Commencement of Common Expense Assessments. Common Expense assessments shall begin as of the date of the First Settlement. Notwithstanding the foregoing, the Declarant may elect to delay the commencement of Common Expense assessments until a date later than the First Settlement, provided that it shall be solely responsible for all Association expenses prior to such commencement.

Section 9.11. Personal Liability of Unit Owners. The Owner of a Unit at the time a Common Expense assessment or portion thereof is due and payable is personally liable for the assessment. Personal liability for the assessment shall not pass to a successor in title to the Unit unless he or she agrees to assume the obligation.

Section 9.12. No Waiver of Liability for Common Expenses. No Unit Owner may exempt himself or herself from liability for payment of the Common Expenses by waiver of the use or enjoyment of the Common Elements or by abandonment of the Unit against which the assessments are made.

Section 9.13. Capital Reserve Fund. Commencing upon the First Settlement and thereafter at the closing with respect to each Initial Third Party Purchaser, the Association shall collect from each such purchaser of a Residential Unit the sum of Five Hundred Dollars ($500.00), which amount shall be deposited and held in a separate account and used by the Association to establish a capital reserve account. No amount paid hereunder shall be considered an advance payment of regular Common Expense assessments. No Unit Owner is entitled to a refund of these monies from the Association upon the subsequent conveyance of his or her Unit or otherwise.

Section 9.14. Surplus Funds. Any excess amounts accumulated from Common Expense assessments, Limited Common Expense assessments or reserves, together with any income related thereto, which exceed the amounts required for each, shall be credited to each Unit in accordance with Section 5313 of the Act and shall be applied to subsequent assessments against each such Unit until exhausted.

Section 9.15. Association Records. During the period of the Declarant control, the Association shall keep detailed financial records, including, without limitation, a record of expenses paid by the Declarant until the commencement of Common Expense assessments by the Association under Section 5314(a) of the Act, and, for the period commencing on such date, a record for each Unit in the Community, including those owned by the Declarant, of its Common Expense assessments and the payments thereof. The Association shall keep financial records sufficiently detailed to enable the Association to comply with Section 9.7 of the Declaration and Sections 5313, 5314, 5315, 5316, 5319(c) and 5407 of the Act. All financial and other records shall be made reasonably available for examination by any Unit Owner and his authorized agents.

ARTICLE X

COMMUNITY WATER SYSTEM

Section 10.1. Common Element. A Community Water System shall be constructed by Declarant and, unless and until it is transferred to a private water company, public utility or municipal authority, shall be deemed a Common Element.

Section 10.2. Operation of Community Water System. Unless and until the Community Water System is transferred to a private water company, public utility or municipal authority, the Community Water System shall be operated and maintained by the Association in accordance with all applicable requirements of PADEP.

In connection with the operation and maintenance of the Community Water System, the Association shall:

10.2.1. require that the Community Water System at all times be operated by a certified water system operator and backup operator, both of whom shall be licensed by the Commonwealth of Pennsylvania; and

10.2.2. promulgate rules and regulations applicable to the Community Water System in accordance with all requirements of PADEP. Copies of the then current rules and regulations applicable to the Community Water System and any amendments thereto shall be furnished to all Unit Owners by the Executive Board promptly after the adoption of such rules and regulations or any amendments thereto.

Section 10.3. Access to Community Water System. Access to the wells, well heads, water treatment building, water distribution system and related facilities and

appurtenances which comprise the Community Water System shall be strictly limited to the Declarant or the Executive Board, or their respective designees, to construct, operate, repair and maintain all such facilities.

Section 10.4. Community Water System Account; Community Water System Capital Reserve Fund.

10.4.1. The Association shall at all times maintain a separate account for the operation, maintenance and repair of the Community Water System. All payments of Common Expenses attributable to the operation of the Community Water System or the cost of repairs, replacements, additions or reserves associated therewith in accordance with Section 9.2.3 hereof shall be deposited in the Community Water System Account and shall not be commingled with other funds of the Association.

10.4.2. The Association shall establish a Community Water System Capital Reserve Fund within the Community Water System Account. Expenditures from the Community Water System Capital Reserve Fund shall be limited to equipment and infrastructure repair and replacement of the Community Water System.

10.4.3. Prior to the First Settlement, Declarant shall pay, or cause to be paid, to the Association, the sum of $20,000 to initially fund the Community Water System Capital Reserve Fund. Thereafter, the annual budget of the Association shall include additional funds to be deposited in the Community Water System Capital Reserve Fund in an amount not less than $20,000.00.

10.4.4. The Community Water System Account shall be audited on an annual basis by a certified public accountant. A copy of the audit and the accompanying management letter and any recommendations shall be provided to the Municipality.

Section 10.5. Transfer of Community Water System.

10.5.1. Subject to obtaining any required approval of the Pennsylvania Department of Environmental Protection or other federal, state or local authorities, the Declarant and/or the Association reserves the right to transfer the Community Water System to a private water company, public utility or municipal entity. In such event, the successor operator of the Community Water System shall assess user fees on the Unit Owners, and the cost of maintenance, operation and repair of the Community Water System shall cease to be a Common Expense.

10.5.2. Regardless of whether the Community Water System is transferred by the Declarant or the Association, any proceeds derived from such transaction or attributable to any excess capacity now or at any time hereafter associated with the Community Water System shall be deemed the property of the Declarant, or any person to whom the Declarant has assigned or otherwise transferred such interest.

10.5.3. Any transfer of the Community Water System shall be subject to the prior written approval of the Declarant and any person to whom the Declarant has assigned or otherwise transferred the interest referred to in Section 10.5.2 above.

ARTICLE XI

RIGHTS OF THE MUNICIPALITY

Section 11.1. Municipality Rights to Maintain the Public Street Infrastructure and Community Water System.

11.1.1. In the event that the Declarant or the Association fails to comply with the provisions of Sections 5.2.2 and 5.2.3 and Article X relating to the Public Street Infrastructure and the Community Water System, the Municipality may serve written notice upon the Declarant or the Association setting forth in specific detail the manner in which the Declarant or the Association has failed to comply with such provisions of this Declaration and said notice shall include a demand that such deficiency be corrected within thirty (30) days thereof. In the event such deficiency constitutes an emergency, the Municipality may undertake corrective action without notice to the Declarant or the Association.

11.1.2. If the deficiency set forth in such notice shall not be corrected within said thirty (30) day period or any extension thereof approved by the Municipality, the Municipality may, but is not obligated to, enter upon the Common Facilities and correct the deficiency. Any such undertaking by the Municipality shall not constitute a taking of the Common Facilities, nor vest in the public any rights to the use thereof.

11.1.3. The cost of correcting any such deficiency by the Municipality, which cost shall include reasonable and necessary professional fees and costs, shall be assessed in the same proportion as provided in Article IX hereof against the Units and shall become a lien on said Units. When the cost of correcting any such deficiency has been determined, the Municipality shall have a right to lien each such Unit and said lien shall remain in full force and effect until full payment thereof and collection of said lien may be enforced by appropriate legal proceedings, including, but not limited to, proceedings pursuant to the Municipal Lien Law.

ARTICLE XII

DECLARANT CONTROL AND SPECIAL DECLARANT RIGHTS

Section 12.1. Control.

12.1.1. The Declarant shall have the right to appoint and remove any and all officers and members of the Executive Board until the earliest of:

(a) seven (7) years after the date of the first conveyance of a Unit to a Unit Owner other than the Declarant,

(b) sixty (60) days after seventy-five percent (75%) of the Units that may be created have been conveyed to Unit Owners other than the Declarant,

(c) two (2) years after the Declarant has ceased to offer Units for sale in the ordinary course of business, or

(d) two (2) years after any development right to add new Units was last exercised by the Declarant.

12.1.2. Upon the expiration of the period of Declarant control described in Subsection 12.1.1 above, all members of the Executive Board shall resign, and the Unit Owners (including the Declarant to the extent of Units owned by the Declarant) shall elect a new three (3) member Executive Board.

12.1.3. Notwithstanding the terms of Subsections 12.1.1 and 12.1.2 above, not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units to Unit Owners other than the Declarant, one (1) of the three (3) members of the Executive Board shall be elected by Unit Owners other than the Declarant.

12.1.4. Within sixty (60) days of the termination of the period of Declarant control, the Declarant shall deliver to the Association all property of the Unit Owners and of the Association held by or controlled by the Declarant, together with all applicable items designated in Section 5320 of the Act.

12.1.5. Following the transfer of control of the Executive Board by the Declarant to the Unit Owners pursuant to Subsection 12.1.2 hereof, the Unit Owners shall have the right to increase or decrease from time to time the number of members comprising the Executive Board.

Section 12.2. Special Declarant Rights. The Declarant reserves unto itself all Special Declarant Rights as defined in the Act. These Special Declarant Rights include, inter alia, the right to transfer any or all of the Declarant's Special Declarant Rights to one or more successors, provided that the transfer(s) shall be effected in accordance with the provisions of this Declaration and Section 5304 of the Act. Any successor to any Special Declarant Right shall have the liabilities and obligations set forth in Section 5304(e) of the Act.

ARTICLE XIII

LIMITATION OF LIABILITY

Section 13.1. Limited Liability of Members of the Executive Board. To the fullest extent permitted by Pennsylvania law, as now in effect and as modified from time to time, a member of the Executive Board shall not be personally liable for monetary damages for any action taken or any failure to take any action by:

13.1.1. the Executive Board; or

13.1.2. the Executive Board of any master association with respect to any powers delegated by the Association to the Master Association pursuant to Section 5302(a)(18) of the Act, following such delegation.

Section 13.2. Indemnification of Members of the Executive Board and Officers of the Association.

13.2.1. Third Party Actions. The Association shall indemnify any 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 (other than an action by or in the right of the Association) by reason of the fact that the person is or was an Executive Board member or officer of the Association, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by the person in connection with such threatened, pending or completed action, suit or proceeding.

13.2.2. Derivative Actions. The Association shall 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 person is or was an Executive Board member or officer of the Association, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by the person in connection with such threatened, pending or completed action or suit by or in the right of the Association.

13.2.3. Procedure for Effecting Indemnification. Indemnification under Subsections 13.2.1 and 13.2.2 shall be automatic and shall not require any determination that indemnification is proper, except that no indemnification shall 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.

13.2.4. Expenses Advanced. The Association shall advance expenses incurred by an Executive Board member or officer of the Association who is entitled to be indemnified pursuant to the provisions of this Section 13.2 in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that such person is not entitled to be indemnified by the Association.

13.2.5. Indemnification of Other Persons. The Association may, at the discretion of, and to the extent and for such persons as determined by the Executive Board of the Association, (a) indemnify any person who neither is nor was an Executive Board member or officer of the Association but who is or was 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 (and whether brought by or in the right of the Association), by

reason of the fact that the person is or was a representative of the Association, against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement, actually and reasonably incurred by the person in connection with such threatened, pending or completed action, suit or proceeding, and (b) pay such expenses in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of such person to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that such person is not entitled to be indemnified by the Association.

ARTICLE XIV

INSURANCE

Section 14.1. Coverage. Commencing no later than the date of the First Settlement and to the extent reasonably available, the Executive Board shall obtain and maintain insurance coverage as set forth in Sections 14.2 and 14.3 and in accordance with the provisions of Section 5312 of the Act. If such insurance is not reasonably available, and the Executive Board determines that any insurance described herein will not be maintained, the Executive Board shall cause notice of that fact to be hand-delivered or sent prepaid by United States Mail to all Unit Owners at their respective last known addresses.

Section 14.2. Property Insurance. Subject to the provisions of Section 14.4 below, the Association shall obtain and maintain all property insurance required to be maintained by the Association by Section 5312 of the Act.

Section 14.3. Liability Insurance. The Association shall obtain and maintain comprehensive general liability insurance, including medical payments insurance, in an amount reasonably determined by the Executive Board but in no event less than One Million Dollars ($1,000,000.00), covering all occurrences commonly insured against for death, bodily injury and property damage arising out of or in connection with the use, ownership or maintenance of the Common Elements. The policy shall name any managing agent as an additional insured. Upon creation of any additional property owners associations within Watson Run, the Association may agree with those other property owners associations to obtain a joint policy of liability insurance for any jointly used common elements.

Section 14.4. Unit Owner Policies. Each Unit Owner shall be solely responsible for obtaining all property and liability insurance on his Unit in compliance with Section 5312 of the Act, including (1) property insurance on any Dwelling or Commercial Structure located upon the Unit insuring against all common risks of direct physical loss in an amount at least equal to the full replacement value of the Dwelling or Commercial Structure, exclusive of land, excavations, foundations and other items normally excluded from property policies, and (2) comprehensive general liability insurance covering all occurrences commonly insured against for death, bodily injury and property damage, arising out of or in connection with the use, ownership or maintenance of the Unit in an amount not less than One Million Dollars ($1,000,000.00), or such other amount as may be reasonably determined from time to time by the Executive Board.

Section 14.5. Other Provisions. Insurance policies carried by the Association pursuant to this Article shall provide that:

14.5.1. Each Unit Owner is an insured person under the policy with respect to liability arising out of his membership in the Association.

14.5.2. The insurer waives its rights to subrogation under the policy against any Unit Owner or member of his household.

14.5.3. No act or omission by any Unit Owner, unless acting within the scope of his authority on behalf of the Association, will void the policy or be a condition to recovery under the policy.

14.5.4. If, at the time of a loss under the policy, there is other insurance in the name of a Unit Owner covering the same risk covered by the policy, the Association's policy provides primary insurance.

14.5.5. The insurer may not cancel or refuse to renew the policy until thirty (30) days after notice of the proposed cancellation or non-renewal has been mailed to the Association, each Unit Owner and each holder of a Security Interest to whom a certificate or memorandum of insurance has been issued, at their respective last known addresses.

Section 14.6. Fidelity Bonds. The Association shall maintain a blanket fidelity bond or similar security for anyone who either handles or is responsible for funds held or administered by the Association, whether or not he receives compensation for his services. The bond shall name the Association as obligee and shall cover the maximum funds that will be in the custody of the Association or the manager at any time while the bond is in force, and in no event less than the sum of three months' Common Expense assessments and reserve funds on deposit. The bond shall include a provision that calls for thirty (30) days' written notice to the Association before the bond can be canceled or substantially modified for any reason. However, if cancellation is for nonpayment of premiums, only ten (10) days' notice shall be required.

Section 14.7. Worker's Compensation Insurance. The Executive Board shall obtain and maintain worker's compensation insurance to meet the requirements of the laws of the Commonwealth of Pennsylvania.

Section 14.8. Indemnification Insurance. The Executive Board may obtain directors' and officers' liability insurance to satisfy the indemnification obligations set forth in Section 13.2 hereof, if and to the extent available at a reasonable cost.

Section 14.9. Other Insurance. The Association may carry other insurance that the Executive Board considers necessary or advisable to protect the Association or the Unit Owners.

Section 14.10. Premiums and Deductibles. Insurance premiums and deductibles for policies maintained by the Association shall be a Common Expense, unless the deductible may be charged against one or more Unit Owners pursuant to Section 5314(c)(4) of the Act.

ARTICLE XV

DAMAGE TO OR DESTRUCTION OF PROPERTY

Section 15.1. Unit Owner's Duty to Restore. Any portion of the Property for which insurance is required to be maintained by a Unit Owner under Section 5312 of the Act or this Declaration, or for which insurance carried by the Unit Owner is in effect, whichever is more extensive, shall be repaired or replaced promptly by the Unit Owner in accordance with Section 5312 of the Act.

Section 15.2. Association's Duty to Restore. Any portion of the Property for which insurance is required to be maintained by the Association under Section 5312 of the Act or this Declaration, or for which insurance carried by the Association is in effect, whichever is more extensive, shall be repaired or replaced promptly by the Association in accordance with Section 5312 of the Act.

15.2.1. Cost. The cost of repair or replacement in excess of insurance proceeds with respect to losses for which insurance is required to be maintained by the Association by Section 5312 of the Act or this Declaration shall be a Common Expense.

15.2.2. Plans. The Property must be repaired and restored substantially in accordance with either the original plans and specifications or other plans and specifications which are compatible with the remainder of the Community and which have been approved by the Executive Board following receipt of a recommendation from the Architectural Review Committee. In addition, any permit or approval required by the Municipality or any other authority having jurisdiction shall be obtained prior to the commencement of such repair or restoration.

15.2.3. Replacement of Common Elements. The insurance proceeds attributable to the damaged Common Elements shall be used to restore the damaged area to a condition compatible with the remainder of the Community.

15.2.4. Insurance Proceeds. The insurance trustee, or if there is no insurance trustee, the Association, shall hold any proceeds from insurance maintained by the Association in trust for the Association, Unit Owners and lien holders as their interests may appear. Subject to the provisions of Section 5312(h)(1) of the Act, the proceeds shall be disbursed first for the repair or restoration of the damaged Property, and the Association, Unit Owners and lien holders are not entitled to receive payment of any portion of the proceeds unless there is a surplus of proceeds after the Property has been completely repaired or restored, or the Community is terminated.

15.2.5. Certificates by the Executive Board. A trustee, if any, may rely on the following certifications in writing made by the Executive Board:

(a) Whether or not any portion of the damaged or destroyed Property is to be repaired or restored;

(b) The amount or amounts to be paid for repairs or restoration and the names and addresses of the parties to whom such amounts are to be paid.

15.2.6. Certificates by Attorneys. If payments are to be made to Unit Owners, the Executive Board, and the trustee, if any, shall obtain and may rely upon an attorney's certificate of title or a title insurance certificate, based on a search of the land records of the county in which the Property is located, from the date of the recording of the original Declaration stating the names of the Unit Owners and the holders of any mortgages upon the Units.

ARTICLE XVI

AMENDMENTS TO DECLARATION

Section 16.1. Amendment Generally. Except in cases of amendments that may be executed by the Declarant in the exercise of its Special Declarant Rights, including those rights described in Articles XXI, XXII or XXIII of this Declaration, or by the Association pursuant to Section 16.6 hereof, or as otherwise permitted or required by other provisions of this Declaration or the Act, this Declaration, including the Plats and Plans, may be amended only by vote or agreement of Unit Owners of Units to which at least eighty percent (80%) of the votes in the Association are allocated.

Section 16.2. Limitation of Challenges. No action to challenge the validity of an amendment adopted by the Association pursuant to this Article may be brought more than one year after the amendment is recorded.

Section 16.3. Recordation of Amendments. Every amendment to this Declaration shall be recorded in the county in which the Property is located and shall be effective only on recording. An amendment shall be indexed in the name of the Community in both the grantor and grantee index.

Section 16.4. Execution of Amendments. Amendments to this Declaration required by the Act to be recorded by the Association, which have been adopted in accordance with this Declaration and the Act, shall be prepared, executed, recorded and certified on behalf of the Association by any officer of the Association designated for that purpose or, in the absence of designation, by the president of the Association.

Section 16.5. Amendments Affecting the Public Street Infrastructure, Community Water System, Residential Limited Common Elements and Residential Limited Common Expenses.

16.5.1. The provisions of Section 5.2, Article X and Article XI of this Declaration may not be amended without the consent of the Declarant and the Municipality.

16.5.2. The provisions of Section 9.2.3 of this Declaration allocating all Common Expenses attributable to the Community Water System may not be amended without the consent of the Declarant and the Unit Owners of Commercial Units allocated a majority of the EDUs allocated to all Commercial Units.

16.5.3. The provisions of Section 3.1.1 and Section 9.3.1 of this Declaration designating Residential Limited Common Elements and allocating all costs associated therewith as Residential Limited Common Expenses to be assessed only against the Residential Units shall not be amended without the consent of the Declarant and the Unit Owners of Commercial Units allocated a majority of the EDUs allocated to all Commercial Units.

Section 16.6. Special Declarant Rights. Provisions in this Declaration or in the Act creating or modifying Special Declarant Rights may not be amended without the consent of the Declarant.

Section 16.7. Corrective Amendments. If any amendment is necessary in the judgment of the Executive Board to cure any ambiguity or to correct or supplement any provision of this Declaration, including the Plats and Plans, that is defective, missing or inconsistent with any other provisions contained therein or with the Act, or if such amendment is necessary to conform to the requirements of the Federal Housing Administration, Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or other agency or entity with national or regional standards for mortgage loans with respect to planned community projects, then at any time and from time to time the Executive Board may effect an appropriate corrective amendment without the approval of the Unit Owners or the holders of any Security Interest in all or any part of the Property, upon receipt by the Executive Board of an opinion from independent legal counsel to the effect that the proposed amendment is permitted by the terms of this Section 16.7.

ARTICLE XVII

AMENDMENTS TO BYLAWS

Section 17.1. Amendments to Bylaws. The Bylaws may be amended only by the affirmative vote of Unit Owners having a majority of the votes in the Association, following Notice and Comment to all Unit Owners, at any meeting duly called for such purpose. Corrective amendments to the Bylaws may be effected in the same manner as amendments to the Declaration described in Section 16.6 hereof.

ARTICLE XVIII

RIGHTS TO NOTICE AND COMMENT; NOTICE AND HEARING

Section 18.1. Right to Notice and Comment. Before the Executive Board amends the Rules and Regulations, whenever the Community Documents require that an action be taken after "Notice and Comment", and at any other time the Executive Board determines, the Unit Owners have the right to receive notice of the proposed action and the right to comment orally or in writing. Notice of the proposed action shall be given to each Unit Owner in writing and shall be delivered personally or by mail to all Unit Owners at such address as appears in the records of the Association, or published in a newsletter or similar publication that is routinely circulated to all Unit Owners. The notice shall be given not less than five (5) days before the proposed action is to be taken.

Section 18.2. Right to Notice and Hearing. Whenever the Community Documents require that an action be taken after "Notice and Hearing", the following procedure shall be observed: The party proposing to take the action (e.g., the Executive Board, a committee, an officer, the manager, etc.) shall give written notice of the proposed action to all Unit Owners or occupants of Units whose interest would be significantly affected by the proposed action. The notice shall include a general statement of the proposed action and the date, time and place of the hearing. At the hearing, the affected person shall have the right, personally or by a representative, to give testimony orally, in writing or both (as specified in the notice), subject to reasonable rules of procedure established by the party conducting the meeting to assure a prompt and orderly resolution of the issues. Such evidence shall be considered in making the decision but shall not bind the decision makers. The affected person shall be notified of the decision in the same manner in which notice of the meeting was given.

Section 18.3. Appeals. Any person having a right to Notice and Hearing shall have the right to appeal to the Executive Board from a decision of any person or persons other than the Executive Board by filing a written notice of appeal with the Executive Board within ten (10) days after being notified of the decision. The Executive Board shall conduct a hearing within thirty (30) days, giving the same notice and observing the same procedures as were required for the original meeting. Otherwise, the decisions of the Executive Board are final.

ARTICLE XIX

POWERS OF THE ASSOCIATION

Section 19.1. Powers of the Association. Subject to the provisions of this Declaration, the Association shall have all of the powers designated in Section 5302 of the Act, including the right to assign its right to receive future income, including payments made on account of any assessment against any Unit for Common Expenses and Limited Common Expenses.

Section 19.2. Delegation of Powers to Master Association. Following the expiration or termination of the Special Declarant Rights described in Subsection 19.2.1 hereof, the Association shall have the right to assign or delegate any of its powers listed in Section 5302 of the Act to a master association, provided that any such assignment or delegation is made subject to the provisions of Section 5222 of the Act. To the fullest extent permitted by Pennsylvania law, as now in effect and as modified from time to time, a member of the Executive Board of any master association shall not be personally liable for monetary damages for any action taken, or any failure to take any action, by the Executive Board of the said master association.

19.2.1. Reservation. The Declarant hereby explicitly reserves the Special Declarant Right, under Section 5205(13) of the Act, to assign or delegate any or all of the powers of the Association to a master association under Section 5222 thereof, without the consent of any Unit Owner or holder of any Security Interest in any Unit. This right shall continue until the seventh (7th) anniversary of the recording of this Declaration, unless terminated prior to such anniversary upon the filing of an amendment to this Declaration by the Declarant. The Declarant expressly reserves the right to make such assignment(s) or delegation(s) at any time, at different times, in any order and without limitation. The Declarant shall also have the right to accept on behalf of the Association any assignment or delegation of powers from one or more planned community or condominium associations, provided such planned community or condominium is located within the boundaries of the Community. There are no other limitations on this right to delegate powers of the Association to a master association.

Section 19.3. Merger or Consolidation. Following the expiration or termination of the Special Declarant Rights described in Subsection 19.3.1 hereof, the Association shall have the power to merge or consolidate the Community with one or more other planned communities or condominiums into a single planned community provided that such merger or consolidation is made in accordance with the provisions of Section 5223 of the Act, and further provided that the merged planned communities or condominiums are all located within the boundaries of Logan's Reserve, including any expansion thereof pursuant to Article XXIII hereof.

19.3.1. Reservation. The Declarant hereby explicitly reserves the Special Declarant Right, under Section 5205(14) of the Act, to cause the Community to be merged or consolidated with one or more other planned communities or condominiums under Section 5223 thereof, without the consent of any Unit Owner or holder or insurer of any Security Interest in any Unit. This right shall continue until the seventh (7th) anniversary of the recording of this Declaration, unless terminated prior to such anniversary upon the filing of an amendment to this Declaration by the Declarant. The Declarant expressly reserves the right to make such merger(s) or such consolidation(s) at any time, at different times, in any order, without limitation; provided that the merged or consolidated communities shall not extend beyond the boundaries of Watson Run, including the Additional Real Estate as described in Exhibit D attached hereto. There are no other limitations on this right to merge or consolidate the Community with other planned communities or condominiums.

19.3.2. Restrictions. The buildings and the Units that are part of other communities or condominiums merged or consolidated with the Community must be compatible (but not necessarily the same) in terms of architectural style, quality of construction, and materials with the Units in the Community. All restrictions in this Declaration affecting use, occupancy and alienation of Units shall apply to the units created in the other planned communities or condominiums, although there may be some differences in the restrictions applicable to different styles of homes (e.g., single-family detached homes, townhouse style homes, et al). Because the Declarant may make changes to the plans for additional planned communities or condominiums within the boundaries of Watson Run prior to obtaining final township approval and recording, no assurances are made regarding the exact lot configuration, description or location of any other buildings, improvements, common elements or limited common elements that may be created in the additional planned communities or condominiums. No assurances are made regarding the proportion of units to limited common elements that may be created in the additional planned communities or condominiums. The maximum number of Units in the merged or consolidated planned communities (including the Community) shall be no more than four hundred fifty (450) Units. In the event that the Community is merged with one or more additional planned communities or condominiums as described in Subsection 19.3.1 hereof, the Allocated Interest appurtenant to each Unit shall be recalculated (decreased) by (1) converting a fraction to a decimal, the numerator of which fraction shall be one (1) and the denominator of which fraction shall be the total number of units in the merged or consolidated planned communities (including the Community), (2) multiplying the aforementioned fraction by a factor to be assigned by the Declarant, as described in Subsection 2.1.4 hereof. In the event that the Declarant does not merge or consolidate the other planned communities or condominiums with the Community, the assurances contained in this Section 19.3 shall not apply in any way to the other planned communities or condominiums or any portion thereof.

Section 19.4. Conveyance or Encumbrance of the Common Elements. Provided that Unit Owners entitled to cast at least eighty percent (80%) of the votes in Association, at least eighty percent (80%) of which affirmative votes are allocated to Units not owned by the Declarant, agree, any one or more portions of the Common Elements may be conveyed or subjected to a Security Interest by the Association. Any conveyance or encumbrance of the Common Elements by the Association shall be effected in strict accordance with Section 5318 of the Act.

Section 19.5. Judgments Against the Association. Any creditor of the Association pursuant to a Security Interest obtained under Section 19.4 hereof shall exercise its rights against the Common Elements before its judgment lien on any Unit may be enforced. Otherwise, as a general rule, any judgment for money against the Association, upon perfection as a lien on real property, shall not be a lien on the Common Elements, but shall constitute a lien against all of the Units in the Community at the time the judgment was entered. Any Unit Owner may have his or her Unit released from the lien of the judgment upon payment of that portion of the lien attributable to his Unit in accordance with Section 5319(c) of the Act. After payment, the Association may not assess or have a lien against that Unit Owner's Unit for any portion of the Common Expense incurred in connection with that lien. A judgment indexed

against the Association must be indexed against the Community and the Association, and when so indexed, shall constitute notice of the lien against the Units.

ARTICLE XX

RESIDENTIAL COMMUNITY AMENITIES

Section 20.1. Residential Community Amenities. The Declarant may construct certain amenities within Watson Run for the use and enjoyment of the Owners of Residential Units, which may, but are not required to, include, a community center, walking trails and open space. The Declarant presently intends to construct such amenities at its initial expense, and the said amenities shall be Common Facilities or Residential Community Amenities. Thereafter, the Association shall be responsible for the maintenance, improvement, repair, replacement, regulation, management, insurance and control of such Common Facilities or Residential Community Amenities, the cost of which shall be assessed as a Residential Limited Common Expense allocated in the reasonable judgment of the Association in accordance with the provisions of the Act.

ARTICLE XXI

CONVERTIBLE REAL ESTATE

Section 21.1. Reservation. The Declarant hereby explicitly reserves an option, until the seventh (7th) anniversary of the recording of this Declaration, to convert all or any portion of the Additional Real Estate hereafter added to the Community as Convertible Real Estate to Units, Limited Common Elements or any combination thereof from time to time in compliance with Section 5211 of the Act, without the consent of any Unit Owner or holder or insurer of any Security Interest in any Unit. This option to convert may be terminated prior to such anniversary only upon the filing of an amendment to this Declaration by the Declarant. The Declarant expressly reserves the right to convert any or all portions of such Convertible Real Estate at any time, at different times, in any order, without limitation and without any requirement that any other real estate be converted, added or withdrawn.

Section 21.2. Assurances. If the Convertible Real Estate is converted, the Units on the Convertible Real Estate are expected to be located approximately as shown on the Subdivision Plan, as the same may be amended or modified by Declarant from time to time in accordance with all municipal and other governmental requirements. Notwithstanding the foregoing, no assurances are made regarding the actual Unit configuration, the description or location of any Dwellings or Commercial Structures or other improvements, Common Elements or Limited Common Elements that may be created on the Convertible Real Estate. At such time as all of the Convertible Real Estate is completely converted, the maximum number of Units in the Community as an aggregate will be one hundred sixty-six (166) Residential Units, which are hereby restricted to residential use substantially to the same extent as all other Residential Units and twenty (20) Commercial Units. Any Dwelling to be constructed within the Convertible Real Estate and Units therein shall be compatible (but not necessarily the same) in quality of construction, materials and architectural style with the buildings and Units on other portions of

the Property. All restrictions in this Declaration affecting use, occupancy and alienation of Units shall apply to Units created within the Convertible Real Estate, although there may be some differences in the restrictions applicable to different styles of homes (e.g., single-family detached homes, townhouse style homes, et al). No assurances are made as to any other improvements and Limited Common Elements to be made or created in the Convertible Real Estate, nor to the proportion of Limited Common Elements to Units therein. The Allocated Interest appurtenant to each Unit created within the Convertible Real Estate and the other existing Units shall be recalculated as required by Sections 2.1 and 9.2 hereof.

ARTICLE XXII

WITHDRAWABLE REAL ESTATE

Section 22.1. Reservation to Withdraw. The Declarant hereby explicitly reserves an option, until the seventh (7th) anniversary of the recording of this Declaration, to withdraw all or any portion of the Additional Real Estate hereafter added to the Community as Withdrawable Real Estate in compliance with Section 5212 of the Act, without the consent of any Unit Owner or holder or insurer of any Security Interest in any Unit. This option to withdraw may be terminated prior to such anniversary only upon the filing of an amendment to this Declaration by the Declarant. The Declarant expressly reserves the right to withdraw any or all portions of the Withdrawable Real Estate at any time, at different times, in any order, without limitation and without any requirement that any other real estate be converted, added or withdrawn. There are no other limitations on this option to withdraw Withdrawable Real Estate. The Allocated Interest appurtenant to each Unit in the Community as of the date this Declaration or any amendments thereto are recorded will be unaffected by the withdrawal of all or any part of the Withdrawable Real Estate. In the event that the Declarant shall withdraw all or any portion of the Withdrawable Real Estate, the assurances, if any, contained in this Declaration shall not apply to the Withdrawable Real Estate withdrawn from the Community.

Section 22.2. Easements Regarding Withdrawable Real Estate. If and when Withdrawable Real Estate is withdrawn from the Property in accordance with the provisions of this Declaration, the following reciprocal easements shall be created and granted in favor of and against the Unit Owners and the Association, on the one hand, and the owners and occupants of the portion of the Withdrawable Real Estate withdrawn from the Property, on the other hand:

22.2.1. A non-exclusive easement and right-of-way over, on, and upon any roads and streets created within the Property for ingress and egress to and from any public streets serving the Property;

22.2.2. The right of access for the placement and maintenance of underground utility facilities to serve any owner of any portion of the Property, including, inter alia, electrical, gas (including without limitation propane gas), telephone, sewer and water lines provided that the exercise of said rights does not materially interfere with the existing utility facilities;

22.2.3. The right to use and gain access to existing utility facilities located on the Property, including, inter alia, the waterlines, sanitary sewer and storm sewer facilities, and to tie into said facilities, together with the right to install and maintain new utility facilities, provided that the exercise of such rights does not materially interfere with the existing utility facilities;

22.2.4. The right to enter upon the Property at reasonable times for the purpose of laying, constructing, inspecting, maintaining, repairing or removing said utility facilities.

Prior to withdrawing Withdrawable Real Estate, the Declarant shall execute and record a Declaration of Reciprocal Easements creating the rights above, subject, inter alia, to the following conditions:

22.2.5. The party exercising such easement rights for the installation of utility facilities shall be solely responsible for all expenses of whatever nature with regard to the initial construction and installation of said utility facilities;

22.2.6. Any party exercising the easement right to install utility facilities over, under or through the Property shall observe all applicable laws pertaining thereto. All work shall be done during reasonable times, following reasonable notice to any party who will be affected by the work, and shall be done in a manner which shall not unreasonably interfere with the use of the Property by the owners and occupants thereof;

22.2.7. The party exercising such easement right, at its sole cost, shall promptly restore the Property to its original condition;

22.2.8. The expense of operating, maintaining and repairing any area or facility, subject to a reciprocal easement, shall be equitably apportioned among the owners using said areas or easements, considering all pertinent use factors.

22.2.9. The party exercising any easement right shall indemnify and hold harmless all other owners within the Property from all loss, damage, claims or expenses, including reasonable attorneys' fees, resulting from its negligent or improper exercise of the easements and other rights granted herein.

ARTICLE XXIII

ADDITIONAL REAL ESTATE

Section 23.1. Reservation. The Declarant hereby explicitly reserves an option, until the seventh (7th) anniversary of the recording of this Declaration, to add Additional Real Estate to the Community in compliance with Section 5211 of the Act, without the consent of any Unit Owner or holder or insurer of any Security Interest in any Unit. This option to expand may be terminated prior to such anniversary only upon the filing by the Declarant of an amendment to this Declaration. The Declarant expressly reserves the right to add the Additional Real Estate at

any time, at different times, in any order, without limitation and without any requirement that any other real estate be added, converted or withdrawn; provided, however, that the Additional Real Estate shall not exceed the area described as such on Exhibit D attached hereto. There are no other limitations on this option to add Additional Real Estate to the Community. Any Additional Real Estate added to the Community may be added as Convertible and Withdrawable Real Estate subject to all of the provisions of Articles XXI and XXII, inter alia, of this Declaration.

Section 23.2. Assurances. The Declarant makes no assurances as to the location and description of improvements and Common Elements that may be made or created within the Additional Real Estate. At such time as the Community is expanded, the maximum number of Units that may be created within the Additional Real Estate as an aggregate will be one hundred sixty-six (166) Residential Units, which are hereby restricted to residential use substantially to the same extent as all other Residential Units and twenty (20) Commercial Units. Any Dwelling to be constructed within the Additional Real Estate shall be compatible (but not necessarily the same) in quality of construction, materials and architectural style with the Units on other portions of the Property. The Declarant expressly reserves the right to designate Common Elements in the Additional Real Estate which may be assigned subsequently as Limited Common Elements. The Declarant makes no assurances as to type, size, maximum number of such Common Elements and Limited Common Elements, assignment of Limited Common Elements to the Units, or the proportion of Units to Limited Common Elements. The Allocated Interest appurtenant to each Unit in the Additional Real Estate and the Property shall be recalculated as required by Sections 2.1 and 9.2 hereof. All restrictions in this Declaration affecting use, occupancy and alienation of Units shall apply to the Units created in the Additional Real Estate. In the event that the Declarant does not add any portion of the Additional Real Estate, the assurances contained in this Article shall not apply in any way to the Additional Real Estate or any portion thereof.

ARTICLE XXIV

TERMINATION OF THE COMMUNITY

Section 24.1. Procedure for Termination. Except in the case of a taking of all of the Units in the Community by eminent domain, the Community may be terminated by agreement of Unit Owners of Units to which at least eighty percent (80%) of the votes in the Association are allocated, at least eighty percent (80%) of which affirmative votes shall be allocated to Units not owned by the Declarant.

ARTICLE XXV

NOTICE PRIOR TO LEGAL ACTION

Section 25.1. Notice and Opportunity to Cure. Prior to taking any legal action against another Unit Owner, the Association, the Executive Board or the Declarant, a Unit Owner must first provide written notice of the violation, complaint or defect, allowing a

reasonable time for the matter to be investigated and cured. Except in cases of imminent threat to life, a period of at least thirty (30) days shall be considered "reasonable" for this purpose.

Section 25.2. Access for Inspection and Repair of Alleged Defect. In the event of a claim regarding a maintenance or construction defect, the Unit Owner shall allow reasonable access to the Unit for the repair to be made and such testing, destructive or otherwise, as is required to determine if a defect exists. Any destructive testing shall be repaired solely at the expense of the tester.

ARTICLE XXVI

INTERPRETATION

Section 26.1. Interpretation. The provisions of this Declaration shall be liberally construed in order to effectuate the Declarant's desire to create a uniform plan for development and operation of the Community. The headings preceding the various paragraphs of this Declaration and the Table of Contents are intended solely for the convenience of readers of this Declaration.

ARTICLE XXVII

SEVERABILITY

Section 27.1. Severability. The provisions of this Declaration shall be deemed independent and severable, and the invalidity or unenforceability of any provision or portion thereof shall not affect the validity or enforceability of any other provision or portion thereof unless such deletion shall destroy the uniform plan for development and operation of the planned community which this Declaration is intended to create.

ARTICLE XXVIII

EFFECTIVE DATE

Section 28.1. Effective Date. This Declaration shall become effective on the date on which it is recorded (the "Effective Date").

IN WITNESS WHEREOF, the Declarant, intending to be legally bound hereby has duly executed this Declaration, as of this 24 day of April, 2007.

WITNESS:

RED SCHOOL, LLC, a Pennsylvania limited liability company

By: _____
J. LaVern Horning, Member

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF Berks)

On this, the 24th day of April, 2007, before me, a Notary Public, the undersigned officer, personally appeared A. LaVern Horning, who acknowledged himself to be a member of Red School, LLC, a Pennsylvania limited liability company, and that he as such member, being authorized to do so, executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.

Notary Public

(SEAL)

My Commission Expires:

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Sherry Moyer, Notary Public
Spring Twp., Berks County
My Commission Expires Oct. 7, 2008
Member, Pennsylvania Association Of Notaries

EXHIBIT A

LEGAL DESCRIPTION OF THE REAL ESTATE

All that certain parcel or tract of land situate on the south side of Newport Road (S.R. 0772) in Leacock Township, Lancaster County, Pennsylvania, shown as Phase 1 in accordance with a plan prepared by RGS Associates, Inc. titled "Phase 1 Final Subdivision and Land Development Plan for Watson Run" dated July 22, 2005, being more particularly bounded and described as follows:

Beginning at a point in Newport Road (S.R. 0772), said point being the northeast corner of the herein described parcel; thence along lands of Frank H. and June R. Hoover, lands of Ivan L. and Rebecca Jane Esh, and lands of Samuel I. and Maryann Esh respectively South 06 degrees 05 minutes 26 seconds East a distance of 842.00 feet to a point; thence along lands of Amos S. Stoltzfus and along the lines dividing Phase 1 and Phase 2 of Watson Run the following nineteen (19) courses and distances: 1) South 83 degrees 54 minutes 34 seconds West a distance of 156.00 feet to a point; 2) South 06 degrees 05 minutes 26 seconds East a distance of 8.84 feet to a point; 3) South 83 degrees 54 minutes 34 seconds West a distance of 111.57 feet to a point; 4) South 79 degrees 01 minutes 20 seconds West a distance of 113.03 feet to a point; 5) South 89 degrees 18 minutes 03 seconds West a distance of 53.68 feet to a point; 6) North 85 degrees 44 minutes 12 seconds West a distance of 53.68 feet to a point; 7) North 80 degrees 46 minutes 27 seconds West a distance of 53.68 feet to a point; 8) North 75 degrees 49 minutes 39 seconds West a distance of 53.34 feet to a point; 9) North 72 degrees 10 minutes 49 seconds West a distance of 58.00 feet to a point; 10) North 80 degrees 08 minutes 27 seconds West a distance of 120.80 feet to a point; 11) along a curve to the left having a radius of 375.00 feet and an arc length of 20.19 feet and having a chord bearing of North 08 degrees 19 minutes 00 seconds East and a chord length of 20.19 feet to a point; 12) North 72 degrees 00 minutes 34 seconds West a distance of 123.38 feet to a point; 13) North 61 degrees 34 minutes 46 seconds West a distance of 48.13 feet to a point; 14) North 29 degrees 13 minutes 54 seconds West a distance of 46.54 feet to a point; 15) North 00 degrees 41 minutes 37 seconds West a distance of 60.61 feet to a point: 16) North 15 degrees 41 minutes 36 seconds West a distance of 58.03 feet to a point; 17) North 29 degrees 06 minutes 11 seconds West a distance of 100.66 feet to a point: 18) North 06 degrees 05 minutes 26 seconds West a distance of 64.12 feet to a point; 19) North 85 degrees 50 minutes 40 seconds West a distance of 341.31 feet to a point; thence along lands of Alfred J. and Linda A. Pawloski, along lands of Elmer and Rebecca Jane Stoltzfus, and lands of John E. and Lois M. Glick respectively North 06 degrees 52 minutes 04 seconds West a distance of 402.71 feet to a point; thence along the southern right-of-way line of Holly Drive North 83 degrees 07 minutes 57 seconds East a distance of 3.10 feet to a point; thence crossing Holly Drive and along lands of John E. and Lois M. Glick North 06 degrees 52 minutes 04 seconds West a distance of 175.00 feet to a point; thence continuing along lands of John E. and Lois M. Glick, and along lands of Vincent H. and Darla Joy Anastasi, and along lands of Gerald and Lavinia M. Brackbill respectively North 05 degrees 37 minutes 01 seconds West a distance of 487.93 feet to a point in Newport Road; thence in and along Newport Road the following three (3) courses and distances:

1) South 75 degrees 27 minutes 48 seconds East a distance of 615.84 feet to a point; 2) South 52 degrees 16 minutes 35 seconds East a distance of 566.63 feet to a point; 3) South 67 degrees 14 minutes 49 seconds East a distance of 362.66 feet to a point, the point of beginning.

Containing 33.076 acres including the area within the right-of-way of Newport Road.

EXHIBIT A-1

RECORDED EASEMENTS AND LICENSES AFFECTING THE PROPERTY

1. Restrictions as set forth in Record Book X Volume 47 page 461; Record Book Q Volume 55 page 503; Record Book Z Volume 59 page 858 and Record Book I Volume 60 page 1099.

2. Rights granted to American Telegraph and Telephone Company as set forth in Record Book D Volume 38, page 539.

3. Rights granted to Pennsylvania Power & Light as set forth in Record Book K Volume 46 age 228.

4. Rights granted to Pennsylvania Power & Light as set forth in Record Book H Volume 62 page 669.

5. Rights granted to Leacock Township Sewer Authority as set forth in Record Book 3015 page 203.

6. Subject to terms of Highway Occupancy Permit as set forth in Record Book 4985 page 542.

7. Conditions, restrictions and notes as shown on a plan of "Phase 1 Final Subdivision and Land Development Plan for Watson Run" recorded in Plan Book J-226, page 32.

8. Stormwater Management Agreement and Declaration of Easement as set forth in Document ID No. 5493233.

EXHIBIT B

ALLOCATED INTERESTS APPURTENANT TO UNITS

Unit	Allocated Interest
1	1.6949
2	1.6949
3	1.6949
4	1.6949
5	1.6949
6	1.6949
7	1.6949
8	1.6949
9	1.6949
10	1.6949
11	1.6949
12	1.6949
13	1.6949
14	1.6949
15	1.6949
16	1.6949
17	1.6949
18	1.6949
19	1.6949
94	1.6949
95	1.6949
96	1.6949
97	1.6949
98	1.6949
99	1.6949
100	1.6949
101	1.6949
102	1.6949
103	1.6949
104	1.6949
105	1.6949
106	1.6949
107	1.6949
108	1.6949
109	1.6949
110	1.6949
111	1.6949
112	1.6949

Unit	Allocated Interest
113	1.6949
114	1.6949
115	1.6949
116	1.6949
117	1.6949
118	1.6949
119	1.6949
120	1.6949
121	1.6949
122	1.6949
123	1.6949
124	1.6949
125	1.6949
126	1.6949
127	1.6949
128	1.6949
129	1.6949
130	1.6949
131	1.6949
132	1.6949
133	1.6949

EXHIBIT C

PLATS AND PLANS

The Plats and Plans for Watson Run, A Planned Community, prepared by RGS Associates dated March 23, 2007 and designated Project Number 2002711-001, Nos. 1 and 2, are being filed in the Office of the Recorder of Deeds in and for Lancaster County, Pennsylvania, concurrently with the filing of this Declaration, and said Plats and Plans are hereby incorporated herein and made an integral part hereof by this reference thereto.

EXHIBIT D

LEGAL DESCRIPTION OF THE ADDITIONAL REAL ESTATE

Tract 1

All that certain parcel or tract of land situate in Leacock Township, Lancaster County, Pennsylvania, in accordance with a plan prepared by R.G.S. Associates, titled "Watson Run Phase 1 Final Subdivision and Land Development Plan", dated July 22, 2005, being more particularly bounded and described as follows:

Beginning at a point at the Southeast corner of Lot 183A of the aforementioned plan, said point being the Northeast corner of the herein described parcel; thence along Samuel I. & Maryann Esh, the following three (3) courses and distances; (1) South 06 degrees 05 minutes 26 seconds East a distance of 818.75 feet to a rebar; (2) South 78 degrees 47 minutes 39 seconds West a distance of 995.95 feet to a stone; (3) South 16 degrees 58 minutes 28 seconds East a distance of 163.88 feet to a stone; thence along Aaron K. & Katie L. Fisher, South 73 degrees 52 minutes 11 seconds West a distance of 642.89 feet to a point; thence along Enos Jr. & Sarah K. Esh, North 17 degrees 20 minutes 45 seconds West a distance of 481.31 feet to a point; thence along Leacock Township Sewer Authority the following two (2) courses and distances; (1) North 72 degrees 27 minutes 08 seconds East a distance of 77.60 feet to a point; (2) North 17 degrees 23 minutes 39 seconds West a distance of 119.02 feet to a rebar; thence along John K. & Rosalyn F. Dienner, North 12 degrees 26 minutes 05 seconds East a distance of 279.25 feet to a point; thence along John K. & Rosalyn F. Dienner, Paul J. & Carole Molaro, Gerald N. & Debra A. Reeser, Kenneth J. and Tracy Eshelman, and Alfred J. & Linda A. Pawloski, respectively, North 11 degrees 03 minutes 47 seconds East a distance of 752.90 feet to a point; thence along Alfred J. & Linda A. Pawloski the following two (2) courses and distances; North 86 degrees 27 minutes 29 seconds East a distance of 24.44 feet to a point; (2) North 06 degrees 52 minutes 04 seconds West a distance of 153.86 feet to a point; thence along Lot 185 of the aforementioned plan, South 85 degrees 50 minutes 40 seconds East a distance of 341.31 feet to a point; thence along Lot 184A of the aforementioned plan, the following seven (7) courses and distances; (1) South 06 degrees 05 minutes 26 seconds East a distance of 64.12 feet to a point; (2) South 29 degrees 06 minutes 11 seconds East a distance of 100.66 feet to a point; (3) South 15 degrees 41 minute 36 seconds East a distance of 58.03 feet to a point; (4) South 00 degrees 41 minutes 37 seconds East a distance of 60.61 feet to a point; (5) South 29 degrees 13 minute 54 seconds East a distance of 46.54 feet to a point; (6) South 61 degrees 34 minutes 46 seconds East a distance of 48.13 feet to a point; (7) South 72 degrees 00 minute 34 seconds East a distance of 123.38 feet to a point on the Western right-of-way line of Springhouse Lane; thence along the arc of a circle curving to the right having a radius of 375.00 and an arc length of 20.19 feet with a chord bearing of South 08 degrees 19 minutes 00 seconds West and a chord length of 20.19 feet to a point; thence along the Southern terminus of Springhouse Lane, South 80 degrees 08 minutes 27 seconds East a distance of 50.00 feet to a point on the Eastern right-of-way line of Springhouse Lane; thence along Lot 179 of the aforementioned plan, the following eight (8) courses and distances; (1) South 80 degrees 08 minutes 27 seconds East a distance of 70.80 feet to a point; (2) South 72 degrees 10 minutes 49 seconds East a distance of 58.00 feet to a point; (3) South 75

degrees 49 minutes 39 seconds East a distance of 53.34 feet to a point; (4) South 80 degrees 46 minutes 27 seconds East a distance of 53.68 feet to a point; (5) South 85 degrees 44 minutes 12 seconds East a distance of 53.68 feet to a point; (6) North 89 degrees 18 minutes 03 seconds East a distance of 53.68 feet to a point; (7) North 79 degrees 01 minute 20 seconds East a distance of 113.03 feet to a point; (8) North 83 degrees 54 minutes 34 seconds East a distance of 61.57 feet to a point on the Western right-of-way line of Pleasant Road; thence along the Southern terminus of Pleasant Road, North 83 degrees 54 minutes 34 seconds East a distance of 50.00 feet to a point on the Eastern right-of-way line of Pleasant Road; thence along the Eastern right-of-way line of Pleasant Road, North 06 degrees 05 minutes 26 seconds West a distance of 8.84 feet to a point; thence along Lot 183A of the aforementioned plan, North 83 degrees 54 minutes 34 East a distance of 156.00 feet to a point, the point of beginning.

Containing in area (41.21 Acres)

Tract 2

All that certain parcel or tract of land situate on the south side of Newport Road (S.R. 0772) in Leacock Township, Lancaster County, Pennsylvania, shown as the area of Phase 1 zoned "Commercial C-1" in accordance with a plan prepared by RGS Associates, Inc. titled "Phase 1 Final Subdivision and Land Development Plan for Watson Run" dated July 22, 2005, being more particularly bounded and described as follows:

Beginning at a point on the southern proposed right-of-way line of Newport Road (S.R. 0772) on the dividing line between the Commercial district and the Suburban Residential district, said point being the northeast corner of the herein described parcel; thence along the western right-of-way line of Springhouse Lane (50' right-of-way) the following three courses and distances: 1) South 37 degrees 43 minutes 25 seconds West a distance of 243.97 feet to a point; 2) along a curve to the left having a radius of 425.00 feet and an arc length of 325.00 feet and having a chord bearing of South 15 degrees 49 minutes 00 seconds West and a chord length of 317.14 feet to a point; 3) South 06 degrees 05 minutes 26 seconds East a distance of 122.48 feet to a point; thence along Lot 184A of the aforementioned plan South 83 degrees 54 minutes 34 seconds West a distance of 223.33 feet to a point; thence along lands of Amos S. Stoltzfus North 85 degrees 50 minutes 40 seconds West a distance of 341.31 feet to a point: thence along lands of Alfred J. and Linda A. Pawloski, lands of Elmer and Rebecca Jane Stoltzfus, and lands of John E. and Lois M. Glick respectively North 06 degrees 52 minutes 04 seconds West a distance of 402.71 feet to a point on the southern right-of-way line of Holly Drive; thence along the southern right-of-way line of Holly Drive North 83 degrees 07 minutes 57 seconds East a distance of 3.10 feet to a point; thence crossing Holly Drive and along lands of John E. and Lois M. Glick respectively North 06 degrees 52 minutes 04 seconds West a distance of 175.00 feet to a point: thence continuing along lands of John E. and Lois M. Glick, and along lands of Vincent H. and Darla Joy Anastasi, and along lands of Gerald and Lavinia M. Brackbill, North 05 degrees 37 minutes 01 seconds West a distance of 445.32 feet to a point on the proposed right-of-way line of Newport Road; thence along the proposed right-of-way line the following seven (7) courses and distances : 1) South 75 degrees 27 minutes 48 seconds East a distance of 360.06 feet to a point; 2) North 14 degrees 32 minutes 12 seconds East a distance of 10.00 feet to a

point; 3) South 75 degree 27 minutes 48 seconds East a distance of 110.82 feet to a point of curve; 4) along a curve to the right having a radius of 605.00 feet and an arc length of 244.84 feet and having a chord bearing of South 63 degrees 52 minutes 12 seconds East a distance of 243.17 feet to a point; 5) South 52 degrees 16 minutes 35 seconds East a distance of 7.04 feet to a point; 6) South 45 degrees 59 minutes 57 seconds East a distance of 100.60 feet to a point; 7) South 52 degrees 16 minutes 35 seconds East a distance of 177.27 feet to a point, the point of beginning.

Containing 14.444 acres.

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF LANCASTER)

RECORDED in the Office of the Recorder of Deeds in and for said County, in Record Book _____, Page _____.

WITNESS my hand and official seal this _____ day of _____, 2007.

_____
Recorder of Deeds

Prepared By: Barley Snyder LLC
126 East King Street
Lancaster, PA 17602
717.299.5201
Return To: Paul M. Browning, Esquire
Barley Snyder LLC
126 East King Street
Lancaster, PA 17602
Parcel ID#: N/A

FIRST AMENDMENT TO DECLARATION OF COVENANTS, CONDITIONS AND RESTRICTIONS FOR WATSON RUN, A PLANNED COMMUNITY

THIS AMENDMENT is made this 1 day of July, 2008, by

RED SCHOOL, LLC, a Pennsylvania limited liability company, with offices at 3335 Morgantown Road, Mohnton, Pennsylvania 19540 ("Declarant") and WATSON RUN COMMUNITY ASSOCIATION, a Pennsylvania non-profit corporation, with office at 3335 Morgantown Road, Mohnton, Pennsylvania 19540 ("Association").

Background

By Declaration of Covenants, Conditions and Restrictions for Watson Run, A Planned Community dated April 24, 2007, and recorded in the Recorder's Office in and for Lancaster County, Pennsylvania, as Instrument No. 5615714 ("Declaration"), the Declarant submitted certain real estate located in Leacock Township, Lancaster County, Pennsylvania, to the provisions of the Pennsylvania Uniform Planned Community Act, 68 Pa. C.S.A. § 5101, et seq., as amended ("Act"), for the purpose of creating and establishing Watson Run, A Planned Community ("Planned Community"). Declarant now desires to create additional Units in the Planned Community pursuant to the terms of the Declaration and in accordance with the provisions of the Act.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Declaration.

NOW, THEREFORE, intending to be legally bound, the Declarant hereby amends the Declaration as follows:

1. In partial exercise of its rights pursuant to Article XXIII of the Declaration and Section 5211 of the Act, Declarant hereby creates the 58 additional Units and the Common Elements as depicted on the First Supplemental Plats and Plans of the Planned Community, which plats and plans consist of plats prepared by RGS Associates dated October 4, 2007, designated Project No. 2007746-004, Sheet Nos. 1, 2 and 3 ("Supplemental Plats and Plans"). The Supplemental Plats and Plans are intended for recording concurrently herewith in the Recorder's Office aforesaid. All such additional Units are located in that portion of Tract 1 of the Additional Real Estate identified in Exhibit A hereof ("Converted Real Estate").

2. Declarant hereby subdivides the Planned Community into 58 additional separate parcels of real estate, each parcel being one Unit located on the Converted Real Estate and shown and identified on the Supplemental Declaration Plan, together with its undivided interest in Common Elements appurtenant to such Unit. Each additional Unit, together with its undivided interest in Common Elements appurtenant thereto shall for all purposes constitute a separate parcel of real estate, subject to the Act and the provisions of the Declaration and other Planned Community documents, and may be held, owned, purchased, sold, conveyed, mortgaged, leased, encumbered, and otherwise dealt with in the same manner as permitted by the laws of the Commonwealth of Pennsylvania for any other real property. The identifying number of each additional Unit is set forth on the Supplemental Plats and Plans and in Exhibit C hereof. The Units being created hereby are Units 20 to 23, inclusive, Units 64 to 93, inclusive, Units 134 through 151, inclusive, and Units 156 through 170, inclusive.

3. Exhibit B of the Declaration entitled "Allocated Interests Appurtenant to Units" is hereby deleted in its entirety and replaced by Exhibit B hereof.

4. Sections 12.1.2 and 12.1.3 of the Declaration are hereby amended to read in their entirety as follows:

> "12.1.2. Upon the expiration of the period of Declarant control described in Subsection 12.1.1 above, all members of the Executive Board shall resign, and the Unit Owners (including the Declarant to the extent of Units owned by the Declarant) shall elect a new five (5) member Executive Board.
>
> 12.1.3. Notwithstanding the terms of Subsections 12.1.1 and 12.1.2 above, (i) not later than sixty (60) days after conveyance of twenty-five percent (25%) of the Units to Unit Owners other than the Declarant, one (1) of the five (5) members of the Executive Board shall be elected by Unit Owners other than the Declarant, and (ii) not later than sixty (60) days after conveyance of fifty percent (50%) of the Units to Unit Owners other than the Declarant, two (2) of the five (5) members of the Executive Board shall be elected by Unit Owners other than the Declarant."

4. Section 19.3 of the Declaration is hereby amended to read in its entirety as follows:

"19.3. Merger or Consolidation. Following the expiration or termination of the Special Declarant Rights described in Subsection 19.3.1 hereof, the Association shall have the power to merge or consolidate the Community with one or more other planned communities or condominiums into a single planned community provided that such merger or consolidation is made in accordance with the provisions of Section 5223 of the Act, and further provided that the merged planned communities or condominiums are all located within the boundaries of the Community, including any expansion thereof pursuant to Article XXIII hereof."

5. Except as specifically amended hereby, all of the terms and provisions of the Declaration shall remain in full force and effect.

6. This Amendment is executed by the Declarant and the Association by virtue of the authority granted to them pursuant to Section 5219 of the Act.

IN WITNESS WHEREOF, the Declarant and the Association have executed this Amendment on the above date.

RED SCHOOL, LLC, a Pennsylvania limited liability company

By:_____
J. LaVern Horning, Member

WATSON RUN COMMUNITY ASSOCIATION, a Pennsylvania non-profit corporation

By:_____

Attest:_____

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF Berks)

On this 24th day of June, 2008, before me, the undersigned officer, personally appeared J. LaVern Horning, who acknowledged himself to be a member of Red School, LLC, a Pennsylvania limited liability company, and in that capacity and being authorized to do so, executed the within instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Donene B. McGrath
Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Donene B. McGrath, Notary Public
Robeson Twp., Berks County
My Commission Expires Aug. 14, 2011
Member, Pennsylvania Association of Notaries

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF Berks)

On this 24 day of June, 2008, before me, the undersigned officer, personally appeared Deborah Ann Paine, who acknowledged ~~himself~~ herself to be the President of Watson Run Community Association, a Pennsylvania non-profit corporation, and in that capacity and being authorized to do so, executed the within instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

Donene B. McGrath
Notary Public

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Donene B. McGrath, Notary Public
Robeson Twp., Berks County
My Commission Expires Aug. 14, 2011
Member, Pennsylvania Association of Notaries

Lancaster County
Bonnie L.Bowman
Recorder of Deeds
150 N. Queen St.
Suite 315
Lancaster, PA 17603
Phone: 717-299-8238
Fax: 717-299-8393

INSTRUMENT # : 6135591
RECORDED DATE: 03/25/2014 09:50:48 AM

3637812-0013R

LANCASTER COUNTY ROD

OFFICIAL RECORDING COVER PAGE

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RETURN TO: (ccurrent@barley.com)
**PLEASE NOTE: Recorded documents with completed Cover Pages are returned via email to the email address(es) identified above.
Carol A. Current
Barley Snyder LLP
126 East King Street
Lancaster, PA 17602

SUBMITTED BY: (ccurrent@barley.com)
Carol A. Current
Barley Snyder LLP
126 East King Street
Lancaster, PA 17602

*** PROPERTY DATA:**
Parcel ID #:

Municipality:
School District:

*** ASSOCIATED DOCUMENT(S):**

FEES / TAXES:

RECORDING FEE: MISC - NON MORTGAGE	$13.00
CRC #6544	$2.00
RIF #6543	$3.00
WRIT TAX	$0.50
EXTRA PAGE FEE	$4.00
Total:	$22.50

INSTRUMENT # : 6135591
RECORDED DATE: 03/25/2014 09:50:48 AM

I hereby CERTIFY that this document is recorded in the Recorder of Deeds Office in Lancaster County, Pennsylvania.

Bonnie L. Bowman

Bonnie L. Bowman
Recorder of Deeds

PLEASE DO NOT DETACH

THIS PAGE IS NOW PART OF THIS LEGAL DOCUMENT

NOTE: If document data differs from cover sheet, document data always controls.
***COVER PAGE DOES NOT INCLUDE ALL DATA, PLEASE SEE INDEX AND DOCUMENT AFTER RECORDING FOR ADDITIONAL INFORMATION**

Prepared By: **Barley Snyder LLP**
126 East King Street
Lancaster, PA 17602
717.299.5201
Return To: **Paul M. Browning, Esquire**
Barley Snyder LLP
126 East King Street
Lancaster, PA 17602
Parcel ID#: N/A

SECOND AMENDMENT TO DECLARATION OF
COVENANTS, CONDITIONS AND RESTRICTIONS FOR
WATSON RUN, A PLANNED COMMUNITY

THIS AMENDMENT is made this 21 day of March, 2014, by RED SCHOOL, LLC, a Pennsylvania limited liability company, with offices at 3335 Morgantown Road, Mohnton, Pennsylvania 19540 ("Declarant").

Background

By Declaration of Covenants, Conditions and Restrictions for Watson Run, A Planned Community dated April 24, 2007, and recorded in the Recorder's Office in and for Lancaster County, Pennsylvania, as Instrument No. 5615714, as amended ("Declaration"), the Declarant submitted certain real estate located in Leacock Township, Lancaster County, Pennsylvania, to the provisions of the Pennsylvania Uniform Planned Community Act, 68 Pa. C.S.A. § 5101, et seq., as amended ("Act"), for the purpose of creating and establishing Watson Run, A Planned Community ("Planned Community").

Pursuant to the provisions of Act of July 2, 2013 (P.L. 204, No. 37) ("Act 37"), the Declarant desires to amend the Declaration to extend the time period from seven to ten years (i) to assign or delegate any or all powers of the Association to a master association, (ii) to cause the Community to be merged or consolidated with one or more other planned communities or condominiums, (iii) to convert all or any portion of the Additional Real Estate hereafter added to the Community as Convertible Real Estate to Units, Limited Common Elements or any combination thereof, (iv) to withdraw all or any portion of the Additional Real Estate hereinafter added to the Community as Withdrawable Real Estate, and (v) to add Additional Real Estate to the Community.

Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Declaration.

NOW, THEREFORE, intending to be legally bound, the Declarant hereby amends the Declaration as follows:

1. Section 19.2.1 of the Declaration is hereby amended to read in its entirety as follows:

"19.2.1. Reservation. The Declarant hereby explicitly reserves the Special Declarant Right, under Section 5205(13) of the Act, to assign or delegate any or all of the powers of the Association to a master association under Section 5222 thereof, without the consent of any Unit Owner or holder of any Security Interest in any Unit. Unless previously terminated upon the filing of an amendment to this Declaration by the Declarant, this right shall continue until the latter of (i) the tenth (10th) anniversary of the recording of this Declaration, or (ii) in the case of a preliminary plat calling for the installation of improvements in sections, 120 days after municipal approval or denial of each particular sections' final plat which was filed prior to the deadline approved or modified by the municipal governing body pursuant to Section 5084(v) of the Act of July 31, 1968 (P.L. 805, No. 247), known as the Pennsylvania Municipalities Planning Code, or, in the event of an appeal from the municipal approval or denial of such final plat, 120 days after a final judgment on appeal. The Declarant expressly reserves the right to make such assignment(s) or delegation(s) at any time, at different times, in any order and without limitation. The Declarant shall also have the right to accept on behalf of the Association any assignment or delegation of powers from one or more planned community or condominium associations, provided such planned community or condominium is located within the boundaries of the Community. There are no other limitations on this right to delegate powers of the Association to a master association."

2. Section 19.3.1 of the Declaration is hereby amended to read in its entirety as follows:

"19.3.1. Reservation. The Declarant hereby explicitly reserves the Special Declarant Right, under Section 5205(14) of the Act, to cause the Community to be merged or consolidated with one or more other planned communities or condominiums under Section 5223 thereof, without the consent of any Unit Owner or holder or insurer of any Security Interest in any Unit. Unless previously terminated upon the filing of an amendment to this Declaration by the Declarant, this right shall continue until the latter of (i) the tenth (10th) anniversary of the recording of this Declaration, or (ii) in the case of a preliminary plat calling for the installation of improvements in sections, 120 days after municipal approval or denial of each particular sections' final plat which was filed prior to the deadline approved or modified by the municipal governing body pursuant to Section 5084(v) of the Act of July 31, 1968 (P.L. 805, No. 247),

known as the Pennsylvania Municipalities Planning Code, or, in the event of an appeal from the municipal approval or denial of such final plat, 120 days after a final judgment on appeal. The Declarant expressly reserves the right to make such merger(s) or such consolidation(s) at any time, at different times, in any order, without limitation; provided that the merged or consolidated communities shall not extend beyond the boundaries of Watson Run, including the Additional Real Estate as described in Exhibit D attached hereto. There are no other limitations on this right to merge or consolidate the Community with other planned communities or condominiums."

3. Section 21.1 of the Declaration is hereby amended to read in its entirety as follows:

"Section 21.1. Reservation. The Declarant hereby explicitly reserves an option to convert all or any portion of the Additional Real Estate hereafter added to the Community as Convertible Real Estate to Units, Limited Common Elements or any combination thereof from time to time in compliance with Section 5211 of the Act, without the consent of any Unit Owner or holder or insurer of any Security Interest in any Unit until the latter of (i) the tenth (10th) anniversary of the recording of this Declaration, or (ii) in the case of a preliminary plat calling for the installation of improvements in sections, 120 days after municipal approval or denial of each particular sections' final plat which was filed prior to the deadline approved or modified by the municipal governing body pursuant to Section 5084(v) of the Act of July 31, 1968 (P.L. 805, No. 247), known as the Pennsylvania Municipalities Planning Code, or, in the event of an appeal from the municipal approval or denial of such final plat, 120 days after a final judgment on appeal. The Declarant expressly reserves the right to make such assignment(s) or delegation(s) at any time, at different times, in any order and without limitation. This option to convert may be terminated prior to such anniversary only upon the filing of an amendment to this Declaration by the Declarant. The Declarant expressly reserves the right to convert any or all portions of such Convertible Real Estate at any time, at different times, in any order, without limitation and without any requirement that any other real estate be converted, added or withdrawn."

4. Section 22.1 of the Declaration is hereby amended to read in its entirety as follows:

"Section 22.1. Reservation to Withdraw. The Declarant hereby explicitly reserves an option to withdraw all or any portion of the Additional Real Estate hereafter added to the Community as Withdrawable Real Estate in compliance with Section 5212 of the Act, without the consent of any Unit Owner or holder or insurer of any Security Interest in any Unit until the latter of (i) the tenth (10th) anniversary of the recording of this Declaration, or (ii) in the case of a preliminary plat calling for the installation of improvements in sections, 120 days after municipal approval or denial of each particular sections' final plat which was

filed prior to the deadline approved or modified by the municipal governing body pursuant to Section 5084(v) of the Act of July 31, 1968 (P.L. 805, No. 247), known as the Pennsylvania Municipalities Planning Code, or, in the event of an appeal from the municipal approval or denial of such final plat, 120 days after a final judgment on appeal. The Declarant expressly reserves the right to make such assignment(s) or delegation(s) at any time, at different times, in any order and without limitation. This option to withdraw may be terminated prior to such anniversary only upon the filing of an amendment to this Declaration by the Declarant. The Declarant expressly reserves the right to withdraw any or all portions of the Withdrawable Real Estate at any time, at different times, in any order, without limitation and without any requirement that any other real estate be converted, added or withdrawn. There are no other limitations on this option to withdraw Withdrawable Real Estate. The Allocated Interest appurtenant to each Unit in the Community as of the date this Declaration or any amendments thereto are recorded will be unaffected by the withdrawal of all or any part of the Withdrawable Real Estate. In the event that the Declarant shall withdraw all or any portion of the Withdrawable Real Estate, the assurances, if any, contained in this Declaration shall not apply to the Withdrawable Real Estate withdrawn from the Community."

5. Section 23.1 of the Declaration is hereby amended to read in its entirety as follows:

"Section 23.1. Reservation. The Declarant hereby explicitly reserves an option to add Additional Real Estate to the Community in compliance with Section 5211 of the Act, without the consent of any Unit Owner or holder or insurer of any Security Interest in any Unit until the latter of (i) the tenth (10th) anniversary of the recording of this Declaration, or (ii) in the case of a preliminary plat calling for the installation of improvements in sections, 120 days after municipal approval or denial of each particular sections' final plat which was filed prior to the deadline approved or modified by the municipal governing body pursuant to Section 5084(v) of the Act of July 31, 1968 (P.L. 805, No. 247), known as the Pennsylvania Municipalities Planning Code, or, in the event of an appeal from the municipal approval or denial of such final plat, 120 days after a final judgment on appeal. The Declarant expressly reserves the right to make such assignment(s) or delegation(s) at any time, at different times, in any order and without limitation. This option to expand may be terminated prior to such anniversary only upon the filing by the Declarant of an amendment to this Declaration. The Declarant expressly reserves the right to add the Additional Real Estate at any time, at different times, in any order, without limitation and without any requirement that any other real estate be added, converted or withdrawn; provided, however, that the Additional Real Estate shall not exceed the area described as such on Exhibit D attached hereto. There are no other limitations on this option to add Additional Real Estate to the Community. Any Additional Real Estate added to the Community may be added as Convertible and

Withdrawable Real Estate subject to all of the provisions of Articles XXI and XXII, inter alia, of this Declaration."

6. Except as specifically amended hereby, all of the terms and provisions of the Declaration shall remain in full force and effect.

7. This Amendment is executed by the Declarant by virtue of the authority granted to it pursuant to Section 5219 of the Act, as amended by Act 37.

IN WITNESS WHEREOF, the Declarant has executed this Amendment on the above date.

RED SCHOOL, LLC, a Pennsylvania limited liability company

By: _____
J. LaVern Horning, Member

COMMONWEALTH OF PENNSYLVANIA)
) SS:
COUNTY OF Berks)

On this 21st day of March, 2014, before me, the undersigned officer, personally appeared J. LaVern Horning, who acknowledged himself to be a member of Red School, LLC, a Pennsylvania limited liability company, and in that capacity and being authorized to do so, executed the within instrument for the purposes therein contained.

IN WITNESS WHEREOF, I hereunto set my hand and official seal.

COMMONWEALTH OF PENNSYLVANIA
Notarial Seal
Linda V. Torres-Alvarado, Notary Public
Robeson Twp., Berks County
My Commission Expires Jan. 23, 2017
MEMBER, PENNSYLVANIA ASSOCIATION OF NOTARIES

Linda V. Torres-Alvarado
Notary Public

EXHIBIT A

CONVERTED REAL ESTATE

All that certain parcel or tract of land situate in Leacock Township, Lancaster County, Pennsylvania, in accordance with a plan prepared by R.G.S. Associates, titled "Watson Run Phase 2 Final Subdivision Plan", dated April 13, 2007, being more particularly bounded and described as follows:

Beginning at a point at the Southeast corner of Lot 183A of a plan prepared by R.G.S. Associates, titled "Watson Run Phase 2 Final Subdivision and Land Development Plan", dated July 22, 2005, said point being the Northeast corner of the herein described parcel; thence along Samuel I. & Maryann Esh, South 06 degrees 05 minutes 26 seconds East a distance of 240.00 feet to a point; thence along Red School LLC (future Phase 3), the following twenty-eight (28) courses and distances; (1) South 83 degrees 54 minutes 34 seconds West a distance of 156.00 feet to a point; (2) South 06 degrees 05 minutes 26 seconds East a distance of 44.27 feet to a point; (3) South 83 degrees 54 minutes 34 seconds West a distance of 50.00 feet to a point; (4) South 83 degrees 54 minutes 34 seconds West a distance of 74.23 feet to a point; (5) South 83 degrees 54 minutes 34 seconds West a distance of 58.00 feet to a point; (6) South 85 degrees 35 minutes 31 seconds West a distance of 71.39 feet to a point; (7) North 89 degrees 47 minutes 31 seconds West a distance of 72.72 feet to a point; (8) North 85 degrees 04 minutes 58 seconds West a distance of 72.72 feet to a point; (9) North 80 degrees 22 minutes 25 seconds West a distance of 72.72 feet to a point; (10) North 75 degrees 35 minutes 28 seconds West a distance of 74.99 feet to a point; (11) North 72 degrees 11 minutes 12 seconds West a distance of 58.00 feet to a point; (12) North 72 degrees 00 minutes 34 seconds West a distance of 69.00 feet to a point; (13) South 17 degrees 59 minutes 26 seconds West a distance of 33.89 feet to a point; (14) South 72 degrees 00 minutes 34 seconds East a distance of 69.00 feet to a point; (15) South 67 degrees 20 minutes 00 seconds East a distance of 116.38 feet to a point; (16) South 17 degrees 59 minutes 26 seconds West a distance of 110.16 feet to a point; (17) South 72 degrees 00 minutes 34 seconds East a distance of 52.00 feet to a point; (18) South 17 degrees 59 minutes 26 seconds West a distance of 50.00 feet to a point; (19)North 72 degrees 00 minutes 34 seconds West a distance of 50.00 feet to a point; (20) South 17 degrees 59 minutes 26 seconds West a distance of 110.00 feet to a point; (21) North 72 degrees 00 minutes 34 seconds West a distance of 187.00 feet to a point; (22) North 72 degrees 00 minutes 34 seconds west a distance of 50.00 feet to a point; (23) North 17 degrees 59 minutes 26 seconds East a distance of 0.71 feet to a point; (24) North 72 degrees 00 minutes 34 seconds West a distance of 244.00 feet to a point; (25) South 62 degrees 38 minutes 34 seconds West a distance of 93.54 feet to a point; (26) South 47 degrees 17 minutes 41 seconds West a distance of 61.08 feet to a point; (27) South 27 degrees 41 minutes 18 seconds West a distance of 61.52 feet to a point; (28) North 77 degrees 33 minutes 55 seconds West a distance of 205.70 feet to a point; thence along John K. & Rosalyn F. Dienner, North 12 degrees 26 minutes 05 seconds East a distance of 76.87 feet to a point; thence along John K. & Rosalyn F. Dienner, Paul J. & Carole Molaro, Gerald N. & Debra A. Reeser, Kenneth J. and Tracy Eshelman, and Alfred J. & Linda A. Pawloski, respectively, North 11 degrees 03 minutes 47 seconds East a distance of 752.90 feet to a point; thence along Alfred J. & Linda A. Pawloski

the following two (2) courses and distances; North 86 degrees 27 minutes 29 seconds East a distance of 24.44 feet to a point; (2) North 06 degrees 52 minutes 04 seconds West a distance of 153.86 feet to a point; thence along Lot 185 of the aforementioned plan, South 85 degrees 50 minutes 40 seconds East a distance of 341.31 feet to a point; thence along Lot 184A of the aforementioned plan, the following seven (7) courses and distances; (1) South 06 degrees 05 minutes 26 seconds East a distance of 64.12 feet to a point; (2) South 29 degrees 06 minutes 11 seconds East a distance of 100.66 feet to a point; (3) South 15 degrees 41 minute 36 seconds East a distance of 58.03 feet to a point; (4) South 00 degrees 41 minutes 37 seconds East a distance of 60.61 feet to a point; (5) South 29 degrees 13 minute 54 seconds East a distance of 46.54 feet to a point; (6) South 61 degrees 34 minutes 46 seconds East a distance of 48.13 feet to a point; (7) South 72 degrees 00 minute 34 seconds East a distance of 123.38 feet to a point on the Western right-of-way line of Springhouse Lane; thence along the arc of a circle curving to the right having a radius of 375.00 and an arc length of 20.19 feet with a chord bearing of South 08 degrees 19 minutes 00 seconds West and a chord length of 20.19 feet to a point; thence along the Southern terminus of Springhouse Lane, South 80 degrees 08 minutes 27 seconds East a distance of 50.00 feet to a point on the Eastern right-of-way line of Springhouse Lane; thence along Lot 179 of the aforementioned plan, the following eight (8) courses and distances; (1) South 80 degrees 08 minutes 27 seconds East a distance of 70.80 feet to a point; (2) South 72 degrees 10 minutes 49 seconds East a distance of 58.00 feet to a point; (3) South 75 degrees 49 minutes 39 seconds East a distance of 53.34 feet to a point; (4) South 80 degrees 46 minutes 27 seconds East a distance of 53.68 feet to a point; (5) South 85 degrees 44 minutes 12 seconds East a distance of 53.68 feet to a point; (6) North 89 degrees 18 minutes 03 seconds East a distance of 53.68 feet to a point; (7) North 79 degrees 01 minute 20 seconds East a distance of 113.03 feet to a point; (8) North 83 degrees 54 minutes 34 seconds East a distance of 61.57 feet to a point on the Western right-of-way line of Pleasant Road; thence along the Southern terminus of Pleasant Road, North 83 degrees 54 minutes 34 seconds East a distance of 50.00 feet to a point on the Eastern right-of-way line of Pleasant Road; thence along the Eastern right-of-way line of Pleasant Road, North 06 degrees 05 minutes 26 seconds West a distance of 8.84 feet to a point; thence along Lot 183A of the aforementioned plan, North 83 degrees 54 minutes 34 East a distance of 156.00 feet to a point, the point of beginning.

Containing in area (18.00 Acres)

EXHIBIT B

ALLOCATED INTERESTS APPURTENANT TO UNITS

Unit	Allocated Interest	Unit Designation
1	.8547	Residential
2	.8547	Residential
3	.8547	Residential
4	.8547	Residential
5	.8547	Residential
6	.8547	Residential
7	.8547	Residential
8	.8547	Residential
9	.8547	Residential
10	.8547	Residential
11	.8547	Residential
12	.8547	Residential
13	.8547	Residential
14	.8547	Residential
15	.8547	Residential
16	.8547	Residential
17	.8547	Residential
18	.8547	Residential
19	.8547	Residential
20	.8547	Residential
21	.8547	Residential
22	.8547	Residential
23	.8547	Residential
64	.8547	Residential
65	.8547	Residential
66	.8547	Residential
67	.8547	Residential
68	.8547	Residential
69	.8547	Residential
70	.8547	Residential
71	.8547	Residential
72	.8547	Residential
73	.8547	Residential
74	.8547	Residential
75	.8547	Residential
76	.8547	Residential
77	.8547	Residential

Unit	Allocated Interest	Unit Designation
78	.8547	Residential
79	.8547	Residential
80	.8547	Residential
81	.8547	Residential
82	.8547	Residential
83	.8547	Residential
84	.8547	Residential
85	.8547	Residential
86	.8547	Residential
87	.8547	Residential
88	.8547	Residential
89	.8547	Residential
90	.8547	Residential
91	.8547	Residential
92	.8547	Residential
93	.8547	Residential
94	.8547	Residential
95	.8547	Residential
96	.8547	Residential
97	.8547	Residential
98	.8547	Residential
99	.8547	Residential
100	.8547	Residential
101	.8547	Residential
102	.8547	Residential
103	.8547	Residential
104	.8547	Residential
105	.8547	Residential
106	.8547	Residential
107	.8547	Residential
108	.8547	Residential
109	.8547	Residential
110	.8547	Residential
111	.8547	Residential
112	.8547	Residential
113	.8547	Residential
114	.8547	Residential
115	.8547	Residential
116	.8547	Residential
117	.8547	Residential
118	.8547	Residential
119	.8547	Residential
120	.8547	Residential
121	.8547	Residential

Unit	Allocated Interest	Unit Designation
122	.8547	Residential
123	.8547	Residential
124	.8547	Residential
125	.8547	Residential
126	.8547	Residential
127	.8547	Residential
128	.8547	Residential
129	.8547	Residential
130	.8547	Residential
131	.8547	Residential
132	.8547	Residential
133	.8547	Residential
134	.8547	Residential
135	.8547	Residential
136	.8547	Residential
137	.8547	Residential
138	.8547	Residential
139	.8547	Residential
140	.8547	Residential
141	.8547	Residential
142	.8547	Residential
143	.8547	Residential
144	.8547	Residential
145	.8547	Residential
146	.8547	Residential
147	.8547	Residential
148	.8547	Residential
149	.8547	Residential
150	.8547	Residential
151	.8547	Residential
165	.8547	Residential
166	.8547	Residential
167	.8547	Residential
168	.8547	Residential
169	.8547	Residential
170	.8547	Residential

EXHIBIT B

BYLAWS

WATSON RUN COMMUNITY ASSOCIATION

ARTICLE I

ADOPTION; DEFINITIONS; APPLICATION

1.01 Adoption of Bylaws. These Bylaws are adopted pursuant to the Uniform Planned Community Act, 68 Pa. C.S. Section 5101, et seq., by the first members of the Executive Board of Watson Run Community Association, a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania, and by Red School, LLC, a Pennsylvania limited liability company, being the sole member of Watson Run Community Association.

1.02 Purpose. These Bylaws are adopted as the Bylaws of Watson Run Community Association and for the regulation and management of Watson Run, A Planned Community, which has been submitted to the Act by a Declaration of Covenants, Conditions and Restrictions for Watson Run, A Planned Community made by Red School, LLC and recorded in the Recorder's Office in and for Lancaster County, Pennsylvania. These Bylaws shall govern the administration and management of the Association and the Community.

1.03 Definitions. Capitalized terms not otherwise defined herein shall have the meanings specified or used in the Declaration identified in Section 1.02 above.

1.04 Application. All present and future Unit Owners, mortgagees, lessees and occupants of the Units and of the Common Elements and their respective agents and employees and any other person who is permitted to use the Community shall be subject to and bound by the Bylaws. The acquisition, lease, or occupancy of any Unit or acceptance of a mortgage thereon shall be deemed conclusively to mean that the Unit Owner, tenant, occupant, or mortgagee has accepted and ratified the Bylaws.

ARTICLE II

PRINCIPAL OFFICE

2.01 Principal Office. The initial principal office of the Association shall be 3335 Morgantown Road, Mohnton, Pennsylvania 19540. The Executive Board may from time to time relocate the principal office.

ARTICLE III

THE EXECUTIVE BOARD

3.01 Qualifications and Compensation. The Executive Board shall initially consist of five directors. Following the "Date of Termination of Declarant Control" (as defined in Section 3.02(a) hereof), the Executive Board shall consist of five directors, at least a majority of which shall be Unit Owners. Any natural individual who is at least twenty one years of age shall be qualified to serve as a director. If a Unit is owned by a partnership or corporation, a general partner, director or officer of the owner shall be deemed a Unit Owner for this purpose. Directors shall serve without compensation.

3.02 Term of Office; Election Meetings.

(a) The members of the initial Executive Board shall be as from time to time designated by Declarant. Except as set forth in Sections 3.02(b), (c) and (d) hereof, the members of the initial Executive Board, or their respective successors from time to time appointed by Declarant, shall serve from the date of the first conveyance of a Unit to a Unit Owner other than Declarant until the "Date of Termination of Declarant Control", which shall be the earlier to occur of: (i) 180 days after the date on which title to 75% of the Units has been conveyed by Declarant to persons other than Declarant, (ii) seven years after the date of the first conveyance of a Unit to a Unit Owner other than Declarant, or (iii) the date on which Declarant elects to relinquish control of the Executive Board.

(b) The President shall call a special meeting of the Association to be held not later than 60 days after title to 25% of the Units has been conveyed to persons other than Declarant, at which time the Unit Owners other than Declarant shall elect one Unit Owner as a member of the Executive Board who shall serve until the next annual meeting of the Association and until his successors is elected and who shall replace one member previously appointed by Declarant (such member to be replaced shall be selected by Declarant). If such elected member shall resign, be removed, die, become incapacitated or shall no longer be a Unit Owner, the vacancy on the Executive Board thus created shall be filled by a vote of Unit Owners which shall be held within 45 days after such vacancy occurs.

(c) The President shall call a special meeting of the Association to be held not later than 60 days after title to 50% of the Units has been conveyed to persons other than Declarant, at which time the Unit Owners other than Declarant shall elect a second Unit Owner as a member of the Executive Board who shall serve until the next annual meeting of the Association and until his successors is elected and who shall replace one member previously appointed by Declarant (such member to be replaced shall be selected by Declarant). If such elected member shall resign, be removed, die, become incapacitated or shall no longer be a Unit Owner, the vacancy on the Executive Board thus created shall be filled by a vote of Unit Owners which shall be held within 45 days after such vacancy occurs.

(d) The President shall call a special meeting of the Association to be held on or before the Date of Termination of Declarant Control, at which meeting the members of the

Executive Board appointed by Declarant and elected by the Unit Owners pursuant to Sections 3.02 (a) and (b) hereof shall resign effective as of the Date of Termination of Declarant Control and the Unit Owners (including Declarant, if applicable) shall elect five persons to serve on the Executive Board, who shall be elected as provided in Section 3.03 hereof, and shall serve for the terms of office provided in Section 3.02(d) hereof.

(e) At the first election after the Date of Termination of Declarant Control, three directors shall be elected to serve for two years, and two directors shall be elected to serve for one year. In all subsequent elections, the directors shall be elected for a term of two years and until their successors are elected.

3.03 Nominations; Election.

(a) Directors selected by Declarant shall be deemed elected upon delivery to the Association of written notice of the selection.

(b) The Executive Board shall annually appoint a nominating committee of three, at least one of whom shall be a director. The nominating committee shall nominate one or more individuals for each seat to be filled at each annual and special election. The nominating committee shall report the nominees to the President at least twenty days before the election, and such report shall be open to inspection by any Unit Owner. Additional candidates may be nominated only on written nomination signed by Owners of 20% of the Units and presented to the Secretary at least fifteen days before the election.

(c) At least ten days before any election, the Unit Owners shall be notified in writing of all nominees for directors and shall be furnished with ballots listing all candidates in alphabetical order. Unit Owners may cast their votes prior to the meeting by depositing their ballots with the Secretary to be opened by him at the meeting.

(d) Those nominees receiving the greatest number of votes shall be declared elected. In the case of a tie vote for the last seat to be filled, a new ballot shall be cast to determine which of the nominees receiving a tie vote shall be elected.

3.04 Vacancies. The Declarant shall appoint a director to fill any vacancy in any seat on the Executive Board previously occupied by a designee of Declarant. Except as provided in Section 3.02(b) hereof, the remaining Directors shall fill any other vacancy and the successor shall serve for the unexpired term of the Director replaced.

3.05 Removal. Directors (except those selected by the Declarant) may be removed by the affirmative vote of Unit Owners having two thirds of the votes cast at any annual or special meeting of the Association duly called for such purpose.

3.06 Meetings.

(a) Organization Meeting. The organization meeting of each newly elected Executive Board shall be held immediately upon adjournment of the meeting of the

Association at which the directors were elected, at the place of the meeting of the Association. No notice of such meeting need be given.

(b) Regular Meetings. The Executive Board shall meet regularly at least four times each calendar year at a fixed day, hour and place established by Executive Board from time to time. Once the time and place of regular meetings is so established, such meetings may thereafter be held without further notice.

(c) Special Meetings. Special meetings of the Executive Board may be called by the President or by two directors on at least 48 hours notice given in writing, in person, by telephone, or by announcement at the regular meeting of the Executive Board preceding the special meeting.

(d) Waiver. Notice of any meeting may be waived either before or after the meeting and attendance at a meeting shall constitute a waiver of notice.

(e) Quorum. A quorum is deemed present throughout any meeting of the Executive Board if a majority of the directors are present at the beginning of the meeting. If a quorum is not established at any meeting of the Executive Board, the directors present may adjourn the meeting from time to time. At any adjourned meeting at which a quorum is present any business that might have been transacted at the originally called meeting may be transacted without further notice.

(f) Action by Written Consent. The Executive Board may act by written consent of all directors in lieu of a meeting.

(g) Communication Equipment. One or more directors may participate in and be counted for quorum purposes at any meeting by means of conference telephone, or other communication equipment by means of which all persons Participating in the meeting can hear one another.

3.07 Unit Owners Attendance at Meetings. Except the meeting to adopt the budget of the Association, Unit Owners shall have no right to attend meetings of the Executive Board, but the Executive Board may, in its discretion, allow Unit Owners to attend. All Unit Owners shall have a right to attend and be heard, but not the right to vote, at the meeting of the Executive Board at which the budget of the Association is considered for adoption.

ARTICLE IV

OFFICERS

4.01 Designation. The officers of the Association shall include a President, Secretary and Treasurer, all of whom shall be directors. One person may concurrently hold office as Secretary and Treasurer. The Executive Board may from time to time establish and fix the duties of a Vice President, and one or more Assistant Secretaries and Assistant Treasurers, who need not be directors.

4.02 Appointment of Officers. At all times prior to the Date of Termination of Declarant Control, all officers shall be appointed and reappointed by Declarant. Thereafter, officers shall be appointed annually by the Executive Board and shall hold office until their successors are appointed and qualify, and the Executive Board shall fill any vacancy in any office.

4.03 Duties of the President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the Association and of the Executive Board. He shall have the powers and duties specified in the Act and in the Community Documents and those usually vested in the office of the President of a Pennsylvania corporation, including, but not limited to, the power to appoint committees from among the Unit Owners from time to time as he may deem appropriate to assist in the conduct of the affairs of the Association.

4.04 Duties of the Secretary. The Secretary shall attend all meetings of the Executive Board and of the Association and shall record all votes and the minutes of all meetings and proceedings. The Secretary shall have the powers and duties specified in the Act and the Community Documents and those usually vested in the office of the Secretary of a Pennsylvania corporation. The Secretary shall keep at the Association's office all records and other information required by the Community Documents, as well as copies of the Community Documents. Any or all of the duties of the Secretary may be delegated by the Executive Board to a manager or employee.

4.05 Duties of the Treasurer. The Treasurer shall be the chief financial officer of the Association and shall have the powers and duties specified by the Act and the Community Documents and those usually vested in the office of Treasurer of a Pennsylvania corporation. The Treasurer shall have custody of all funds of the Association and shall deposit all funds in such depositories as the Executive Board from time to time designates. The Treasurer shall disburse all funds as the Executive Board shall from time to time direct. The Treasurer shall keep or cause to be kept fully complete and accurate records and books of account specifying and itemizing all Common Expense, assessments, Common Expenses, assets, liabilities, receipts, disbursements, reserves and transactions of the Association. The Treasurer shall prepare and submit to the Executive Board and Association annual accountings and other reports as the Executive Board may from time to time require. Any or all of the duties of the Treasurer may be delegated by the Executive Board to a manager or employee.

4.06 Compensation. The officers of the Association shall serve without compensation unless such is approved by the Association. The officers of the Association shall be entitled to reimbursement for all expenses reasonably incurred in the discharge of their duties.

4.07 Resignation and Removal. Any officer of the Association may resign at any time by written notice to the Executive Board. Any officer may be removed from office by vote of a majority of the directors at any meeting of the Executive Board. Any director who resigns or is removed as a director shall also be deemed to have resigned or been removed, ipso facto, from any office he may have held.

4.08 Execution of Instruments. Agreements, contracts, deeds, mortgages, leases and other documents and instruments to which the Association is a party may be executed on its behalf by any two of the President, Secretary and Treasurer, or in any other manner approved by the Executive Board. Any two of the President, Secretary and Treasurer may prepare, execute, certify and Record amendments to the Declaration on behalf of the Association. Any certificates of unpaid assessments affecting a Unit or other certification required by the Act or Community Documents to be given by the Association to any Unit Owner or prospective Unit purchaser may be prepared, executed, certified or recorded by any one of the President, Secretary or Treasurer, or any officer, employee of the Association, or a manager, authorized by any general or special resolution of the Executive Board to do so.

ARTICLE V

UNIT OWNERS

5.01 Members of Association. Every person who is a Unit Owner shall, while having the status of a Unit Owner, be a member of the Association. Membership in the Association shall be inseparable from status as a Unit Owner. No person other than a Unit Owner shall be a member of the Association.

5.02 Meetings of Association. All references in the Community Documents to meetings of the Association (as opposed to meetings of the Executive Board) shall mean and refer to meetings of the Unit Owners as the members of the Association. Meetings of the Association shall be held at the place and time designated in the notice of the meeting.

5.03 Annual Meetings. The first annual meeting of the Association shall be held at the call of the Executive Board, but in any event within 60 days after the date on which title to 25% of the Units have been conveyed by the Declarant. Subsequent annual meetings shall be held at 7:30 p.m. on the first Monday of April of each year, or at such later date and time prior to June 1 of each year as the Executive Board may fix.

At the annual meeting the Unit Owners shall elect directors and may transact any other business as may be required or permitted by law to be the members of the Association. At each annual meeting the Treasurer shall report on the financial statements of the previous fiscal year and any changes in the financial affairs of the Community and the Association expected for the current fiscal year.

5.04 Special Meetings. Special meetings of the Association may be called at any reasonable time by the President and within 30 days after written request by any two directors or the Owners of Units having 25% or more of the votes in the Association. The Executive Board shall designate the date, time and location of all special meetings. Action taken at a special meeting shall be confined to the purposes stated in the notice thereof.

5.05 Notices. The Secretary shall give notice of all meetings of the Association to the Unit Owners not less than ten nor more than 60 days in advance of the meeting. Notices shall be given in the manner specified in these Bylaws and shall state the time and place of the

meeting and the items on the agenda, including the general nature of any proposed amendment to the Declaration or Bylaws. The record date for determination of Owners entitled to notice shall be fixed by the Executive Board, and if not otherwise specified shall be ten days before the actual mailing or delivery of notices begins.

5.06 Adjournment of Meetings. If at any meeting of the Association a quorum is not present, Unit Owners entitled to cast a majority of the votes represented at such meeting may adjourn the meeting to a time not less than 48 hours after the time for which the original meeting was called.

5.07 Quorum. A quorum is deemed present throughout a meeting of the Association if Owners together entitled to cast at least 25% of the votes in the Association are present in person or by proxy at the beginning of the meeting. If a meeting is adjourned pursuant to Section 5.06 above, the quorum at such second meeting shall be deemed present throughout any meeting of the Association if persons entitled to cast 15% of the votes in the Association are present in person or by proxy at the beginning of the meeting.

5.08 Voting Rights. The number of votes which each Unit Owner shall be entitled to cast in any of the affairs of the Association shall be as provided in the Declaration.

A Unit which has been acquired by the Association shall not be entitled to vote while it is so held.

The Unit Owner entitled to cast the votes pertaining to a Unit shall be the record titleholder thereof as identified in the list of Unit Owners maintained by the Secretary, which shall be closed for each meeting at the close of the last business day before the meeting.

If a Unit is owned by a corporation or partnership, the individual authorized to cast the votes of the Unit shall be designated by a certificate of appointment filed with the Secretary and signed by two officers of the corporation or all general partners, as the case may be. If the Unit is held by one or more fiduciaries, the individual authorized to cast the votes shall be designated by a certificate filed with the Secretary and signed by all fiduciaries.

In cases of co ownership of a Unit, and if only one co owner of such Unit is present at the meeting, such co owner is entitled to cast all of the votes allocated to that Unit. If more than one co owner is present, the votes allocated to that Unit must be cast only in accordance with their unanimous agreement. There is unanimous agreement if any one of the co owners cast the votes allocated to that Unit without protest being made promptly to the person presiding over the meeting by any other co owner of the Unit. If the votes allocated to that Unit are not cast, the Unit Owner of such Unit shall be deemed to be present at such meeting for the purpose of determining the presence of a quorum only, and not for the purpose of determining the result of the vote on such question. If any proposal being voted upon by the Association requires the unanimous consent of the Association, all votes deemed not cast hereunder shall be deemed to have been voted in favor of such proposal.

Any certificate of appointment filed with the Secretary shall be valid until revoked or superseded by subsequent certificate. A certificate of appointment may be revoked by any party originally executing the certificate.

The votes applicable to a Unit shall not be divided and cumulative and class voting shall not be permitted.

5.09 Proxies. Any Unit Owner may attend meetings by duly executed proxy filed with the Association at or before the meeting begins. If a Unit is owned by more than one person, each person may vote or register protest to the casting of votes through a duly executed proxy. A Unit Owner may not revoke a proxy except by actual notice of revocation to the person presiding over a meeting of the Association. A proxy is void if it is not dated or purports to be revocable without notice. A proxy terminates one year after its date unless it specifies a shorter term.

5.10 Action by Unit Owners. Unless a greater or lesser number of votes is specifically required by the Act or the Condominium Documents, an act of the Association is deemed approved by the Unit Owners on the affirmative vote of a majority of the votes of Unit Owners present at the meeting at which the vote is taken.

5.11 List of Unit Owners. The Secretary shall keep a complete list of the Unit Owners and their last known post office addresses, identifying the Units owned by each Owner, and the number of votes which the Owner is entitled to cast.

ARTICLE VI

POWERS, AUTHORITY AND DUTIES OF THE EXECUTIVE BOARD

6.01 General Powers, Authority, and Duties. The business and affairs of the Association and the Community shall be managed by the Executive Board. Subject to the limitations expressed in the Act and in the Community Documents, the Executive Board may act in all instances on behalf of the Association and may exercise on behalf of the Association all powers conferred upon an association by the Act and upon a corporation organized under the Nonprofit Corporation Law of Pennsylvania.

6.02 Budget. The Executive Board shall prepare and adopt an annual budget of Common Expenses for each calendar year, which may include working capital funds and reasonable reserves for depreciation, retirements and renewals. Each annual budget shall include a separate accounting for general Common Expenses of the Association (exclusive of Common Expenses attributable to the Community Water System) and a Community Water System budget with separate Assessments attributable to each. Each annual budget shall be adopted by the Executive Board at a meeting held not later than the last day of November preceding the budget year. Notice of the meeting for consideration and adoption of the budget shall be given to each Unit Owner in the same manner as notice of Association meetings. A copy of the tentative or proposed budget shall be given to each Unit Owner together with the notice of the meeting. The Unit Owners, at a meeting of the Association duly held within 30 days of approval of the annual

budget or any capital expenditure by the Executive Board, may reject such budget by vote of a majority of the votes in the Association. If the initial budget of the Association or any subsequent budget adopted by the Executive Board is rejected by the Unit Owners, the Executive Board shall adopt a new budget within 15 days after the rejection by the Unit Owners occurs.

6.03 Assessments. The Executive Board shall fix the Annual Assessment for each Unit, which assessments in the aggregate shall equal the Common Expenses estimated in the annual budget adopted by the Executive Board. The assessments shall be imposed upon and be payable by each Unit Owner to the Association in 12 equal monthly assessments payable on the first day of each month in advance. On or before January 1 of each year, the Association shall deliver or mail to each Unit Owner, a statement setting forth the monthly assessments of the Unit for the calendar year. The Association shall not be required to give any other notice of the subsequent accrual of monthly assessments and the failure of the Association to give any required notice shall not discharge any Unit Owner from the obligation to pay assessments. The failure of the Executive Board to comply strictly with the requirements of the Bylaws concerning adoption of the budget or fixing of assessments shall not release or relieve any Unit Owner from the obligation to pay the Unit Owner's proportionate share of Common Expenses or any assessment. In the event the Executive Board shall fail to fix the assessments for any year, the assessments as fixed for the preceding year shall continue in effect until a new assessment is fixed.

The Executive Board may adjust or increase the amount of monthly assessments, and may levy and collect in addition thereto Special Assessments in such amounts as the Executive Board may deem proper, whenever it determines it is necessary to do so. Assessments may likewise be reduced when circumstances permit.

The monthly assessments of each Unit shall include such Unit's share of Limited Common Expenses estimated in the annual budget. Charges by the Association to a Unit for its share of any other limited expenses, or for fees, charges, late charges, fines or interest due the Association and enforceable as assessments shall be billed to the Unit Owner monthly or at such other intervals as the Executive Board may determine and shall be due on the first day of the month succeeding the month in which the bill is rendered.

Any assessment not paid within ten days after the date due shall accrue a late charge in the amount of 5% of the overdue assessment and shall bear interest at the annual rate of 15% from the first day of such month.

It shall be the obligation of the Executive Board to take prompt action to collect assessments for Common Expenses, Limited Common Expenses and for any other sums owed by Unit Owners to the Association, together with late charges and accrued interest as aforesaid, which remain unpaid after 30 days from the date on which they became due and payable, or from the date incurred or advanced, as the case may be. Any such delinquent assessment, together with such accrued interest, may be recovered by suit instituted by the Executive Board acting on behalf of the Association in an action in assumpsit. Such suit when filed shall refer to the Act, to the Unit against which the assessment is made and to the delinquent Unit Owner, and shall be indexed by the prothonotary as a lis pendens against the appropriate Unit. Any judgment against

a Unit Owner shall be enforceable in the same manner as is otherwise provided by law. The delinquent Unit Owner shall be obligated to pay (i) all expenses of the Association, including reasonable attorneys' fees, incurred in the collection of the delinquent assessment by legal proceedings or otherwise, and (ii) all amounts paid by the Association for taxes or on account of superior liens or otherwise to protect its lien.

6.04 Rules and Regulations. Subject to Notice and Comment, the Executive Board may make, promulgate, amend, rescind and enforce compliance with such reasonable rules and regulations governing the operation, use and occupancy of the Units, the Common Elements and other portions of the Community as the Executive Board shall deem necessary or appropriate from time to time. All such rules and regulations shall be binding on the Unit Owners, and all tenants and occupants of Units. In addition to other matters, the rule making authority of the Executive Board shall include the authority to (i) adopt a "55 or Older Housing Policy" in order to comply with the HUD Regulations, and (ii) fix the terms and conditions on which pets may be kept and to restrict or prohibit the keeping of pets or animals. The Executive Board may levy reasonable fines for violations of the Community Documents or rules and regulations. A copy of all rules and regulations shall be delivered or mailed to each Unit Owner promptly upon the adoption thereof.

6.05 Purchase of Units. The Executive Board may authorize the purchase of a Unit by the Association from time to time on such terms as it determines to be appropriate, but any purchase must be Approved by the Unit Owners.

The Executive Board may sell or lease any Unit which the Association has purchased on such terms as the Executive Board deems appropriate, and no sale or lease need be approved by the Unit Owners.

In any instance in which the Association purchases any Unit or other real property, it may borrow any or all funds the Executive Board determines to be necessary to effect the purchase and may mortgage the property purchased as security for repayment of the debt, and such actions need not be approved by Unit Owners.

During the period when the Association is in title to a Unit:

(i) All taxes and municipal claims and all expenses of purchasing, holding, selling, owning and caring for the Unit shall be Common Expenses;

(ii) The votes appurtenant to the Unit shall be suspended and such Unit shall not be counted in determining a quorum for meeting purposes;

(iii) The Common Expenses otherwise assessable to the Unit shall be assessed among the other Units.

(iv) No notice otherwise required by the Community Documents need be sent to the Association in its capacity as Unit Owner.

6.06 Additions and Improvements.

(a) Subject to the provisions of the Community Documents, the Association may make such alterations, additions and improvements to the Common Elements as are determined by the Executive Board to be beneficial or necessary or which are requested in writing by a Unit Owner. The Executive Board shall obtain the consent in writing before undertaking such work of such Unit Owners and the holders of first mortgages thereon, whose rights the Executive Board determines may be affected adversely by such alterations, additions or improvements.

(b) When the Executive Board determines the alteration, addition or improvements is general in character, the costs therefor shall be assessed as Common Expenses.

(c) When the Executive Board determines the alteration, addition or improvement is exclusively or substantially exclusively for the benefit of one or more Unit Owners, the cost shall be assessed against such Unit Owner or Unit Owners in such proportion as the Executive Board shall determine is fair and equitable.

6.07 Employees; Manager. The Executive Board may hire and discharge employees to operate and manage the Condominium and may engage a managing agent to do so subject to the direction and control of the Executive Board. The duties and responsibilities of employees of the Association and of a manager shall be such as the Executive Board shall authorize and establish from time to time. Any contract for engagement of a manager shall be in writing, shall be terminable by the Association with or without cause on no more than 90 days notice, and shall have a term not exceeding one year (exclusive of annual or shorter renewal terms).

The Executive Board may delegate to any employee of the Association or the manager such authority and such of the powers of the Association as the Executive Board determines from time to time to be necessary or appropriate for the routine operation, management and administration of the Condominium and the Association, and to implement decisions, actions and policies of the Association approved by the Executive Board. However, the Executive Board shall not delegate to a manager or to any employee the powers to:

(i) Acquire, encumber or convey any right, title or interest to real property or to grant any easement, lease, license or concession through or over the Common Elements without the express prior approval of the Executive Board of such action;

(ii) Acquire or dispose of any interest in personal property having a cost or value in excess of $1,000.00 or incur any liability for any goods or services in any instance in excess of $1,000.00 unless the expenditure is within a budget adopted by the Executive Board or is expressly approved in advance by the Executive Board;

(iii) Borrow money on behalf of the Association;

(iv) Cause any additional improvements to be made as part of the Common Elements, or grant the consent of the Association to any alteration, addition, or improvement of any Unit or Limited Common Element or to any combination, subdivision or adjustment in the boundary lines of any Units, without the express prior consent of the Executive Board;

(v) Adopt and amend the Bylaws and rules and regulations of the Association, to elect the officers of the Association, or fix assessments;

(vi) Impose fees or charges for the use, rental or operation of the Common Elements or for any service rendered by the Association, or impose charges for the late payment of assessments, or levy fines for violation of the Community Documents or rules and regulations, except in accordance with general policies and procedures approved by the Executive Board; or

(vii) Initiate or intervene in litigation unless such action is approved by the Executive Board.

An officer of the Association may delegate to any employee or manager such powers within the scope of the authority of such officer as a purely ministerial or routine in nature provided that such delegation is not inconsistent with the limitations expressed above or with any other limitation fixed by the Executive Board.

6.08 Transactions with Members of the Executive Board. The Executive Board, on behalf of the Association, may enter into contract or other transactions with members of the Executive Board or with any entity in which a member of the Executive Board is an officer or director or has a financial interest (either directly or indirectly through any spouse, parent, child or sibling), and such contracts and transactions shall be valid and enforceable obligations of the Association; provided that (i) the fact that such member of the Executive Board is such an officer or director or has such a financial interest is disclosed to the Executive Board prior to the entering into of such contract or transaction, (ii) such fact is entered into the minutes of the meeting of the Executive Board at which such contract or transaction is approved, and (iii) such contract or transaction is approved in good faith by the requisite number of votes (counting such interested member of the Executive Board as present for purposes of determining a quorum but not for purposes of determining approval).

ARTICLE VII

FISCAL YEAR

7.01 Fiscal Year. The fiscal year of the Association shall be the calendar year.

ARTICLE VIII

AMENDMENTS TO BYLAWS

8.01 Proposal. Amendment to the Bylaws shall be proposed by either the Executive Board or by Unit Owners having at least 20% of all votes in the Association. The proposed amendment must be reduced to writing and shall be included in the notice of any meeting at which action is to be taken thereon.

8.02 Vote Required.

(a) Except as otherwise provided in the Declaration, the affirmative vote of Unit Owners having a majority of the votes shall be required to amend the Bylaws; provided, however, no such amendment shall be deemed approved prior to the Date of Termination of Declarant Control unless such amendment has been approved by the Declarant.

(b) Any amendment to the Bylaws shall be subject to the provisions of the Declaration.

8.03 Corrective Amendments. If any amendment is necessary in the judgment of the Executive Board to cure any ambiguity or to correct or supplement any provision of these Bylaws that is defective, missing or inconsistent with any other provision hereof, or with the Act or the Declaration, or if such amendment is necessary to conform to the requirements of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with respect to planned community projects, then at any time and from time to time the Executive Board may effect an appropriate corrective amendment without the approval of the Unit Owners or the holders of any liens on any Unit, upon receipt by the Executive Board of an opinion from independent legal counsel to the effect that the proposed amendment is permitted by the terms of this Article.

8.04 Effective Date. All amendments shall be evidenced by a written instrument, executed and acknowledged by the President or other authorized officer of the Association, which shall contain a certification that the amendment was approved in accordance with the provisions of this Article. Copies of such instrument shall be sent to each Unit Owner but the same shall not constitute a condition precedent to the effectiveness of such amendment.

ARTICLE IX

MISCELLANEOUS

9.01 Parliamentary Rules. Roberts Rules of Order (latest edition) shall govern the conduct of proceedings of the Unit Owners and the Executive Board.

9.02 Books and Records. All books and records of the Association pertaining to the affairs of the Association, Executive Board and the Community, including but not limited to the Declaration, Articles of Incorporation of the Association, Bylaws, rules and regulations, all

financial records, lists of Unit Owners and lists of first mortgagees of Units, shall be available for examination by any Unit Owner or any first mortgagee of a Unit, at the principal office of the Association during regular business hours. During any year in which the Community shall contain 50 or more Units, the Association shall cause to be prepared an audited financial statement for such fiscal year which shall be provided upon written request, to any Unit Owner or any first mortgagee of a Unit.

9.03 Notice. Any notice required or permitted to be given hereunder shall be given in writing. Notice shall be deemed given when hand delivered, placed in a Unit Owner's mailbox by hand, or when deposited in the United States mails, first class, postage prepaid. Notice shall be addressed as follows:

(i) to the Association, at the principal office of the Association.

(ii) to a Unit Owner, at the last known address of the Unit Owner as it appears on the books of the Association.

(iii) to first mortgagees of a Unit, at their addresses on the register to be maintained as provided in these Bylaws, or at such other addresses as they may from time to time designate by notice to Association.

9.04 Failure of Association to Insist Upon Strict Performance is No Waiver. The failure of the Association to insist in any instance upon the strict performance of any of the terms, covenants, conditions or restrictions of the Community Documents or to exercise any right or option therein contained, shall not be construed as a waiver or a relinquishment for the future of such term, covenant, condition, restriction, option or right. The receipt of any payment of assessments from any Unit Owner with knowledge of the breach of any covenant of the Community Documents shall not be deemed a waiver of such breach.

9.05 Captions. Captions are inserted solely as a matter of convenience and shall not be relied upon or used in construing the text of the Community Documents.

9.06 Gender, Singular, Plural. Whenever the context so permits, the use of the plural shall include the singular, the singular shall include the plural, and any gender shall be deemed to include all genders.

9.07 Severability. If any provision of these Bylaws or any section, sentence, clause, phrase or word, or the application thereof in any circumstances be judicially held in conflict with the laws of the Commonwealth of Pennsylvania, then the said laws shall be deemed controlling and the validity of the remainder of the Bylaws and the application of any such provision, section, sentence, clause, phrase, or word in other circumstances shall not be affected thereby.

9.08 Effective Date. These Bylaws shall become effective on the date of adoption.

AGREEMENT FOR THE SALE OF REAL ESTATE

THIS AGREEMENT OF SALE made this _____ day of _____, _____.

1. PARTIES: The "Seller" is **Berks Construction Co., Inc., d/b/a Berks Homes,** a Pennsylvania corporation located at 3335 Morgantown Road, Mohnton, PA 19540-7931.
   The "Buyer(s)" is/are: _____
   with a current address of: _____

Work Phone for :	Work Phone for: :
Fax # for :	Home Phone:
E-Mail:	Best number to reach :

2. PROPERTY: Seller is selling to Buyer, and Buyer is purchasing from Seller, the piece of ground together with the Dwelling to be erected thereon and all permanent fixtures installed therein, known as Homesite #_____, as shown on the final plan of the subdivision known as _____, recorded in the Office of the Recorder of Deeds of _____ County, PA, and otherwise known as _____ ("Property"), but subject to the terms and conditions of this Agreement of Sale. The dwelling to be erected shall be a Model _____, Elevation _____ , constructed in accordance with the plans and specifications on file at the Seller's office ("Dwelling").

3. TERMS:

A. Purchase Price: _____ dollars, which shall be paid by Buyer and divided as follows:		
B. Base Price	**$**	**0.00**
C. Homesite Premium	**$**	**0.00**
D. Total Options & Credits	**$**	**0.00**
Total Purchase Price	**$**	**0.00**
Buyer shall pay Seller the foregoing total amount as follows:		
E. Deposit at signing of this Agreement of Sale to **BERKS HOMES**	**$**	**0.00**
F. **NON-REFUNDABLE OPTION MONIES TO BERKS HOMES:** The amount for Non-Refundable Options is equal to **fifty percent of total options selected. This amount is non-refundable except as specifically provided for in this Agreement of Sale. This payment is due on or before** _____.	**$**	**0.00**
G. Cash or cashier's check at time of settlement	**$**	**0.00**

   H. Transfer taxes will be equally shared by Seller and Buyer.
   I. Property taxes and other municipal charges shall be apportioned and adjusted between Buyer and Seller as of the date and time of settlement, with Seller responsible for such charges up to and including the date of settlement and Buyer responsible for all charges applicable thereafter. Buyer is solely responsible for any additional assessments due to increased valuation resulting from construction of the dwelling and ancillary improvements.
   J. All payments paid by Buyer within thirty (30) days of settlement shall be paid by cash or cashier's check.

4. SETTLEMENT DATE: Settlement, subject to the terms and conditions of this Agreement of Sale, is estimated to be made:
   A. On or before _____ days from the date the (1) Selections Gallery selections are memorialized by Buyer (2) 50% of the total options payment is received (Structural and Selection Gallery Options) (3) if elected, the Mortgage Financing Contingency is satisfied and removed (4) if mortgage financing contingency is elected, Seller receives a copy of satisfactory appraisal, whichever is latest. Seller reserves the right, but not obligation to proceed prior to any or all of the obligations explained in this paragraph being met, OR
   B. _____ in the case of a quick delivery.

   Seller shall determine the exact settlement date, time and location and give Buyer at least ten (10) days written notice of the same. Seller may delay the settlement date set forth in 4A or 4B above for any reason if the Dwelling is not ready for settlement (including but not limited to circumstances involving weather, strikes, lockout, labor shortages, governmental permitting issues). In such case of delay, the time period for settlement may be extended for up to an additional ninety (90) days. In the event that settlement is delayed beyond this additional ninety (90) day period, then the parties shall refer to paragraph Nineteen (19) below.

   C. In the event settlement is delayed due to Buyer's actions or failures to timely perform, without limiting or waiving any of Seller's remedies set forth in this Agreement of Sale, the parties agree that Seller shall have the right, but not the obligation, to extend the settlement date. In such event, Buyer hereby agrees that Buyer shall pay to Seller, as liquidated damages and not as a penalty, an extension fee equal to eighty-five dollars ($85) per day until settlement is consummated by the parties or until this Agreement of Sale is terminated by Seller without prejudice to any other rights or remedies of Seller under the Agreement of Sale. Buyer's payment of said extension fee shall be made at time of settlement or upon

written demand by Seller. Buyer shall also be solely liable to the mortgage lender, title company or any other third party for damages resulting from Buyer's breach and any subsequent termination of this Agreement of Sale.

5. MORTGAGE FINANCING CONTINGENCY:

☐ This Agreement of Sale is NOT contingent upon any mortgage financing.

☐ Buyer has requested that this Agreement of Sale be contingent upon a mortgage financing commitment being received by Buyer as set forth herein. Buyer shall use best efforts to apply for and receive the following mortgage financing commitment(s) from a reputable lender or lenders in the amount(s) and pursuant to the terms as set forth below:

A. First Mortgage on the Property:
   (1) Loan Amount: $_____
   (2) Minimum Term of _____ years
   (3) Type of Mortgage: _____
   (4) Mortgage Lender: ☐Berks Mortgage Services, LLC OR Other:_____
   (5) Interest Rate of _____%; provided, however, Buyer agrees to accept the interest rate as may be committed to by the mortgage lender, not to exceed the maximum interest rate of _____%, with discount points, loan origination, loan placement and other fees charged by a mortgage lender as a percentage of the mortgage loan (excluding any mortgage insurance premiums or VA funding fee) not to exceed _____% (0% if not specified) of the mortgage loan.

B. Second Mortgage on the Property OR ☐ Not Applicable:
   (1) Loan Amount: $_____
   (2) Minimum Term of _____ years
   (3) Type of Mortgage: _____
   (4) Mortgage Lender: ☐Berks Mortgage Services, LLC or Other:_____
   (5) Interest Rate of _____%; provided, however, Buyer agrees to accept the interest rate as may be committed to by the mortgage lender, not to exceed the maximum interest rate of _____%, with discount points, loan origination, loan placement and other fees charged by a mortgage lender as a percentage of the mortgage loan (excluding any mortgage insurance premiums or VA funding fee) not to exceed _____% (0% if not specified) of the mortgage loan.

C. If this Agreement of Sale is contingent upon Buyer receiving mortgage financing, Buyer must submit a fully completed, written application to a reputable lender to obtain financing in accordance with the foregoing terms within 5 (five) days of Seller's execution of this Agreement of Sale.

D. Mortgage Commitment Date: The Buyer shall deliver a mortgage commitment no later than _____.

E. Upon receipt of a mortgage commitment on or before the Commitment Date set forth above that meets the financial terms set forth above in this paragraph 5, this contingency is deemed satisfied and removed from the Agreement of Sale. The Buyer shall provide Seller with a signed copy of the commitment within five days of its receipt. The financial terms of this paragraph 5 are met if the lender offers at the time of the commitment being received by Buyer a loan(s) with an interest rate and fees at or below the maximum referenced above. Buyer must make whatever arrangement Buyer wishes in order to guarantee the interest rate through the date of actual settlement and Buyer bears all risk that rates may increase. Buyer must sign and return the commitment to the lender with a copy to the Seller no later than the Commitment Date. In the event that Buyer's mortgage commitment contains any condition(s), contingency(s) or other obligation(s), including but not limited to the sale of Buyer's house, Buyer agrees that Buyer is expressly responsible for meeting said condition(s), contingency(s) or obligation(s). Nonetheless, in the event that Buyer's mortgage commitment contains any condition(s), contingency(s) and/or other requirements involving the sale of Buyer's house or other real estate, Buyer agrees that:
   i. Buyer is expressly responsible for meeting said condition(s), contingency(s) or obligation(s); and,
   ii. Seller may (despite Buyer signing and returning the commitment) within ten days of receipt of said signed commitment from Buyer, reject the signed commitment if it contains conditions, contingencies and/or other requirements (including but not limited to the sale of Buyer's house or other real estate) that Seller finds unacceptable in Seller's sole and absolute discretion. In the event Seller rejects the commitment, the Buyer and Seller shall proceed pursuant to paragraph 5(G)(i) as though the Mortgage Financing Contingency was not satisfied.

F. THIS MORTGAGE FINANCING CONTINGENCY IS DEEMED SATISFIED AND REMOVED FROM THE AGREEMENT OF SALE IF, ON OR BEFORE THE DATE BUYER'S COMMITMENT IS DUE, BUYER RECEIVES A WRITTEN COMMITMENT FOR A LOAN ON THE TERMS SET FORTH HEREIN. ONCE THE FINANCING CONTINGENCY IS DEEMED SATISFIED, THE BUYER IS IN

DEFAULT IF BUYER'S FINANCING IS LOST OR BUYER FAILS TO COMPLETE SETTLEMENT BASED ON LACK OF FINANCING.

G. (i) If, despite Buyer's best efforts, Buyer does not obtain a mortgage financing commitment in accordance with the terms set forth above, Buyer must notify Seller on or before the date for Mortgage Financing Commitment that the Mortgage Financing Contingency is not satisfied. In the event that the Buyer timely notifies the Seller that Buyer is unable to obtain an acceptable commitment, then in absence of notice from Seller pursuant to subparagraph 5(G)(ii), the Seller shall refund to Buyer all deposits made, at which time the Agreement of Sale shall be considered void, other than any indemnity obligations owed by Buyer to Seller under paragraph 12 of the Agreement of Sale.

(ii) Alternatively, the Seller may notify Buyer in writing within ten days of Buyer's notice that Buyer could not obtain an acceptable mortgage commitment, that Seller will attempt to obtain a commitment on behalf of Buyer from a reputable lender (or offer such loan itself) that would meet the terms of this Agreement of Sale. Buyer hereby gives Seller the right, at Seller's sole and absolute discretion and option, and as permitted by law and the mortgage lender(s), to contribute financially, without promise of reimbursement, to the Buyer and/or the mortgage lender(s) to make the above mortgage term(s) available to Buyer. If Seller does not notify Buyer within thirty days of Seller's initial notice to Buyer under this sub-paragraph (ii) that Seller has obtained such a commitment, the Seller shall refund to Buyer all deposits made, at which time the Agreement of Sale shall be considered void, other than any indemnity obligations owed by Buyer to Seller under paragraph 12 of the Agreement of Sale. If Seller does obtain such a commitment for Buyer, then pursuant to paragraphs 5(E) and (F), this mortgage financing clause is considered satisfied and the Buyer shall sign the commitment and return it to the Lender.

H. In the event that settlement occurs later than the Estimated Settlement Date, and Seller is not in default of the Agreement of Sale, Buyer shall be solely responsible to obtain an extension of the mortgage lender's commitment expiration date and any interest rate required by this Agreement of Sale and any costs associated with any of the foregoing. Buyer shall not be excused from completing the purchase of the Property or from fulfilling any other obligation to Seller, in accordance with this Agreement of Sale, as a result of (1) the failure of any condition, contingency or obligation to be fulfilled or performed by Buyer or by any third party, including but not limited with respect to any mortgage lender, (2) the expiration of Buyer's mortgage financing commitment prior to settlement, or (3) any change in interest rates or other market conditions prior to the settlement date.

I. THE FAILURE OF BUYER TO (i) PROVIDE TO THE SELLER AN ACCEPTABLE WRITTEN COMMITMENT OR (ii) NOTIFY THE SELLER THAT IT COULD NOT OBTAIN AN ACCEPTABLE COMMITMENT OR (iii) TIMELY PERFORM OR OTHERWISE FAIL TO PERFORM OR MEET THE REQUIREMENTS OR OBLIGATIONS UNDER THIS MORTGAGE FINANCING CONTINGENCY SHALL CONSTITUTE A DEFAULT BY BUYER UNDER THIS AGREEMENT OF SALE AND THE SELLER SHALL HAVE THE REMEDIES SET FORTH IN PARAGRAPH 18 OF THIS AGREEMENT OF SALE. NO NOTICE TO CURE IS REQUIRED BY SELLER FOR ANY DEFAULT BY BUYER UNDER PARAGRAPH 5 OF THIS AGREEMENT OF SALE.

J. Under no circumstances is Seller obligated to escrow any funds at settlement. In the event that Buyer's lender requires the escrow of any funds, Buyer shall be solely responsible to provide such funds.

6. PRE-CONSTRUCTION APPRAISAL: For the benefit of all parties, Seller reserves the right to require a pre-construction appraisal be completed, which supports final sales price, prior to start of construction. Buyer agrees to provide the seller with a copy of the pre-construction appraisal or any subsequent appraisal. Buyer further agrees to give their lender permission to release a copy of the appraisal to Berks Homes at time of completion. Seller has the right to delay construction of home if pre-construction appraisal is not completed and provided to seller prior to permit approval or does not support final sales price of home

7. RISK OF LOSS: Seller shall bear risk of loss to the Property and the Dwelling from fire or other casualties not caused by Buyer until settlement. In the event fire or other casualty not caused by Buyer damages the house, the time periods for Seller to deliver the house for settlement under paragraph 4 above may be extended for up to an additional one hundred twenty (120) days. In the event Seller has not delivered the Property and Dwelling complete within this additional one hundred twenty (120) day time period, Buyer may at Buyer's election, terminate the Agreement of Sale with a full refund of all deposit and options monies paid and there shall be no further liability between the parties. Alternatively, Buyer may remain under Agreement of Sale and proceed under paragraph Nineteen (19) below if Seller has not delivered the Property and Dwelling complete within two years of the date the Buyer signed the Agreement of Sale. Buyer may insure Buyer's equitable interest in the Property or Dwelling pending settlement.

8. SITE PLANNING:
   A. Seller may, in its sole and absolute discretion, or as may be required by approved plans or applicable laws, make any decisions pertaining to the depth of excavations, rough grading, finish grading and placement and orientation of the Dwelling on the Property, as well as the final placement of utility meters, circuit breakers, conduits, transformers or other devices for delivery of utility services, and basement doors. At Seller's sole discretion, Seller may, as a courtesy only to Buyer, meet with Buyer to review the foregoing before Seller finalizes decisions regarding the same.
   B. At the completion of construction, Seller shall machine rake any ground areas that have been disturbed during construction of the home one time only. Seller shall have no responsibility for soil erosion or washing resulting from any weather conditions after settlement. Buyer shall be solely responsible for any retaining walls desired by Buyer or ground cover, other than a one-time grass seeding by Seller. Buyer shall be solely responsible for watering, fertilizing, re-seeding where necessary, and maintenance of the foundation grade.
   C. Seller will install property pins one time only, after a majority of the homesites in a phase have been permanently graded and seeded, but in no event more than 1 (one) year following settlement.
   D. On wooded lots, Seller will attempt to preserve as many trees as practical and disturb the wooded area as little as possible. At the Seller's sole discretion, any or all trees within up to thirty (30) feet of the Dwelling and/or driveway area may be removed. Additionally, any tress that would, in Seller's sole judgment, interfere with the features provided for on the approved subdivision and/or grading plan for the lot may also be removed, even if said tree(s) are further than thirty (30) feet from the Dwelling and/or driveway area. Logs, at Buyer's request and with Seller's approval, will be either cut into approximately 10' to 12' lengths and piled on the Property, or removed by Seller. Seller makes no guarantee for continued healthy growth of trees left in place.

9. SUBSTANTIAL COMPLETION: The Property and the Dwelling will be substantially completed on or before the settlement date. The Dwelling shall be deemed "substantially complete" when (a) it is materially in accordance with the plans and specifications, (b) connection to all utilities including sewer, water, electricity, telephone and natural gas (if applicable) have been made, and (c) a Certificate of Occupancy (temporary or final) has been issued by the township (if one is required) to Seller. By way of example and not limitation, completion of final grading, construction of sidewalks, planting of grass, any landscaping or paving of the driveway shall not be necessary to deem the Dwelling or the Property substantially complete. If any such matters remain unfinished at the time of settlement, Seller shall complete them within 60 (sixty) days after settlement, unless delayed due to weather or other forces beyond Seller's reasonable control or delayed for reasons related to time of season (for instance Buyer is notified that driveways are dependent on the macadam supplier being open).

10. SELECTIONS, OPTIONS AND CHANGES:
   A. Time Period for making Selections and Options: **Buyer shall select any additional structural options at the time the Agreement of Sale is signed, but in no event later than three (3) business days of Buyer's signing of this Agreement.** Otherwise, Buyer shall memorialize all selections and options at "The Selection Gallery by Berks Homes" for construction of the dwelling, including but not limited to all color selections, kitchen cabinets, floor coverings, counter tops, vanities and appliances (the "Selection Gallery") by _____ and during regular Selection Gallery hours. Within this time, the Seller and the Buyer shall memorialize all Buyer's Selection Gallery selections and, thereafter, no further modification or changes to the Selection Gallery selections shall be made by Buyer or shall be approved by Seller. In the event of Buyer's failure to timely make all selections, Buyer will be in default of this Agreement of Sale.
   B. Availability of Selections, Options and Changes: Seller shall construct those selections and options as are set forth on (i) Exhibit A of this Agreement of Sale, (ii) the Selection Gallery selections, and (iii) any written change orders signed by both parties.
   Seller shall have no obligation to consent to any requests for any selections or options not made within the time periods set forth in paragraph 10(A) of the Agreement of Sale. Any change requested by Buyer after the expiration of these time periods must be agreed to by Seller in Seller's sole discretion and shall be considered an "option." If Seller thereafter fails to install that option, Buyer will be given a credit for the cost of the option and the Seller shall be responsible to install whatever the Agreement of Sale required prior to the change.
   In the event Seller shall at any time determine that the selections or options made by Buyer are incompatible with Seller's plans and specifications for the model home selected by Buyer, Seller shall notify Buyer of any increased costs associated with adjusting such plans and specifications to accommodate Buyer's selections or options. In the event such modification shall result in increased costs, Buyer shall have the option of: (a) paying Seller such increased costs for such modification upon demand, or (b) eliminating the selection or option which gave rise to the increased cost. Buyer's failure to pay the additional amount to Seller within five days of demand, as provided herein, shall be deemed a waiver of such request and shall result in the automatic deletion of said item.

C. **Payment of Options: Buyer shall pay, no later than the time period set forth in Paragraph 3F, fifty percent (50%) of the cost charged by Seller for the total of all options including Selection Gallery options. Once this payment is made, it is non-refundable.**

D. Variations: Exact colors as displayed in any model, brochure or other description are not guaranteed. Seller reserves the right to approve all exterior colors.

11. INSULATION: Seller will install insulation in accordance with the standard feature specification sheet, receipt of which is acknowledged by Buyer.

12. SUBSTITUTIONS: Seller may substitute materials of like quality or structural strength at its sole option. Where the substitution involves an option specifically selected by Buyer, Seller shall notify Buyer prior to making the substitution and discuss possible alternatives. Nonetheless, Seller retains final authority to make the substitution if the specific option selected by Buyer is not readily available.

13. INSPECTIONS:

A. Buyer has the right to inspect the Property at three stages of construction. The Buyer may, at Buyer's sole expense, also arrange to have a professional home inspector accompany Buyer. Any professional home inspection of the Property shall be pursuant to the Pennsylvania Home Inspection Law (68 P.S.7501) and shall be performed by a full member in good standing of a national home inspection association, or by a person supervised by a full member of a national home inspection association, in accordance with the ethical standards and code of conduct or practice of that association and who is insured as required under said Home Inspection Law. If Buyer elects to have a home inspection pursuant to the Pennsylvania Home Inspection Law, the home inspector shall accompany Buyer on the three inspections set forth below. If the professional inspector notes any item(s) that Buyer wishes Seller to review or take action, Buyer must within five days of the inspection provide Seller with a complete copy of the inspection report for Seller's review and a written request of the items that Buyer wishes Seller to review or take action. Seller agrees to review the report and Seller, in Seller's sole discretion, will decide what corrective action, if any, is required. The three stages of inspections that Buyer (and if Buyer elects, Buyer's professional home inspector) may inspect are as follows:

(1) Prior to drywall installation. This inspection will permit the Buyer to inspect electrical outlet locations, insulation and review previously selected structural options with the superintendent. Buyer will be given a minimum of five (5) days notice prior to the day the property may be inspected. If Buyer fails to perform/attend inspection(s), this inspection right shall be deemed to be waived by Buyer.

(2) After finish mechanicals. This inspection allows Buyer to verify all finish items installed which are described on the selection sheet, review final grading, driveway and service walk layouts, along with any outstanding construction issues with the superintendent. Buyer will be given a minimum of five (5) days notice prior to the day the property may be inspected. If Buyer fails to perform/attend inspection(s), this inspection right shall be deemed to be waived by Buyer.

(3) Orientation and pre-settlement inspection. Upon substantial completion, Seller shall notify Buyer and Buyer may make a pre-settlement inspection of the Property and Dwelling at a mutually convenient time within ten (10) days of Seller's notice. Appointments are available Monday through Friday, 8:00am to 2:00pm. Warranty information, operation and maintenance of all systems shall be reviewed at such pre-settlement inspection. Any items needing correction, unfinished or back-ordered items shall be noted by the parties. At this final inspection, Buyer understands that Buyer must inspect for the following, and Seller shall not be responsible for any of the following, unless agreed to in writing at the time of inspection:

(a) Blemishes in the appearance of interior or exterior finished surfaces
(b) Chipping of tile, counter tops, vanities, or fiberglass units
(c) Broken glass or torn screens
(d) Flaws in trim
(e) Blemished appliance finishes
(f) Missing items
(g) Stains or damage to flooring

Moreover, even if noted, Seller is not responsible for correction of the foregoing where the alleged item falls within the tolerances provided for by the applicable manufacturer or by the National Association of Home Builder Guidelines or where Seller can bring the item into tolerance with either of the foregoing.

B. Any visitation to the Property by Buyer during the term of this Agreement of Sale that is authorized under this Agreement of Sale is nonetheless at Buyer's own risk, it being understood that an ongoing construction site is a dangerous place. In addition to Buyer's visitation for the three inspections set forth in paragraph 13(A), as a courtesy to Buyer and not as an obligation, Seller shall attempt to provide Buyer access to the Property for up to three other visits. Any such visits shall be at Seller's discretion and Buyer shall provide Seller at least twenty four

hours (and in no event less than one business day) notice prior to the requested visit time period. Any visit shall be limited to a time period of twenty minutes on site. Seller does not guarantee that any specific visit request shall be permitted. A log book shall be kept by Seller and Buyer and Seller shall sign the log book to signify Seller's written consent for any such additional visit and Seller shall accompany Buyer on said visit.

C. Buyer (and anyone on Buyer's behalf) shall also not communicate with or otherwise disturb Seller's workers or contractors. Buyer shall direct all questions concerning the construction work to Seller or Seller's authorized agent.

D. Buyer understands that during construction, and prior to settlement, the Lot and Dwelling buyer is purchasing is a worksite, and that dangerous conditions may or do exist on the site that could subject the Buyer or anyone Buyer brings with Buyer or allows to enter the site to suffer injury or death. Buyer agrees that Buyer shall not attempt (and shall not cause or allow anyone else with or on Buyer's behalf) to enter the Property during construction unless accompanied by a representative of Seller and with Seller's express prior written consent, so that Seller can prepare the premises for Buyer's (and anyone with or on behalf of Buyer) inspection or entry. Buyer hereby indemnifies and holds harmless Seller, employees, agents, shareholders, directors, officers, and members, and their respective heirs, personal representatives, successors and assigns, and all other brokers and their respective licensees, from and against any and all claims, losses, damages or liens which arise as a result of the Buyer's violation of this paragraph, including but not limited to any and all claims for death or injury to persons or damage to property arising out of or as a result of any such activities. This indemnity shall apply to any violation of this paragraph, even where Seller or Seller's agents have been negligent in maintaining the work site or Lot, it being understood that Buyer's unauthorized entry prevents or impedes Seller's ability to inspect the site for safety prior to Buyer's entry and correct any hazardous condition. Buyer's foregoing indemnity shall survive the date of Closing, or any termination of this Agreement of Sale.

14. FINAL CLEANING: Seller will clean all interior surfaces, exclusive of light fixtures. Seller shall not clean the exterior of the Dwelling. Once the Dwelling has received its final cleaning, the Buyer may not have access to the Dwelling until the Orientation and Pre-Settlement Inspection.

15. TITLE AND COSTS: Seller either has legal title to the Property under Agreement of Sale or Seller represents Seller has the contractual rights with the actual legal title holder to sell the Property.
    A. At settlement, Seller (or if Seller is not in legal title at that time, then the legal title holder) shall convey title, subject as set forth herein, by simple deed of special warranty, tender possession of the Property and Dwelling, and provide any keys that have been made.
    B. At settlement, Buyer shall pay Seller the remaining balance of the purchase price and all other monies owing to Seller pursuant to this Agreement of Sale.
    C. Seller will convey the property free and clear of all monetary liens and encumbrances, EXCEPTING HOWEVER, the following: existing building restrictions; Declaration for any Homeowner's Association, if any; any title matter set forth in the Public Offering Statement, if applicable; ordinances; protective covenants or like items recorded or to be recorded as set forth in the Homeowner Association documentation provided to Buyer; items set forth in the Recorded Plan for the Community or Property; easements of roads; privileges or rights of public service entities or utility companies, if any; easements, rights of way or other matters which are visible upon the ground or shown on any plan reviewed by Buyer; the right reserved to the Seller to dedicate any portion of the Property lying within the proposed right-of-way lines of any streets or other public facilities. Otherwise, title to the Property shall be good and marketable, or such as will be insured as marketable, by a reputable title insurance company at standard rates.
    D. Buyer, promptly upon Seller's request and without any additional consideration, shall join in any instrument or deed necessary or appropriate to effectuate any street dedication. This duty shall survive settlement.
    E. Buyer and or Buyer's title company shall be solely responsible for any and all charges related to settlement of this transaction that are not by law or as specified hereunder Seller's responsibility. These include, but are not limited to, the cost of any (1) premiums for mechanic's lien insurance or title insurance, (2) title search or cancellation fees, fire, hazard or flood insurance premiums or insurance binder or cancellation charges, (3) appraisal fees, (4) termite inspections or certifications, sewer certifications, water certifications, tax certifications and re-inspection fees, if any, (5) Domestic Relations Certificate and Insured Closing Letter, (6) county/school tax releases, (7) certificate of substantial completion(s), (8) recording fees for Buyer's Deed and mortgage, (10) courier or delivery charges, (11) deed preparation. Seller shall pay the cost of recording the release(s) for any mortgage Seller may have on the Property. Buyer acknowledges and agrees that Seller will obtain a payoff (and make the required payment) for settlement of the Property from any such mortgage lender for any mortgage Seller has on the Property. Buyer agrees that the said release(s) may not be filed of record until after settlement occurs when the mortgage(s) are satisfied for the entire development. Buyer will notify Seller in writing if Buyer needs the mortgage(s) released of record prior to this time and Seller agrees to file a release within thirty days thereafter.

F. Seller shall provide, at no additional charge, a standard survey of the Property if required by Buyer's title insurer for the preparation of an adequate legal description of the Property. Buyer shall pay Seller for the cost of any survey of the Property required by Buyer's mortgage lender.
G. If Seller is unable to deliver title in accordance with the obligations set forth in this Paragraph 15, Seller shall be in default, and Buyer shall have the remedies set forth in Paragraph 19 of this Agreement of Sale.
H. Formal tender of an executed deed and purchase money is hereby waived.

16. TITLE INSURANCE:
A. Purchase with Lender Financing:
Buyer may order title insurance from any company of Buyer's choice. In conjunction with the purchase of the Property described herein,
☐ Buyer hereby requests Berks Homes to order title insurance through _____.
☐ Buyer hereby does not request Berks Homes to order title insurance. In such case, Buyer shall, within sixty (60) days following execution of this Agreement, order and obtain a title insurance commitment from the title company chosen by Buyer and shall deliver a copy thereof to Seller within this sixty (60) day period. In the event Buyer shall fail to order and obtain a title insurance commitment (or otherwise notify Seller that no title insurance is requested) within the time period set forth herein, Buyer hereby requests Seller, without further notice to Buyer, to order such title commitment and title insurance from _____. Buyer further acknowledges and agrees that any costs or charges from any title company selected by Buyer are the responsibility of Buyer. Should Buyer fail to deliver a title commitment from Buyer's selected title insurer, and Seller orders and arranges for title insurance, any cancellation fees charged are the responsibility of Buyer.

_____ _____ (Initials)

B. Purchase without Lender Financing:
Buyer is advised that mortgage lenders routinely require title insurance and that in any event Buyer may and should obtain an owner's title policy in the minimum amount of the purchase price, irrespective of whether a mortgage is obtained, in order to properly protect Buyer's interests.
☐ Buyer hereby desires title insurance and requests Seller to order title insurance from _____, who shall also conduct settlement.
☐ Buyer hereby does not desire title insurance. Buyer shall notify Seller within sixty (60) days from execution of this Agreement of Sale the name of the title company chosen by Buyer that will conduct closing. Should Buyer fail to notify Seller within this time frame, Buyer authorizes Berks Homes that will conduct closing.

_____ _____ (Initials)

17. HEATING FUEL SERVICE OR TANKS:
☐ The Property is serviced by natural gas. Buyer will arrange to have service for natural gas placed in Buyer's name on the date of settlement.
☐ This Property is serviced by a heat pump.
☐ This Property is serviced by propane gas; Buyer hereby acknowledges and agrees to the following:
A. The house being erected will be serviced by propane for heating and hot water (and gas service for cooking and/or dryer if elected as an Option by Buyer). Buyer understands that Seller has arranged with an outside company, _____, (the Propane Supplier) to provide said propane to Buyer after settlement. In consideration of Buyer agreeing to purchase propane from said Propane Supplier, for a term as outlined in the propane agreement, Buyer is not being charged for the propane tank and the line from the propane tank to the dwelling as set forth in the attached Agreement from the Propane Supplier. Buyer agrees to purchase propane from the Propane Supplier according to the terms and conditions of the certain agreements from the Propane Supplier and to execute the agreements as are required prior to settlement and to be bound by the same.
Buyer understands that if propane service is not purchased according to the terms of the attached agreements, a charge may be made by the Propane Supplier for the propane tank and/or propane line to the dwelling, which charge is the responsibility of the Buyer and not the responsibility of Seller. Buyer has read the following agreements, understands them and agrees to them.
B. Seller shall provide a full tank (that being considered a tank filled to approximately eighty percent of capacity) of propane gas at settlement and Buyer shall be directly billed for the cost of such fuel at or after settlement by the propane supplier.

18. DEFAULT BY THE BUYER: Should Buyer fail to do anything that is required of Buyer under this Agreement of Sale, including but not limited to (i) failing to make any payments required, (ii) violating any of the conditions or covenants of this Agreement of Sale, or (iii) failing for any reason other than a Seller default to complete settlement according to the terms and conditions of this Agreement, the Buyer shall be in default. If Buyer is in default, Seller shall (unless the

Agreement specifically states otherwise) provide ten (10) days written notice to cure for the first such default, and if the default is not cured within the ten (10) day period, Buyer default shall be final and Seller may retain as liquidated damages and not as a penalty: (1) deposit payments made by Buyer, but not more than ten percent (10%) of the purchase price, and (2) the amount of any options or changes paid by Buyer. In addition, Buyer shall be responsible for payment of the full price of any options ordered by Buyer not yet paid for and for any obligations of indemnity and/or legal fees as may be provided under separate paragraphs of this Agreement of Sale. The remedies set forth in this paragraph are Seller's sole remedy for Buyer's default. Seller shall not be responsible for serving more than one notice to cure on Buyer, it being understood that after the first notice to cure is sent pursuant to this Agreement and should Buyer cure, any subsequent default shall not entitle Buyer to any further notice to cure, but instead Seller may simply provide notice of the default and that the default is final. Alternatively, Seller may provide another notice to cure at Seller's discretion. If the notice to cure is for the failure of Buyer to complete settlement on the date set by Seller, and Buyer completes settlement during the time period allowed by the notice to cure, Buyer shall nonetheless be obligated to pay the Seller the sum of $85.00 per day for each day of delay past the original settlement date specified by the Seller to compensate Seller for loss of funds from settlement.

19. OBLIGATIONS OF SELLER/DEFAULT BY THE SELLER:
    A. OBLIGATION TO BUILD DWELLING AND IMPROVEMENTS WITHIN TWO YEARS: Seller unconditionally agrees to complete Buyer's dwelling and related improvements (the home) within two (2) years from the date Buyer signs the Agreement of Sale. The Seller's agreement to complete the home within the said two year period provides the Seller with what is known as the "Improved Lot Exemption" from the Interstate Land Sales Act. Should Seller fail to complete the house and related improvements within this two (2) year time period, this Agreement of Sale shall not be construed to limit Buyer's remedies, and all legal and equitable remedies under the law are available to Buyer, including but not limited to a suit for specific performance and/or damages.
    B. SELLER DEFAULT FOR ANYTHING OTHER THAN THE FAILURE TO BUILD THE HOUSE WITHIN TWO YEARS: If prior to settlement, Buyer claims Seller is in default for failing to meet any obligation(s) under this Agreement of Sale other than Seller's failure to complete the house within two (2) years from the date Buyer signed the Agreement of Sale (which is governed by sub paragraph (a) above), Buyer agrees to provide Seller a written notice setting forth Buyer's claims in writing within five days (5) days of Buyer first becoming aware of the alleged default under the Agreement of Sale. The notice shall state that Buyer considers the Seller in default of the Agreement of Sale and that Buyer is providing Seller ten (10) days written notice to cure the default, which ten days commences upon Seller's receipt of the notice. Seller shall thereafter notify Buyer in writing within ten (10) days of receipt of Buyer's notice of whether Seller contests Buyer's notice of default. If Seller contests the notice of default, the burden falls on Buyer to prove Seller's default and either party may proceed with legal action concerning the dispute subject to Paragraph 34 of this Agreement of Sale. Otherwise, if Seller does not dispute the default, then:
        (1) In the case of the Seller's failure to meet the settlement time frames set forth in Paragraph 4 above (i.e. the estimated settlement date plus ninety (90) days), Seller shall complete the settlement of the Property within the ten day cure period set forth in Buyer's notice. If Seller fails to so complete the settlement within said ten (10) day period, Seller is in default entitling Buyer to the remedies under 19(B)(3) below.
        (2) Where the default is for something other than the failure of the Seller to meet the settlement time frame required by Paragraph 4(B) above, Seller will cure the default prior to settlement (or as soon thereafter is as reasonably possible if the default does not prevent the house from being substantially completed as required in this Agreement) and the terms and conditions of this Agreement of Sale will remain in full force and effect or Seller will notify Buyer within ten days of receipt of Buyer's notice of default that Seller has decided <u>not</u> to cure the default. If Seller notifies Buyer that Seller is not willing to cure the default alleged by Buyer, Seller shall notify Buyer in the same notice as to what, if any, remedial steps Seller is willing to perform. Thereafter, Buyer shall have five days from receipt of Seller's notice to elect to either terminate the Agreement or to nonetheless proceed under the Agreement of Sale with whatever remedial action, if any, Seller has agreed to take, and in such case Buyer waives any claim for the default. In such event Seller must still complete the Buyer's home within two years of the date Buyer signed the Agreement of Sale, and if the Seller fails to do so, the parties shall proceed under Paragraph 19(A).
        (3) If Buyer terminates the Agreement of Sale as allowed under this paragraph 19(B) as provided above or if Seller is found in default in any legal action pursuant to this paragraph 19(B), all deposit monies and option monies paid to Seller shall be returned (without interest) to Buyer. Additionally, in the case of such termination, Seller shall pay Buyer the sum of $2,500.00 as liquidated damages for the default. In such event of termination or default, neither Seller nor Buyer shall have any further liability to each other (excepting only any indemnity obligations and legal fee obligations owed by Buyer to Seller under this Agreement of Sale) and the Agreement of Sale shall be considered terminated. The remedies set forth herein for Buyer are Buyer's sole remedies under paragraph 19(B).

20. WARRANTY: Warranties and Disclaimers of Warranties: Seller hereby provides the following warranties, subject to certain disclaimers and limitations, as set forth or referenced herein:

A. Subject to the limitations hereinafter set forth, Seller expressly warrants (such warranty to survive settlement), in lieu of any other warranties or representations expressed or implied, that it will correct any structural defect(s) in the Dwelling or other improvements conveyed for a period of two (2) years from the date of settlement, provided such defects are called to the attention of Seller no later than five (5) business days from the end of the two (2) year warranty period and provided that the defects are not otherwise excluded below.

As used herein, the term "Structural Defect" shall have the meaning given to it by § 5103 of the Uniform Planned Community Act, codified at 68 Pa.C.S.A. § 5102, et seq., which definition is as follows: "defects in any structure which is a component of (1) any unit or common element or (2) any other portion of a unit or common element constructed, modified, altered or improved by or on behalf of a declarant; any of which reduce the stability or safety of the structure below accepted standards or restrict the normal intended use of the structure and require repair, renovation, restoration or replacement." As used in this definition, the word "Declarant" means Seller.

B. Seller also warrants, subject to the exclusions and limitations set forth below, that

(1) for a period of one year after settlement, the Dwelling and Improvements conveyed will meet the Performance Guidelines of the National Association of Homebuilders in effect at the time the Agreement of Sale is signed and

(2) it will correct any material defect(s) in the improvements erected by Seller for a period of one (1) year from the date of settlement, provided such defects are called to the attention of Seller no later than five (5) business days from the end of the one (1) year warranty period and provided that the defects are not otherwise excluded below. A defect under this one year warranty shall be considered a condition that would be considered in the residential construction industry for the area the home is built to result from improper workmanship or material(s).

C. Exclusions from both Two Year Structural and One Year Building Warranty: The following are excluded from both the Two Year Structural Warranty and the One Year Building Warranty, unless required by law to be covered under the Uniform Planned Community Act, codified at 68 Pa.C.S.A. § 5102, et seq.:

(1) Damage caused by Acts of God or casualty loss;

(2) Damage caused by the owner or other third parties;

(3) Damage to the House or improvements sold under this Agreement of Sale that result from reasons other than Seller's use of defective building materials or products, and/or Seller's improper workmanship;

(4) Damage or resultant damage to any property or possessions of Buyer or any item or thing not delivered by Seller as part of this Agreement of Sale; and

(5) Re-painting of any drywall repaired pursuant to Performance Guidelines 9-6-2 and 9-6-7 of the National Association of Homebuilders, including repainting of any area where drywall cracks or nail pops are repaired.

D. Limitation on Liability for Breach of Warranty: The sole liability of Seller for a violation of any warranty provided by Seller is hereby limited to the replacement or correction of the defect(s), and no other claims or demands shall be made by Buyer or required of Seller

E. Transferability of Warranty: Except for the Two Year Warranty on structural defects, Seller's warranty is not assignable or transferable and is intended to benefit Buyer named in the Agreement of Sale and no one else

F. Disclaimer of Implied Warranties: The law of Pennsylvania normally implies, in the sale of a newly constructed house, that a Seller gives the home purchaser a warranty of habitability, that is, that the property will be functional and habitable in accordance with contemporary community standards and that the house will be a suitable living unit. The law also implies a warranty of reasonable workmanship, that is, that a home has been constructed in a reasonable manner and is free of both observable and unobservable (latent) defects.

Within this Agreement of Sale, there is a grant of a Two (2) Year/One (1) Year Express written warranty, which is provided in lieu of, and in substitution for, all other warranties, whether express or implied. Therefore, Seller disclaims, and Buyer waives any and all implied warranty of habitability (including potential or actual latent defects), reasonable workmanship, and/or fitness for a particular purpose. Latent Defects are defects which would not be apparent to an ordinary purchaser as a result of a reasonable inspection. As such, Buyer understands that any defects not covered by the Express written warranties contained in this Agreement of Sale are Buyer's responsibility, even if such defects exist in the Property or improvements to the Property at the date of settlement and are not observable or known to Buyer.

Buyer represents this disclaimer and waiver of all implied warranties is a voluntary and free act on the part of Buyer and Buyer understand that this Disclaimer means that Buyer is waiving any implied warranty protections that Buyer may have. This disclaimer of implied warranties shall survive settlement.

By initialing the space immediately located below, Buyer acknowledges it has read and understood this section of the Agreement of Sale and hereby acknowledges Seller's disclaimer and waives any and all implied and/or expressed warranties apart from those express warranties set forth in this Agreement of Sale and agrees that except as set forth above, the Property (which includes all improvements erected by Seller) and conveyed are sold "AS IS", without warranty or representation of any kind, expressed or implied, including without limitation, any warranty or merchantability, fitness for a particular purpose or habitability.

_____ _____ (Initials)

21. **CONSUMER PRODUCTS: SELLER'S LIMITED WARRANTY DOES NOT APPLY TO ANY "CONSUMER PRODUCT" AS DEFINED IN THE MAGNUSON MOSS WARRANTY ACT, REGARDLESS OF WHETHER OR NOT ANY CONSUMER PRODUCT IS A PART OF THE PREMISES. NO WARRANTY IS PROVIDED BY SELLER ON ANY CONSUMER PRODUCT. THE SELLER HEREBY ASSIGNS TO BUYER, EFFECTIVE AT SETTLEMENT, ALL WARRANTIES IT HAS RECEIVED FROM THE MANUFACTURER OF CONSUMER PRODUCTS.**

22. SEWAGE FACILITIES AND STATUS OF SEWER:

☐ Seller represents that the Property is serviced by Public Sewer.

☐ Seller represents that the Property is serviced by an Individual On-Lot Sewage Disposal System. Seller represents that there is no currently existing community sewer system available for the subject Property and a permit for an individual sewage system will have to be obtained pursuant to section 7 of the Pennsylvania Sewage Facilities Act, 35 P.S. § 750.7. The BUYER should contact the local agency charged with administering this act before signing this Agreement of Sale to determine the procedure and requirements for obtaining a permit for an individual sewage system if one has not already been obtained. The Seller shall obtain the permit for the On Lot Disposal System for settlement, which system shall be of a type selected by Seller.

23. DEPOSIT MONIES AND OTHER NOTICES:

A. DEPOSIT MONIES. Deposit monies shall be paid to Berks Homes and applied to the purchase price at settlement, without interest to Buyer. In lieu of escrowing deposit monies pursuant to 68 Pa.C.S.A 5408(a), Seller has obtained and maintains an irrevocable letter of credit with the Pennsylvania Attorney General's office pursuant to 68 Pa.C.S.A 5408(b).

B. Monies paid for Options shall not be considered deposit monies and shall not be considered as being held on account of the sale. Rather all monies for options shall be paid directly to Seller and shall be non-refundable except as may be specifically set forth in this Agreement of Sale.

C. RECOVERY FUND. A Real Estate Recovery Fund exists to reimburse any persons who have obtained a final civil judgment against a Pennsylvania real estate licensee owing to fraud, misrepresentation, or deceit in a real estate transaction and who have been unable to collect the judgment after exhausting all legal and equitable remedies. For complete details about the Fund, call (717) 783-3658, or (800) 822-2113 (within Pennsylvania) and (717) 783-4854 (outside Pennsylvania).

24. ZONING: Failure of this Agreement of Sale to contain the zoning classification (except in cases where the property [and each parcel thereof, if subdividable] is zoned solely or primarily to permit single-family dwellings) will render this Agreement of Sale voidable at the option of the BUYER, and, if voided, any deposits paid to SELLER by the BUYER will be returned to the BUYER without any requirement for court action. The zoning classification of the Lot is Residential.

25. MEMBERSHIP IN THE HOMEOWNERS' ASSOCIATION:

A. ☐ Buyer understands that the Property is NOT part of a Homeowners Association and that the provisions of Paragraph 25(B) do not apply.

B. ☐ Buyer understands that there is a Homeowners' Association in the _____ Community, which owns and is responsible for maintaining the common areas in the Community, or other facilities that are owned or managed by the Homeowners Association. The Homeowners' Association will have the authority to assess and collect expenses for the ownership, management, administration and regulation of the common areas, together with the authority to promulgate rules and regulations regarding the use, occupancy, and enjoyment of the property in the Community.

Buyer hereby acknowledges that purchasing the Property will automatically make Buyer a member of said Homeowners' Association. This means Buyer will be responsible to pay a monthly and/or annual assessment to the Homeowners' Association, which may increase at any time. Additionally, Seller, on behalf of the Homeowners' Association, shall collect an **initial non-refundable common expense contribution at Settlement.** This amount is considered working capital and is not an advance of any assessment. Seller may pay the initial assessment on Buyer's behalf, in which case Buyer shall reimburse Seller at settlement. Seller shall provide Buyer with a copy of the actual or proposed Declaration which established the Homeowners' Association, as well as the actual or proposed Bylaws which govern the Homeowners' Association.

Certain planned communities in Pennsylvania, including ones that have recreational facilities that are to be maintained by the Homeowners Association, require that the Seller provide a new construction buyer with a Public Offering Statement. If the Property being purchased herein is part of such a community, the Seller shall supply the Buyer with a Public Offering Statement setting forth details on the Homeowners' Association, including its proposed budget, no later than the time the Agreement of Sale is signed. Buyer shall have seven (7) days to review the Public Offering Statement and related documents and to cancel the Agreement of Sale and receive a full refund of all deposit monies and options monies paid. If Buyer does not cancel the Agreement of Sale within this seven (7) day time period, Buyer will be deemed to have accepted the documents and all terms and conditions set forth therein.

☐ A Public Offering Statement is required for this Community.
Buyer acknowledges receipt of the (i) Public Offering Statement, (ii) the Declaration and Bylaws and (iii) the proposed budget contained or referenced therein at or prior to signing this Agreement of Sale. Buyer shall have seven (7) days to review the Public Offering Statement and related documents and to cancel the Agreement of Sale and receive a full refund of all deposit monies and options monies paid. If Buyer does not cancel the Agreement of Sale within this seven (7) day time period, Buyer will be deemed to have accepted the documents and all terms and conditions set forth therein.

_____ _____ (Initials)

If a Public Offering statement is NOT required, and because the Property is nonetheless part of a planned community with a homeowners association, the Buyer still has the right, before conveyance, to receive and review a copy of the proposed or recorded declaration or covenants and restrictions, the actual or proposed budget and the actual or proposed bylaws. Buyer has seven (7) days from receipt of these documents to review them. If, within this seven (7) day period, buyer signs this Agreement of Sale, this Agreement of Sale can still be canceled within this seven day review period. Once the seven (7) day review period expires, there is no right to cancel this Agreement of Sale.

_____ _____ (Initials)

☐ A Public Offering Statement is NOT required for this Community. Nonetheless, We/I have been provided the following to read and review.

- ☐ **The proposed or recorded declaration or covenants and restrictions;**
- ☐ **The actual or proposed bylaws of the association.**
- ☐ **An actual or proposed budget of the planned community in accordance with the provisions of the Uniform Planned Community Act.**

The following is a general description of the facilities that are maintained or owned by the Association:

- ☐ Storm Water Management Facilities & Related Devices
- ☐ Real Estate containing signage and/or lighting
- ☐ Real Estate containing gates, walls, fences or monuments
- ☐ Real Estate containing landscaping
- ☐ Open Space
- ☐

26. POST SETTLEMENT IMPROVEMENT ACKNOWLEDGMENT AND DISCLAIMER:
Buyer understands that any work or improvements Buyer elects to perform after settlement may require a building permit from applicable governmental authorities and that said permit may not be available depending on certain requirements of the applicable building code and governmental laws, ordinances and regulations. Seller makes no representations or promises whatsoever that any such permit would be available. For instance, if after settlement, Buyer intends to finish Buyer's basement, Buyer would be required to have means of egress from the basement (e.g., a door and/or a certain size window as an emergency escape to the outside) in order to use basement as living space and obtain a permit for said work. Seller may make available an option to Buyer to pay the cost of providing such egress from the basement at pricing set by Seller and with the understanding that if offered, Buyer must elect at signing of the Agreement to purchase such an Option.

BY SIGNING THIS AGREEMENT OF SALE, SELLER HAS PROVIDED BUYER WITH THE ABOVE NOTICE. BUYER ACKNOWLEDGES THAT UNLESS SELLER HAS CONTRACTUALLY AGREED TO PROVIDE AN OPTION FOR BUYER, AND IN SUCH CASE EXCEPTING ONLY THE SPECIFIC OPTION PROVIDED, BUYER WAIVES ANY CLAIMS AGAINST SELLER IN THE EVENT THAT BUYER IS NOT ABLE TO FINISH BUYER'S BASEMENT OR MAKE ANY OTHER IMPROVEMENT TO BUYER'S BASEMENT, HOME OR PROPERTY AFTER SETTLEMENT. BUYER UNDERSTANDS THAT BUYER WILL BE RESPONSIBLE FOR OBTAINING NECESSARY PERMITS TO COMPLETE SUCH WORK.

27. EXHIBITS: The following Exhibits shall be attached and made an integral part of this Agreement of Sale:
Exhibit A - Cost Analysis Sheet
Exhibit B - Specifications
Exhibit C - Floor Plan Model
Exhibit D - Recorded Plan of Lot
Exhibit E - Home Site Evaluations
Exhibit F - Mold Notice, Disclosure and Release
Exhibit G - Radon Notice, Disclosure and Release
Exhibit H – Fire Sprinkler Addendum

28. SPECIAL CLAUSES:
    A. Buyer acknowledges receipt of the following documents prior to signing this Agreement of Sale:
        (1) Consumer Notice
        (2) Estimate of Closing Costs
        (3) Residential Construction Performance Guidelines

    B. ☐ This Agreement of Sale is NOT contingent on the sale and/or settlement of any other property owned by the Buyers.
        ☐ This Agreement of Sale IS contingent on the sale and/or settlement of Buyer's property located at _____.
    C. The final print received by the Buyer may differ from the brochure and/or the plans in our website. The final print shall take precedence over any brochure artwork and/or floor plans.
    D. Buyer acknowledges and agrees that the model Dwelling chosen by Buyer at the time of execution of this Agreement of Sale, and any and all options selected by Buyer, shall be subject to approval by Seller at any time following the execution of this Agreement of Sale by both parties, which approval shall include, but not be limited to, Seller's confirmation that such model, and its proposed location on the Property, shall comply with all zoning and subdivision regulations and shall otherwise comply with all other ordinances, rules and regulations imposed by the jurisdiction in which the Property is located. In the event the model Dwelling and the Property chosen by Buyer shall not, in Seller's sole and absolute discretion, comply with the requirements set forth in this Subparagraph 28(C), Seller shall have the option of (i) substituting the Property which is the subject of this Agreement with of Sale an alternate lot, (ii) modifying the plans and specifications for the model Dwelling, or (iii) terminating this Agreement of Sale. In the event Seller shall elect to terminate the Agreement of Sale, Seller shall return to Buyer all deposit monies described in Subparagraphs 3(E), 3(F), and 9(C) above. Buyer further agrees that any modifications which are required as set forth in this Subparagraph 28(C) shall be memorialized in writing and signed by Buyer and Seller.
    E. Other: _____

29. MISCELLANEOUS:
    A. This Agreement of Sale shall be binding on and inure to the benefit of the parties hereto and their respective successors, heirs, administrators and permitted assigns. Buyer may not assign this Agreement of Sale without the prior written consent of the other. Seller may assign this Agreement of Sale without any consent of Buyer.
    B. If any provision of this Agreement of Sale, except for an obligation to pay money, is held to be invalid or unenforceable by any court, such holding shall not have the effect of rendering any of the other provisions of this Agreement of Sale invalid or unenforceable.
    C. This Agreement of Sale may be executed in counterparts, each of which shall be an original, but all of which shall constitute one document. If a party executes this Agreement of Sale and delivers this Agreement of Sale via facsimile or email, such facsimile or email shall constitute an originally executed counterpart. A photocopy of a signed Agreement of Sale shall constitute an original of that signed Agreement of Sale.
    D. Neither party will attempt to record this Agreement of Sale in the Office of the Recorder of Deeds. Any attempt by Buyer to record this Agreement of Sale may, at Seller's option, be treated as a default by Buyer.
    E. Any notices under this Agreement of Sale shall be sent in writing and by certified mail, personal delivery or recognized overnight carrier, unless the Agreement of Sale specifically provides for a different method of notice.
    F. Buyer shall be solely responsible for any and all fees incurred in conjunction with establishing service in Buyer's name with utility providers.

30. HIGHWAY OCCUPANCY PERMIT: Buyer is advised that access to a public road may require issuance of a highway occupancy permit from the Pennsylvania Department of Transportation. If required for access, Seller shall provide a highway occupancy permit for the subdivision and as required for the individual lot within the subdivision that Buyer is purchasing.

31. PREVAILING PARTIES PROVISION: In the event of any litigation brought prior to or after settlement, over or arising out of the terms of this Agreement of Sale, the sale of the Property to Buyer or any warranty claim or issue, the substantially prevailing party (as determined by the Court) in such litigation shall be entitled to reasonable legal fees and costs. Any such litigation shall be brought in the venue (location) of the county where the property is located and nowhere else. Additionally, if the Property has gone to settlement, before Buyer takes any legal action by filing a legal process of any kind, including a formal lawsuit, Buyer must provide notice of such intended legal action, identify to Seller in writing any alleged complaints, defects or problems that are the basis for said legal process and/or lawsuit and give Seller thirty (30) days from the date of the writing to correct or otherwise address such issues. If the Property has not gone to settlement, the terms of Paragraph 19 apply, including any required notice.

32. RIGHT TO SHOW PROPERTY AND CHANGE PRICE OF OTHER PROPERTIES: Seller shall have the right to show the Property to third parties prior to Closing hereunder. Buyer also understands that Seller may offer similar homes and or options for homes at prices higher or lower than the prices set forth in this Agreement of Sale and any such offerings shall have no effect on the prices in this Agreement of Sale.

33. ENTIRE AGREEMENT OF SALE/NO VERBAL REPRESENTATIONS:

A. This Agreement of Sale and all Exhibits hereto constitute the entire agreement between the parties pertaining to its subject matter and supersedes all prior agreements, discussions, communications, advertisements or understandings. Buyer has executed this Agreement of Sale based upon Buyer's own investigation and without regard to any representation of Seller (or anyone else) not set forth in this Agreement of Sale (including all exhibits such as the specifications). No amendment of this Agreement of Sale shall be effective unless in writing signed by both parties. No failure or delay by any party to enforce any right or obligation under this Agreement of Sale shall constitute a waiver of that party's right to strictly enforce any right or obligation.

B. As set forth above, the Agreement of Sale contains the entire agreement between the parties. The buyer understands that if any verbal or written statement or representation has been made to Buyer by anyone that is not specifically contained within this Agreement of Sale, or if Buyer believes that Seller has any obligation to Buyer other than what is specifically set forth within the Agreement of Sale, Buyer must advise Seller of such issue so Seller can verify that Seller has agreed to perform such obligation and so Seller can make sure such obligation is performed. As such, Buyer agrees to list below anything Buyer is relying on to be done by Seller and which is not contained anywhere else within the Agreement of Sale and all exhibits, including the specifications.

If none, write "None." _____

34. BUYER'S RIGHT TO LEGAL ADVICE: This is a legally binding contract. It is important that the Buyer fully understand the terms and conditions of this Agreement of Sale and the obligations, including financial obligations, it imposes on Buyer. Seller and Seller's agents cannot provide legal advice. Therefore, Buyer has the option to obtain legal representation prior to signing this Agreement of Sale so that Buyer fully understands Buyer's obligations. Further, because Buyer has been specifically provided an opportunity to have this Agreement of Sale reviewed by legal counsel of its choice, in the event there is any ambiguity within this Agreement of Sale, the ambiguity will not be construed against either party.

Witness as to Buyer: _____

Buyer _____ Date _____ Seller _____ Date _____
By Authorized Signatory

Buyer _____ Date _____ Title _____

Exhibit F

BERKS HOMES
MOLD NOTICE AND DISCLOSURE

1. WHAT HOMEOWNERS SHOULD KNOW ABOUT MOLD

Molds can be found almost anywhere. They occur naturally in the environment and they can grow on virtually any organic substance which acts as a food source, but only if moisture and oxygen are present. For example, molds can grow on wood, carpet, bathroom tile, insulation, paper, drywall, OSB Board, plywood, etc. Mold growth will often occur when there is excessive moisture accumulation in buildings or on building materials. Molds reproduce by tiny spores that float throughout the air and begin growing indoors when the spores land on surfaces that are wet. Of all the types of mold, not one of them will grow without water or moisture. It is impossible to eliminate all molds and mold spores from an indoor environment. In fact, a house that is properly built can still have water penetration and resulting mold. Moreover, in areas where relative humidity is high, mold can be present even if there is no other outside water coming in the house. Nonetheless, mold growth can be controlled indoors by controlling moisture.

Moisture can come from many sources. There may be water or humidity problem in the house, a spill that was not cleaned up properly, a pipe that is leaking, a water heater that leaks, gutters that are overflowing and/or improper soil slope around the house causing water to penetrate the foundation, etc. While it is not possible to get rid of all mold spores, it is possible to help prevent them from growing by controlling the moisture in your house. There are many ways to control the moisture in your house. For example, you should fix leaks as soon as possible, clean and dry water and wet spots and address their cause, dehumidify and ventilate your house, re-caulk your house inside and out often, keep heating, air conditioning and ventilation drip pans clean, vent your dryer to the outside, keep the humidity in your house at or below 60%, etc.

Molds can cause health problems. Molds produce allergens, which are substances that can cause allergic reactions, and in some cases, potentially toxic substances called mycotoxins. The most common reactions are sneezing, runny nose, red eyes, and skin rash. Molds can also cause very serious health problems, and even death, especially in children and individuals with suppressed immune systems. Indoor mold contamination and the inhalation of bioaerosols (bacteria, mold spores, pollen and viruses) have been associated with allergic responses including upper respiratory congestion, cough, mucous membrane irritation, fever, chills, muscle ache or other transient inflammation or allergy. Claims have been asserted that exposure to mold contamination and bioaerosols has led to serious infection, immunosupression and illnesses of neuro or systemic toxicity. Sampling of indoor air quality and other methods exist to determine the presence and scope of any indoor contamination. However, experts disagree on the levels of mold exposure that cause health problems. Research on mold and its effects on health are ongoing. For more detailed information consult a health professional. You may also wish to consult your state or local health department.

Because individuals may be affected differently, or not affected at all, by mold contamination, the surest approach to determine the presence of contamination is to engage the services of a qualified professional to undertake an assessment and/or sampling. Assessments and samplings for the presence of mold contamination can be performed by qualified industrial hygienists, engineers, laboratories and home inspection companies that offer these services.

Mold is a concern to all buyers of real estate and to the builders who sell them the property. High levels of mold in a house have been linked to health issues for certain people occupying the house. Buyers need to take certain steps once they own the house to help prevent excessive levels of mold in house. The federal government has not yet determined specific guidelines for what constitutes an excessive level of mold in a house. Because mold exists naturally in the environment, every house will have some mold levels within it. Moreover, even if a builder meets the community standards and code requirements of the area where a house is built, mold will still exist in the house. This is due partly to the fact that mold is in the environment, but it also due to the fact that mold needs moisture to grow and a moisture tight house cannot reasonably be constructed. In addition, in order to make houses more energy efficient, houses are more resistant to air flow from the outside, which would otherwise help diminish mold levels.

In the event you discover mold in your home, you should act quickly since the longer mold has a chance to grow, the more it damages what it grows on. Depending on the size of the moldy area, you may clean it yourself. For larger areas, you may want to contact a professional. For more information on cleanup, see "A Brief Guide to Mold, Moisture, and Your Home", published by the U.S. Environmental Protection Agency. A copy may be obtained from the internet at: http://www.epa.gov/iaq/molds/moldguide.html or for more information, call the EPA Indoor Air Quality Information Clearinghouse at (800) 438-4318.

2. MOISTURE AND MOLD PREVENTION

A. **Berks Homes** has taken the following steps to help limit mold growth in your home:

(1) To prevent air and moisture infiltration,

a. install exterior house wrap on all houses as a standard.
b. flash all windows; tape all vertical seams of wall wrap.
c. install 6-mil poly under basement floor as vapor barrier.

(2) Lower all basement stoops 4" to prevent water seepage under the doorsill.
(3) Install gravity footer drain exit to grade; (install sump pump where applicable). Install foundation sleeve with rubber gasket for water and sewer lines.
(4) Apply Deco 20 clear foundation sealer to exterior of foundation walls.
(5) Install ventilated soffit and ventilated ridge vent to provide constant airflow.
(6) Install ice and water shield in valleys and roof area common to gutters, except porches.
(7) Install fans in all baths exited to outside of dwelling.
(8) Install flashing at decks to limit water infiltration.
(9) For vinyl siding applications, use mounting blocks for exterior lights and receptacles to prevent water penetration.
(10) Install dryer vent exit to outside of dwelling.
(11) Ensure final grading facilitates proper water runoff.
(12) Construct house with kiln-dried lumber from supplier.

B. In the event that the Seller, in providing the services set forth herein during construction, determines that mold is present or that there are signs of moisture or other conditions that would promote excessive mold growth, the Seller shall take such steps during construction as are recognized in the building industry to correct said condition. By way of example and not limitation, if material is found to show signs of mold/mildew or moisture, the material may be cleaned with an anti-fungal solution per builder discretion or removed if the Seller determines that to be required. A report from a industrial hygienist, if Seller elects to retain one in their sole judgment, as to the propriety of the corrective steps taken by Seller shall be considered conclusive and final.

C. **Homeowner's Responsibilities:**

(1) Use dehumidifier in basement; house should not exceed 60% humidity.
(2) Maintain proper grade around house.
(3) Keep all landscaping mulch or soil at least eight inches below the top of foundation.
(4) Make sure gutters are free of obstructions.
(5) Keep exhaust fans clean of dust and debris.
(6) Maintain areas with caulk – windows at brick, penetrations though all exterior areas, etc.
(7) Inspect exterior of house on an annual basis.
(8) Wash exteriors (using light spray; not heavy pressure stream).

3. In consideration of the Seller taking the steps set forth above to help limit mold growth, the Buyer agrees that the Seller shall not be responsible for and Buyer releases the Seller for any property damage, personal injury, emotional distress, damage to the house, adverse health effects, monetary losses or any liability or claims resulting from mold growth, adverse conditions or environmental agents in the dwelling, even if the same result from actual or alleged construction defects. It is understood that such defects can and do occur during construction and are the reason for Buyer being provided a written warranty. Seller shall be responsible to correct any such defects that fall within its warranty, but Seller shall not be responsible for any claims of any type for mold resulting from such alleged or actual

defects or construction techniques. **THIS MEANS THAT BUYER SHALL NOT SEEK TO HOLD SELLER RESPONSIBLE UNDER ANY LEGAL THEORY FOR ANY DAMAGES WHATSOEVER CAUSED BY MOLD OR ANY OTHER ENVIRONMENTAL AGENT, EVEN IF IT RESULTS FROM A DEFECT, LATENT (UNKNOWN) OR OTHERWISE, IN THE CONSTRUCTION PROCESS. THE PROVISIONS OF THIS PARAGRAPH 18 SHALL SURVIVE CLOSING/SETTLEMENT AND DELIVERY AND RECORDING OF THE DEED.**

By signing the space immediately located below, Buyer acknowledges he/she has read and understands this Mold Notice, Disclosure and Release.

Buyer _____ Date _____

Buyer _____ Date _____

Exhibit G

BERKS HOMES
RADON NOTICE, DISCLOSURE, AND RELEASE FOR HOMES WITH BASEMENTS

☐ NOT APPLICABLE – Home built on slab.

_____ _____ _____ _____
Buyer Initials Date Buyer Initials Date

☐ APPLICABLE – Home has basement.

Radon is a radioactive gas produced naturally in the ground by the normal decay of uranium and radium. Uranium and radium are widely distributed in trace amounts in the earth's crust. Descendants of radon gas are called radon daughters or radon progeny. Several radon daughters emit alfa radiation, which has high energy but short range. Studies indicate the result of extended exposure to high levels of radon gas/radon daughters is an increased risk of lung cancer. Radon gas originates in soil and in rocks. It defuses, as does any gas, and flows along the path of least resistance to the surface of the ground, and then to the atmosphere. Being a gas, radon can also move into any air space, such as basements, crawl spaces and permeate through the house. If a house has a radon problem, it can usually be cured by (a) increased ventilation and/or (b) preventing radon entry. The Environmental Protection Agency advises corrective action if the annual average exposure to radon daughters exceed 0.02 working levels (4 picocuries per liter). Further information can be secured from the Environmental Protection Agency.

The SELLER will, as part of the Agreement of Sale, do the following for basement homes with regard to radon and to assist in radon remediation if that is needed:

1. Install a radon-proof lid on sump pump pit in basement.
2. Install a 4-inch perforated pipe ten feet in length running from the sump pit and into the stone beneath the basement slab prior to basement concrete pour.
3. Install a 3-inch PVC pipe through the sealed lid of the sump pit and running to and exiting through the roof for the purpose of facilitating the ventilation of radon gas, which may be present in the basement of the house.
4. Install an electrical outlet in attic within six feet of the PVC pipe.

The Seller recommends that the Buyer have a certified radon testing company perform a radon test in all levels of the house after occupancy to verify whether radon remediation is required or recommended. If unacceptable levels of radon are present after settlement, Buyer will need to hire a certified radon company to take such additional steps as are required to lower the radon to acceptable levels, which may include connecting the PVC pipe to an active ventilation system with a fan. **THE SELLER/BUILDER, HOWEVER, MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE SPECIFIC RADON LEVEL TO BE FOUND IN THE HOUSE OR WHETHER THE VENTILATION SYSTEM WILL REDUCE THE RADON LEVEL IN THE HOUSE TO ANY PARTICULAR LEVEL.**

BUYER hereby releases, quit claims and forever discharges SELLER, their agents, employees, Sellers and subSellers and any officer, partner, employee or any one of them and any person, firm or corporation, who may be liable by or through them, from any and all claims, losses or demands, including personal injuries and all of the consequences thereof, whether now known or not, which may arise from the presence of radon in any room or portion of the house which is the subject of this Agreement of Sale.

_____ _____
Buyer Date

_____ _____
Buyer Date

Exhibit D-1
Watson Run - Homeowners Association
Annual General Budget
(Phase 1 & 2, 117 units)

	Quantity	Unit or frequency	Cost	117 Units
Grounds and Maintenance:				
Lawn Mowing - Homes	26	times	$27.00	82,134.00
Lawn Mowing - Common	26	times	$150.00	3,900.00
Fall Clean Up - All (Includes leaf collection)	1	times	$1,800.00	1,183.15
Spring Clean Up - All	1	times	$1,200.00	788.76
Redress Mulched Beds - Homes	1	times	$70.00	8,190.00
Redress Mulched Beds - Common	1	times	$2,500.00	2,500.00
Fertilization / Weed Control - Homes	3	application	18.00	6,318.00
Fertilization / Weed Control - Common	3	application	3,100.00	2,037.64
Trimming & Pruning - Homes	2	application	850.00	558.71
Trimming & Pruning - Common	2	application	150.00	300.00
Planted Bed Weeding - Homes	26	times	150.00	2,563.48
Planted Bed Weeding - Common	26	times	50.00	1,300.00
Edging of Beds - Homes	6	times	$250.00	985.96
Edging of Beds - Common	6	times	$50.00	300.00
Basin mowing and weed control	4	times	125.00	500.00
Snow Plowing & Salt/Anti skid - Streets & Parking Areas	2580	sq ft	1.25	3,225.00
Snow Removal - Sidewalks, service walks & driveways	2610	sq ft	1.10	2,871.00
Street Sweeping	1		600.00	600.00
Trash	12	month	18.00	25,272.00
Street Lights	23	$9 per light/mo	9.00	2,484.00
Fire Alarm Monitoring		/month/home	10.00	14,040.00
Total Grounds and Maintenance				$ 162,051.70
General & Administrative:				
Liability & Casualty Insurance	1	year-all lots	5,000.00	5,000.00
Legal Fees	1	year	500.00	500.00
Management Fees	12	month	11.50	16,146.00
Total General & Administrative				$ 21,646.00

Club House

Club House Gas & Electric	12	month	1,400.00	16,800.00
Club House Water & Sewer	4	Quarter	350.00	1,400.00
Club House Cable	12	month	53.00	636.00
Club House Telephone	12	month	30.00	360.00
Club House Fire Extinguishers	1	year	110.00	110.00
Club House Sprinkler System	1	year	330.00	330.00
Club House Cleaning Contract	12	month	585.00	7,020.00
Club House Window Cleaning	1	year	350.00	350.00
Club House Carpet Cleaning	2	each	125.00	250.00
Club House General Maintenance & Supplies	12	month	100.00	1,200.00
Club House Grounds Maintenance	12	month	217.00	2,604.00
Club House HVAC Maintenance	12	month	126.00	1,512.00
Pool Cleaning Contract	52	week	50.00	2,600.00
Pool Bacterial Testing / Maint.	52	week	35.00	1,820.00
Pool Chemicals	2	each	90.00	180.00
Total Clubhouse				$ 37,172.00
Total Operating Budget				$ 220,869.70

Total Grounds & Maintenance	$ 162,051.70
Total General & Administrative	$ 21,646.00
Total Club House	$ 37,172.00
Subtotal Annual Budget	$ 220,869.70
Declarant contribution	$ 8,949.94
Total Annual Budget	$ 211,919.76
Total Amount Per Unit (59)	$ 1,811.28
Total Monthly Amount Per Unit (Annual Budget)	$ 150.94
Total Monthly Replacement Reserve Amt. Per Unit	$ 12.50
Total Monthly Amount Per Unit	**$ 163.44** *(DOES NOT INCLUDE WATER)*

Exhibit D-2
Watson Run Community Water System Budget
(117 units)

Description		Annual Cost
Electrical Operating & Maintenance Expenses		
Lighting		813.97
Heating		15,695.47
Ventilation		1,362.52
Well Pump No. 1		2,211.88
High Lift Pump No. 1		8,847.50
Brine Transfer Pump No. 1		176.95
Miscellaneous		3,539.00
Generator Maint. 2x/Year		1,769.50
Total Electrical Operating & Maintenance Expenses	$	34,416.79
Chemical Expenses		
Salt		2,123.40
Sodium Hypochlorite		1,415.60
Total Chemical Expenses	$	3,539.00
Resin and Carbon Replacement		
Granular Activated Carbon		1,415.60
Anion Exchange Resin		1,327.13
Cation Exchange Resin		1,327.13
Total Resin and Carbon Replacement	$	4,069.86
Operations		
Daily Operations (1 hr/day @ $20/hr.)		12,917.35
Maintenance, Testing & Report Contract *(includes monthly bacterial test, quarterly regulatory testing, reporting, CCR, Act 200, etc.)*		8,847.50
Total Operations	$	21,764.85
Sewage Fees	$	7,644.24
Annual Operating & Maintenance Expenses	$	71,434.74
Miscellaneous Costs (5%)	$	3,571.74
Annual Capital Reserve Fund Contribution	$	20,000.00
Subtotal Annual Budget	**$**	**95,006.48**
Declarant Contribution	**$**	**35,176.00**
Total Annual Budget	**$**	**59,830.48**
Annual User Fee (Based on 316 EDU's)	**$**	**300.65**

Watson Run HOA
2013 Proposed Budget

Decription		January	February	March	April	May	June	July	August	September	October	November	December	Total Budget 2013	Total Budget 2012	Net Increase / Decrease
Units Closed (Includes 2 Models)	Per	67	67	67	68	69	70	71	73	74	76	77	78			
Unsold Units Phase 1 & 2	Occur.	50	50	50	49	48	47	46	44	43	41	40	39			
Income:																
Members Fee Income	$163.44	$10,950.48	$10,950.48	$10,950.48	$11,113.92	$11,277.36	$11,440.80	$11,604.24	$11,931.12	$12,094.56	$12,421.44	$12,584.88	$12,748.32	$140,068.08	$116,859.60	$23,208.48
Unsold Unit Income	$1.13	$1,751.50	$1,582.00	$1,751.50	$1,661.10	$1,681.44	$1,593.30	$1,611.38	$1,541.32	$1,457.70	$1,436.23	$1,356.00	$1,366.17	$18,789.64	$23,710.79	($4,921.15)
Initial Capital Reserve Contribution	$500.00	$500.00	$0.00	$0.00	$500.00	$500.00	$500.00	$500.00	$1,000.00	$500.00	$1,000.00	$500.00	$500.00	$6,000.00	$1,500.00	$4,500.00
Total Income		$13,201.98	$12,532.48	$12,701.98	$13,275.02	$13,458.80	$13,534.10	$13,715.62	$14,472.44	$14,052.26	$14,857.67	$14,440.88	$14,614.49	$164,857.72	$142,070.39	$22,787.33
Operating Fund Expenses:																
Weeks per Month		4	4	5	4	5	4	4	5	4	4	5	4	52	100	196
# of Projected Cuts					3	5	4	3	4	4	3			26	52	104
Grounds & Maintenance:																
Lawn Mowing - Homes	$18.00	$0.00	$0.00	$0.00	$3,672.00	$6,210.00	$5,040.00	$3,834.00	$5,256.00	$5,328.00	$4,104.00	$0.00	$0.00	$33,444.00	$26,875.15	$6,568.85
Lawn Mowing - Common	$400.00	$0.00	$0.00	$0.00	$1,200.00	$2,000.00	$1,600.00	$1,200.00	$1,600.00	$1,600.00	$1,200.00	$0.00	$0.00	$10,400.00	$10,400.00	$0.00
Landscape - Other		$0.00	$0.00	$0.00	$0.00	$0.00	$400.00	$120.00	$800.00	$0.00	$0.00	$0.00	$0.00	$1,320.00	$300.00	$1,020.00
Fall Clean up - All	$20.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$1,640.00	$0.00	$1,640.00	$1,320.00	$320.00
Spring Clean up - All	$30.00	$0.00	$0.00	$0.00	$2,040.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$2,040.00	$1,770.00	$270.00
Redress Mulch Beds - Homes	$65.00	$0.00	$0.00	$0.00	$4,420.00	$0.00	$0.00	$0.00		$0.00	$0.00	$0.00	$0.00	$4,420.00	$2,360.00	$2,060.00
Redress Mulch Beds - Common	$700.00	$0.00	$0.00	$0.00	$700.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$700.00	$400.00	$300.00
Fertilization & Weed - Home	$40.00	$0.00	$0.00	$0.00	$2,720.00	$2,760.00	$0.00	$0.00	$2,920.00	$0.00	$3,040.00	$0.00	$0.00	$11,440.00	$9,520.00	$1,920.00
Fertilization & Weed - Common		$0.00	$0.00	$0.00	$300.00	$0.00	$0.00	$0.00	$600.00	$0.00	$300.00	$0.00	$0.00	$1,200.00	$1,200.00	$0.00
Trimming & Pruning - Homes (2)	#######	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$2,200.00	$0.00	$0.00	$0.00	$0.00	$2,200.00	$850.00	$1,350.00
Trimming & Pruning - Common (2)	$150.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$350.00	$0.00	$0.00	$0.00	$0.00	$350.00	$100.00	$250.00
Edging of Beds		$0.00	$0.00	$0.00	$150.00	$150.00	$150.00	$150.00	$150.00	$150.00	$0.00	$0.00	$0.00	$900.00	$0.00	$900.00
Snow Plowing-Streets & Parking		$1,500.00	$2,050.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$500.00	$4,050.00	$4,050.00	$0.00
Snow Removal-Sidewalks & Drive		$2,000.00	$2,500.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$750.00	$5,250.00	$5,250.00	$0.00
General Maintenance		$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$100.00	$1,200.00	$770.00	$430.00
Trash Removal *	$22.50	$1,507.50	$1,507.50	$1,507.50	$1,530.00	$1,552.50	$1,575.00	$1,597.50	$1,642.50	$1,665.00	$1,710.00	$1,732.50	$1,755.00	$19,282.50	$15,372.50	$3,910.00
Electric Street Lights	$475.00	$475.00	$475.00	$475.00	$475.00	$475.00	$475.00	$475.00	$475.00	$475.00	$475.00	$475.00	$475.00	$5,700.00	$5,700.00	$0.00
Security Alarm Monitoring	$120.00	$8,040.00	$0.00	$0.00	$90.00	$0.00	$0.00	$60.00	$0.00	$0.00	$0.00	$20.00	$0.00	$8,210.00	$7,130.00	$1,080.00
Total Grounds & Maintenance		$13,622.50	$6,632.50	$2,082.50	$17,397.00	$13,247.50	$9,340.00	$7,536.50	$16,093.50	$9,318.00	$10,929.00	$3,967.50	$3,580.00	$113,746.50	$93,367.65	$20,378.85
Clubhouse																
Clubhouse Gas and Electic		$850.00	$850.00	$850.00	$850.00	$850.00	$850.00	$850.00	$850.00	$850.00	$850.00	$850.00	$850.00	$10,200.00	$11,580.00	($1,380.00)
Clubhouse Security Alarm		$120.00	$0.00	$0.00	$120.00	$0.00	$0.00	$120.00	$0.00	$0.00	$120.00	$0.00	$0.00	$480.00	$480.00	$0.00
Clubhouse Water and Sewer		$200.00	$0.00	$0.00	$250.00	$0.00	$0.00	$550.00	$0.00	$0.00	$250.00	$0.00	$0.00	$1,250.00	$4,650.00	($3,400.00)
Clubhouse Cable		$73.00	$73.00	$73.00	$73.00	$73.00	$73.00	$73.00	$73.00	$73.00	$73.00	$73.00	$73.00	$876.00	$780.00	$96.00
Clubhouse Telephone		$87.00	$87.00	$87.00	$87.00	$87.00	$87.00	$87.00	$87.00	$87.00	$87.00	$87.00	$87.00	$1,044.00	$1,008.00	$36.00
Clubhouse Sprinkler System		$0.00	$0.00	$0.00	$0.00	$268.00	$0.00	$0.00	$0.00	$0.00	$0.00	$268.00	$0.00	$536.00	$200.00	$336.00
Clubhouse Cleaning Contract	$150.00	$150.00	$150.00	$150.00	$150.00	$150.00	$150.00	$150.00	$150.00	$150.00	$150.00	$150.00	$150.00	$1,800.00	$1,560.00	$240.00
Clubhouse Maint. and Supplies	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$75.00	$900.00	$900.00	$0.00
Clubhouse Carpet Cleaning		$0.00	$0.00	$0.00	$600.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$600.00	$0.00	$600.00
Clubhouse HVAC Maintenance		$0.00	$0.00	$0.00	$0.00	$600.00	$0.00	$0.00	$0.00	$600.00	$0.00	$0.00	$0.00	$1,200.00	$1,905.64	($705.64)
Pool Cleaning Contract & Chemicals		$0.00	$0.00	$0.00	$320.00	$770.00	$1,607.00	$1,100.00	$1,172.00	$1,050.00	$950.00	$0.00	$0.00	$6,969.00	$6,969.00	$0.00
Total Clubhouse		$1,555.00	$1,235.00	$1,235.00	$2,525.00	$2,873.00	$2,842.00	$3,005.00	$2,407.00	$2,885.00	$2,555.00	$1,503.00	$1,235.00	$25,855.00	$30,032.64	($4,177.64)

Watson Run HOA
2013 Proposed Budget

Decription		January	February	March	April	May	June	July	August	September	October	November	December	Total	Total	Net
General & Administrative																
Liability & Casualty Insurance		$505.00	$505.00	$505.00	$505.00	$505.00	$505.00	$505.00	$505.00	$505.00	$505.00	$505.00	$505.00	$6,060.00	$6,060.00	$0.00
Management Fee	$11.50	$770.50	$770.50	$770.50	$782.00	$793.50	$805.00	$816.50	$839.50	$851.00	$874.00	$885.50	$897.00	$9,855.50	$8,222.50	$1,633.00
Office Expense		$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$50.00	$600.00	$600.00	$0.00
Printing & Postage		$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$169.72	$169.72	$142.60	$27.12
Total General & Administrative Expenses		$1,325.50	$1,325.50	$1,325.50	$1,337.00	$1,348.50	$1,360.00	$1,371.50	$1,394.50	$1,406.00	$1,429.00	$1,440.50	$1,621.72	$16,685.22	$15,025.10	$1,660.12
Total Operating Fund Expenses		$16,503.00	$9,193.00	$4,643.00	$21,259.00	$17,469.00	$13,542.00	$11,913.00	$19,895.00	$13,609.00	$14,913.00	$6,911.00	$6,436.72	$156,286.72	$138,425.39	$17,861.33
Net Income / (Loss) Before Reserves		($3,301.02)	$3,339.48	$8,058.98	($7,983.98)	($4,010.20)	($7.90)	$1,802.62	($5,422.56)	$443.26	($55.33)	$7,529.88	$8,177.77	$8,571.00	$3,645.00	$4,926.00
Reserve Contribution																
Replacement Reserve	$3.00	$201.00	$201.00	$201.00	$204.00	$207.00	$210.00	$213.00	$219.00	$222.00	$228.00	$231.00	$234.00	$2,571.00	$2,145.00	$426.00
Initial Capital Reserve Contribution	$500.00	$500.00	$0.00	$0.00	$500.00	$500.00	$500.00	$500.00	$1,000.00	$500.00	$1,000.00	$500.00	$500.00	$6,000.00	$1,500.00	$4,500.00
Total Reserve Contribution		$701.00	$201.00	$201.00	$704.00	$707.00	$710.00	$713.00	$1,219.00	$722.00	$1,228.00	$731.00	$734.00	$8,571.00	$3,645.00	$4,926.00
Net Income/Loss After Repl. Res.		($4,002.02)	$3,138.48	$7,857.98	($8,187.98)	($4,217.20)	($217.90)	$1,589.62	($5,641.56)	$221.26	($283.33)	$7,298.88	$7,943.77	$0.00	$0.00	$0.00

Exhibit D-4
Watson Run Community Water System Budget
(178 units)

Description	Annual Cost
Electrical Operating & Maintenance Expenses	
Lighting	813.97
Heating	15,695.47
Ventilation	1,362.52
Well Pump No. 1	2,211.88
High Lift Pump No. 1	8,847.50
Brine Transfer Pump No. 1	176.95
Miscellaneous	3,539.00
Generator Maint. 2x/Year	1,769.50
Total Electrical Operating & Maintenance Expenses	$ 34,416.79
Chemical Expenses	
Salt	2,123.40
Sodium Hypochlorite	1,415.60
Total Chemical Expenses	$ 3,539.00
Resin and Carbon Replacement	
Granular Activated Carbon	1,415.60
Anion Exchange Resin	1,327.13
Cation Exchange Resin	1,327.13
Total Resin and Carbon Replacement	$ 4,069.86
Operations	
Daily Operations (1 hr/day @ $20/hr.)	12,917.35
Maintenance, Testing & Report Contract *(includes monthly bacterial test, quarterly regulatory testing, reporting, CCR, Act 200, etc.)*	8,847.50
Total Operations	$ 21,764.85
Sewage Fees	$ 7,644.24
Annual Operating & Maintenance Expenses	$ 71,434.74
Miscellaneous Costs (5%)	$ 3,571.74
Annual Capital Reserve Fund Contribution	$ 20,000.00
Total Annual Budget	**$ 95,006.48**
Annual User Fee (Based on 316 EDU's)	**$ 300.65**

Watson Run HOA
2014 Operating Budget

Decription	2013 Budget Total	12 Month 2013 Projected	2014 Budget Total
Income:			
Members Fee Income	$140,068.08	$131,942.51	$163,603.44
Unsold Unit Income	$18,789.64	$19,021.00	$13,806.34
Interest Income	$0.00	$141.55	$150.00
Late Fee Income	$0.00	$9.43	$0.00
Other Income	$0.00	$63.56	$0.00
Total Income	$158,857.72	$151,114.48	$177,559.78
Operating Fund Expenses:			
Grounds & Maintenance:			
Lawn Mowing - Homes	$33,444.00	$33,444.00	$38,376.00
Lawn Mowing - Common	$10,400.00	$10,400.00	$10,400.00
Landscape - Other	$1,320.00	$1,320.00	$3,000.00
Fall Clean up - All	$1,640.00	$1,640.00	$1,800.00
Spring Clean up - All	$2,040.00	$2,040.00	$2,460.00
Redress Mulch Beds - Homes	$4,420.00	$4,640.00	$5,200.00
Redress Mulch Beds - Common	$700.00	$1,535.00	$700.00
Fertilization & Weed - Home	$11,440.00	$6,658.00	$10,800.00
Fertilization & Weed - Common	$1,200.00	$1,757.00	$1,600.00
Trimming & Pruning - Homes (2)	$2,200.00	$0.00	$3,500.00
Trimming & Pruning - Common (2)	$350.00	$350.00	$500.00
Edging of Beds	$900.00	$900.00	$1,450.00
Snow Plowing-Streets & Parking	$4,050.00	$1,100.00	$5,500.00
Snow Removal-Sidewalks & Drive	$5,250.00	$2,300.00	$6,750.00
General Maintenance	$1,200.00	$350.00	$1,200.00
Trash Removal	$19,282.50	$18,042.72	$23,261.63
Electric Street Lights	$5,700.00	$5,886.29	$6,000.00
Security Alarm Monitoring	$8,210.00	$6,252.00	$8,210.00
Total Grounds & Maintenance	$113,746.50	$98,615.01	$130,707.63
Clubhouse			
Clubhouse Gas	$3,600.00	$3,312.24	$3,600.00
Clubhouse Electric	$6,600.00	$5,925.75	$6,600.00
Clubhouse Security Alarm	$480.00	$0.00	$480.00
Clubhouse Water and Sewer	$1,250.00	$640.00	$1,250.00
Clubhouse Cable	$876.00	$885.63	$876.00
Clubhouse Telephone	$1,044.00	$1,033.65	$1,044.00
Clubhouse Sprinkler System	$536.00	$500.00	$536.00
Clubhouse Cleaning Contract	$1,800.00	$1,146.67	$1,800.00
Clubhouse Maint. and Supplies	$900.00	$713.45	$900.00
Clubhouse Carpet Cleaning	$600.00	$477.00	$600.00
Clubhouse HVAC Maintenance	$1,200.00	$2,021.00	$1,200.00
Pool Cleaning Contract & Chemicals	$6,969.00	$6,584.92	$6,969.00
Total Clubhouse	$25,855.00	$23,240.30	$25,855.00

Watson Run HOA
2014 Operating Budget

Decription	2013 Budget Total	12 Month 2013 Projected	2014 Budget Total
General & Administrative			
Liability & Casualty Insurance	$6,060.00	$6,060.00	$6,032.00
Management Fee	$9,855.50	$9,855.50	$11,730.00
Office Expense	$600.00	$250.00	$150.00
Printing & Postage	$169.72	$501.72	$514.16
Total General & Administrative Expenses	$16,685.22	$16,667.22	$18,426.16
Total Operating Fund Expenses	$156,286.72	$138,522.54	$174,988.78
Net Income / (Loss) Before Reserves	$2,571.00	$12,591.95	$2,571.00
Reserve Contribution			
Replacement Reserve	$2,571.00	$2,571.00	$2,571.00
Total Reserve Contribution	$2,571.00	$2,571.00	$2,571.00
Net Income/Loss After Repl. Res.	($0.00)	$10,020.95	$0.00

EXHIBIT E

WATSON RUN, A PLANNED COMMUNITY
55 OR OLDER HOUSING POLICY

PURPOSE

The Federal "Fair Housing Act" (42 U.S.C. §§3601-3619) prohibits discrimination in making housing available to various protected classes of people. However, the Act further provides that certain "housing for older persons" is exempt from this prohibition. The Federal "Housing for Older Persons Act of 1995" revised the definition of the exemption contained in the Fair Housing Act to describe housing "intended to be occupied by persons 55 years of age or older" subject to various other requirements. The requirements were set out in regulations adopted by the Department of Housing and Urban Development in 1999 (24 CFR §§100.304-308).

Watson Run, a Planned Community was built and is intended to be operated as housing for persons 55 years of age or older. In order to comply with the federal laws and regulations and to maintain the protections offered by the law for housing for older persons, the Community has adopted this Policy to regulate and govern the affairs of the Community.

DEFINITIONS

For purposes of this Policy:

"Association" means the unit owner's association of Watson Run, a Planned Community.

"Community" means all dwelling units located in Watson Run, a Planned Community.

"Older Person" means a person 55 years of age or older.

OCCUPANCY RESTRICTIONS

In order for the Community to qualify as housing for older persons, at least 80 percent of its "occupied units" must be occupied by at least one person 55 years of age or older.

An "occupied unit" means:

(1) A dwelling unit that is actually occupied by one or more persons on the date that the exemption is claimed; or

(2) A temporarily vacant unit, if the primary occupant has resided in the unit during the past year and intends to return on a period basis.

For purposes of this Policy, the term "occupied by at least one person 55 years of age or older" means that on the date the exemption for housing designed for persons who are 55 years of age or older is claimed:

(1) At least one occupant of the dwelling unit is 55 years of age or older; or

(2) If the dwelling unit is temporarily vacant, at least one of the occupants immediately prior to the date on which the unit was temporarily vacated was 55 years of age or older.

Applicability during initial construction: During the time that the Community is being constructed, it need not comply with the occupancy restrictions until at least 25 percent of the units are occupied.

Other Rules Governing Occupancy: The occupancy restrictions are deemed to be satisfied even though:

(1) There are unoccupied units, provided that at least 80 percent of the occupied units are occupied by at least one person 55 years of age or older.

(2) There are units occupied by employees of the Community (and family members residing in the same unit) who are under 55 years of age, provided the employees perform substantial duties related to the management or maintenance of the Community.

(3) There are units occupied by persons who are necessary to provide a reasonable accommodation to disabled residents as required by 24 CFR § 100.204 and who are under the age of 55.

Where application of the 80 percent rule results in a fraction of a unit, that unit shall be considered to be included in the units that must be occupied by at least one person 55 years of age or older.

Units Not Complying: The Community, acting through the Association, may determine the age restriction, if any, for units that are not occupied by at least one person 55 years of age or older, so long as the Community complies with the provisions of this Policy and applicable laws and regulations.

INTENT TO OPERATE AS AGE RESTRICTED HOUSING

The Community, acting through the Association, adopts this Policy to indicate its intent to operate primarily has housing for persons 55 years of age or older. To further implement this Policy, the Association, its directors, officers, and any associated brokers and agents, shall indicate in each of the following situations that the Community is intended and operated as housing primarily for persons 55 years of age or older:

(1) All published descriptions of the Community and in the manner in which the Community is described to prospective residents;

(2) Any advertising designed to attract prospective residents;

(3) Lease provisions for Units;

(4) Written rules, regulations, covenants, deed or other restrictions;

(5) Public postings in common areas of statements describing the facility or community as housing primarily for persons 55 years of age or older.

Apply on Consistent Basis: The Association shall seek to maintain and apply the provisions of this Policy consistently, so that the actual practices of the Community are substantially in compliance with the terms of this Policy and applicable law.

"Adult Community" Not Sufficient: Phrases such as "adult living", "adult community", or similar statements in any written advertisement or prospectus are not consistent with the intent that the Community intends to operate as housing primarily for persons 55 years of age or older.

Children: The Community prohibits occupancy in the Community by families with children under age 18. Children under age 18 are permitted to visit with residents in the Community, and will be permitted on overnight stays with family members not exceeding ninety days in any one year.

Other Occupants: The Community may permit certain units to be occupied by people who do not have an occupant who is 55 or older, as long as the Community meets the 80% occupancy and other requirements of this Policy and applicable law.

VERIFICATION OF OCCUPANCY

Verification of Compliance: In order for the Community to qualify as housing for persons 55 years of age or older, it must be able to produce from time to time, verification of compliance with this Policy and applicable law through reliable surveys and affidavits. The Community wishes its verification procedures to be as least intrusive as possible. This result may be achieved if the Association has the full cooperation of all Unit owners and occupants.

Procedures for Determining Occupancy: The Community has developed the following procedures for routinely determining the occupancy of each unit, including the identification of whether at least one occupant of each unit is 55 years of age or older. These procedures shall be used in normal leasing or purchasing of Units as well.

(1) **Prior to Sale or Lease:** The age restrictions for this Community are contained in the Declaration of Covenants, Conditions and Restrictions for the Community, which has been filed of record with the recorder of deeds. Each purchaser of a Unit will therefore have notice of the existence of such restrictions prior to closing on the sale of the Unit. However, each Unit

owner who intends to sell or lease his or her Unit shall deliver a copy of this Policy to any prospective purchaser or tenant, prior to the signing by such purchaser of an agreement of sale or lease. Each agreement of sale and each lease shall contain a statement in boldface type as follows:

> **"AGE RESTRICTED HOUSING: THE HOUSING UNIT THAT IS THE SUBJECT OF THIS AGREEMENT IS LOCATED IN AN AGE RESTRICTED COMMUNITY INTENDED FOR RESIDENTS AGE 55 OR OLDER. AT LEAST ONE OCCUPANT OF THE UNIT MUST BE 55 YEARS OF AGE OR OLDER. THE BUYER [OR TENANT], BY SIGNING THIS AGREEMENT: (1) ACKNOWLEDGES RECEIVING A COPY OF THE COMMUNITY'S "55 OR OLDER HOUSING POLICY"; (2) UNDERSTANDS THAT AS A CONDITION TO OCCUPYING THE UNIT, HE OR SHE MUST FIRST PROVE TO THE COMMUNITY ASSOCIATION THAT AT LEAST ONE OCCUPANT OF THE UNIT WILL BE 55 YEARS OF AGE OR OLDER; AND (3) CERTIFIES THAT THEY WILL ABIDE BY THE COMMUNITY'S "55 YEARS OR OLDER POLICY", INCLUDING PROVISIONS FOR VERIFICATION."**

The Association shall make copies of the Policy available to Owners for this purpose.

(2) **Verification prior to move in:** Except with the prior approval of the Association, in cases where neither the 80% occupancy threshold nor any margin for security with respect to that threshold as established from time to time by the Association would be threatened, the Association shall not be required to deliver a resale certificate to any prospective purchaser until such purchaser has proved to the satisfaction of the Association that upon the purchaser's purchase of the Unit, at least one occupant of the Unit shall be age 55 or greater. Except with the prior approval of the Association, in cases where neither the 80% occupancy threshold nor any margin for security with respect to that threshold as established from time to time by the Association would be threatened, no tenant shall be entitled to take occupancy of the Unit until they have proven to the satisfaction of the Association that upon the tenant's occupancy of the Unit, at least one occupant of the Unit shall be age 55 or greater.

(3) **New Occupants:** From time to time as new occupants move in to a Unit, or past occupants no longer reside in the Unit, the Association may deliver a written notice to the Unit and/or the Unit Owner requesting that a current adult occupant certify in writing that at least one occupant of the Unit is age 55 or older. The Unit Owner shall respond in writing, and shall identify the occupant who is age 55 or older, or should state that there is no current occupant who is age 55 or older. The Association may require verification by any of the means provided herein.

Competent Proof: Any of the following documents are considered reliable documentation of the age of the occupants of the Community, and adequate for verification of age, provided that it contains specific information about current age or date of birth:

(1) Driver's license;

(2) Birth certificate;
(3) Passport;
(4) Immigration card;
(5) Military identification;
(6) Any other state, local, national, or international official documents containing a birth date of comparable reliability; or
(7) A certification in a lease, application, affidavit, or other document signed by any member of the household age 18 or older asserting that at least one person in the unit is 55 years of age or older.

Refusal to Comply: If the occupants of a particular Unit refuse to comply with the age verification procedures, the Community may, if it has sufficient evidence, consider the unit to be occupied by at least one person 55 years of age or older. Such evidence may include:

(1) Governmental records or documents, such as a local household census;
(2) Prior forms or applications; or
(3) A statement from an individual who has personal knowledge of the age of the occupants. The individual's statement must set forth the basis for such knowledge and be signed under the penalty of perjury.

Regular Updates: The initial information supplied by the occupants of the Community to the Association must be regularly updated through surveys or other means. Such updates must take place at least once every two years. A survey shall include information regarding whether any units are occupied by persons aged 55 years or older, resident employees of the Community who are less than age 55, or disabled residents under age 55 for whom it was necessary to provide reasonable accommodation as required by law.

Inspection of Summary: The Association shall make a summary of occupancy surveys available for inspection upon reasonable notice and request by any person.

GOOD FAITH DEFENSE AGAINST CIVIL MONEY DAMAGES

No Liability: Federal law provides that a natural person shall not be held personally liable for monetary damages for discriminating on the basis of familial status, if the person acted with the good faith belief that the community qualified for a "housing for older persons" exemption under the law.

Indemnity and Defense: The Association will indemnify, defend and hold harmless the officers and directors of the Association from and against any claims or lawsuits that seeking monetary damages against such officer or director for discriminating on the basis of familial status in connection with their duties as officers or directors of the Association. The indemnity procedures shall be as provided in the Bylaws of the Community for matters in which an indemnity may be provided by the Association.

Exhibit F

WATSON RUN, A PLANNED COMMUNITY

HOME OWNERS ASSOCIATION
RULES AND REGULATIONS
Revised 2/21/2013

1. Decks: (Subject to Executive Board approval)
    a. No pressure treated decks will be approved
    b. Material to be prefinished synthetic only
    c. Railings must be vinyl material and no more than 36 inches high. The vinyl must be of a color that conforms to, or complements, the original color pallet of the home.

2. Patios: (Subject to Executive Board approval)
    a. Must be concrete, stone or brick material only
    b. Railings must be vinyl material and no more than 36 inches high. The vinyl must be of a color that conforms to, or complements, the original color pallet of the home.

3. Fences: (Subject to Executive Board approval)
    a. For privacy at patios only
    b. One fence per unit, maximum sixteen foot length
    c. Six foot high from ground level
    d. Fence location in the rear of the homes only, projecting from home toward the rear of the lot.
    e. Manor privacy fence w/ lattice accent may be purchased at Solanco Vinyl Fence (717-786-0880)
    f. Color must be white

4. Garden Ornamentation
    a. No ornamentation is allowed in the grassed areas of the property, around the designated street tree, or around the mailboxes.
    b. No more than a total of 8 exterior lawn ornaments are allowed in board approved gardens on the unit property. This includes the front garden, rear garden if applicable, and street side of a corner unit. A maximum of four (4) garden ornaments are permitted in the front garden(s) of the property. No ornaments are allowed in gardens planted between units.
    c. One birdbath or fountain per property is allowed in a board approved garden in the front or the rear of the property. One bird feeder is allowed in a board approved garden in the rear of the property, but should not be visible from the street when viewing from the front of the dwelling. Birdbaths and bird feeders are included in the total of 8 allowed lawn ornaments.
    d. Garden flags measuring 12" by 18" are limited to one per unit and are part of the total of 8 allowed items. No large garden flags are allowed unless installed on the home as described in Rule 7.
    e. Garden ornamentation includes: exterior statues or sculptures, garden ornaments, birdbaths, fountains, bird feeders, planters/flower pots and hanging baskets, benches, garden flags, shepherd's crooks, wind chimes, decorative rain gauges, trellises, and fencing. Any statues or sculptures taller than 36" in height are subject to Executive Board approval.
    f. A limit of two flower planters framing the garage doors are allowed in the driveway. No other items may be displayed or stored in the driveway. This includes benches, chairs, tables, and other garden ornamentation items.
    g. The number and placement of solar path lighting is subject to Executive Board approval.

5. Firewood storage:
    a. Firewood may only be stored in the rear of the home. Firewood shall not be stored in the front or side yards or along the rear lot lines of the homeowner's lot.
    b. Firewood shall be maintained in a neat stack not more than four feet from ground level.
    c. Not more than one cord of firewood shall be stored at any time. A clear tarp may be placed over the firewood to prevent the wood from getting damp.
    d. Firewood should not be stored directly against the exterior of the home or garage due to the possibility of termite or fire damage.
    e. Firewood delivery vehicles may not drive over the curb. Any repair due to damage of the curbing will be the financial responsibility of the homeowner.

6. Signs:
    a. Homeowners may install one security sign per lot not to exceed 8" x 12". The sign may be mounted on the mailbox post or installed in the ground in a planting bed in front of the home.
    b. One "For Sale" sign may be placed in the front garden of the property.
    c. No signage is allowed on the property except as provided in 6.a. and 6.b. above.

7. Decorative flags: (Subject to Executive Board approval)
    a. One decorative flag of non-offensive and non-obscene subject matter may be installed on the front or back of each home.

8. Mail Boxes
    a. Mail box covers are not permitted
    b. No garden ornamentation of any kind is allowed near the mailboxes.

9. Flag poles: (Subject to Executive Board approval)
    a. One flag pole per residence will be permitted
    b. No more than two flags per pole may be displayed. One flag may be the United States flag, the additional flag may be our Pennsylvania State or of military affiliation. (No religious, ethnic, decorative, team sport or trademark type flags will be permitted)
    c. All flag poles must be white and no more than 20 feet above ground level
    d. Flag pole lighting shall not be a nuisance to neighboring residences
    e. Flag pole location to be 19 feet from front of curb

10. Awnings: (Subject to Executive Board approval)
    a. No awnings are permitted on the front or side of any home
    b. Awnings are permitted on the rear of the home
    c. No permanent fixed pipe or post type awnings are permitted
    d. Individual window awnings are not permitted on any window
    e. Homeowners are responsible to replace any torn awning as soon as possible
    f. Homeowners may select an awning manufacturer as long as the awning specifications are met
    g. Awning specifications:
        1) All awnings are to be either hand-crank or power type retractable awnings
        2) Awnings may be either striped or solid color
        3) Awnings must match the color scheme of the home

11. Maintenance of individual homes:
    a. It is the responsibility of the individual homeowners to maintain their homes and lots according to the standard set by the association to ensure that the appearance and value of all properties are maintained.
    b. Homeowners are responsible for maintenance and repair of their home and lot for items including but not limited to the following: roofing, siding, gutters and downspouts, chimneys, windows, doors, decks, patios, service walks, sidewalks, driveway and driveway approach, home and lot lighting and privacy fencing.
    c. Homeowners are permitted to paint or replace the exterior siding, trim, doors and shutters without prior written approval of the Executive Board providing the color is the SAME style and color as the original style and color of the home. If another color is desired by the homeowner, a request must be submitted to the Executive Board prior to the start of any work. Only colors that are similar in color and style of the original exterior siding, trim, shutters and doors in the neighborhood will be considered for approval.

12. Storm Doors (subject to the approval of the Architectural Review Committee): Homeowners may install a storm door on the front and/or back as long as the door is a "full-view" door.
    a. Metal strips in the middle of the door are not permitted
    b. Doors with scalloped edges or jalousie windows are not permitted
    c. Storm doors must be the same color as the front door or the door trim

13. Other prohibited items:
    a. Window air conditioning units or window exhaust fans that extend through the home's windows or exterior walls
    b. Non-operating vehicles, any vehicle not currently registered and licensed or any vehicle having an invalid and expired state motor vehicle inspection sticker or commercial vehicles, except if entirely enclosed in a garage
    c. No unlicensed motor vehicles, trailers of any type or kind, or habitable motor vehicles of any nature shall be kept or stored on any part of the lots except within an enclosed garage or in the case of temporary loading or unloading. (Temporary shall mean no longer than a 48-hour period.)
    d. No commercial vans or commercial trucks exceeding 6800 pounds (GVW) of any nature shall be parked overnight except in an enclosed garage. Nothing herein contained shall be construed to prevent the placement or parking of construction equipment and accessories reasonably required for construction purposes.
    e. Swimming pools
    f. Exterior radio towers or television antennas
    g. Dog houses, dog runs, kennels or animal pens
    h. Overhead utility lines
    i. Permanent utility sheds, shacks, trailers or other structures
    j. Party tents are permitted for no more than five days at any one time
    k. Children's recreational equipment
    l. No portable or permanent basketball courts, skateboard, in-line skate or bicycle ramps, backboards nor any other game or sporting device shall be stored, erected, constructed or maintained on any portion of the lot.
    m. Above-ground or underground storage tanks

14. Window shades visible from the street must be consistent and neutral in color across the front of the home.

15. Vegetable garden location and size subject to Executive Board approval.

16. Animals:
    a. No animals, insects, birds or fowl shall be kept or maintained on any lot, except dogs, cats and pet birds. Pets are for the pleasure and use of the occupants but not for any commercial use or purpose and should not exceed three of any kind including any offspring of such animals while under six months of age. All such animals shall be kept and maintained in compliance with all applicable ordinances of Leacock Township, Lancaster County and Pennsylvania.
    b. Birds shall be confined in cages.
    c. Pets must be leashed at all times when outside of the homeowner's yard.
    d. Pets can not run freely outside of homeowner's yard.
    e. Pets must be supervised and cared for in a manner that does not annoy or inconvenience the other residents.
    f. Homeowners must clean up animal waste immediately.

17. Landscaping: (Subject to Executive Board approval)
    a. All new plantings in new locations, or other additions or changes to the landscape must be approved by the Executive Board in advance and plant material must be listed. A landscaping plan must be completed and submitted to the Executive Board for all landscape projects. Projects of particular importance to the Executive Board include, but are not limited to, the following:
        1) Patios
        2) All major landscaping projects
        3) Planting or removal of trees
        4) Any changes in grade affecting drainage
        5) Landscaping changes that potentially affect other homeowners
        6) Re-grading, filling or paving which may kill existing trees
        7) Driveway modifications
    b. Maintenance of new landscaping shall be the responsibility of each homeowner. Maintenance includes edging, mulching, weeding and pruning.

    The following information should be either stated or be evident on the plan:
        1) A plot plan at 1"=10' scale showing the location and appropriate set-backs of proposed or existing landscape beds and plant materials on the lot
        2) Types of trees, shrubs and plants
        3) Type, style and height of landscaping materials to be used such as rock walls, bricks, stone cover, etc.
        4) Location of proposed alteration or addition

18. Site lighting: (Subject to Executive Board approval)
    a. Directional exterior spot lighting in the rear or front lawn areas of the home may not be directed onto the neighboring homes and properties.
    b. Low-voltage or accent lighting may not be directed onto the neighboring homes and properties.
    c. Avoid leaving bright spot lights on all night. If security is an issue, consider using a spot light with a motion detector or timer combination to turn on/off lights. Should the use and installation of the lights disturb a neighbor, the Executive Board may request the removal or change in placement of the lights. Any complaint concerning the installation of lights must be received in writing by the Association.

    The following information should be submitted for review by the Executive Board:
        1) Plot plan at 1"=10' scale showing position and number of light fixtures on the home or lot.
        2) Specifications of the light fixtures such as style, type, wattage and cut-off characteristics

19. Wash lines:
    a. Only a nonpermanent laundry tree or retractable wash line may be used
    b. No permanent wash poles may be erected
    c. Wash lines will only be permitted in the rear of the home and may not be visible from the street front of the home
    d. Clothes on clothes lines may not remain outside overnight

20. Satellite Dishes: Antennas. Each Unit Owner may install and maintain on his or her Unit satellite dishes or other facilities for the receipt of radio or television broadcasts, subject to compliance with the following requirements:
    a. The satellite dish or other facilities must be of the smallest size reasonably commercially obtainable that will provide radio or television reception
    b. The satellite dish or other facilities may not be located in front of the plane created by the front of the Dwelling
    c. If possible, the satellite dish or other facilities shall not be visible from the street in front of the Dwelling
    d. Without limiting the preceding requirements, the location of such installations must be as unobtrusive as possible, provided reception is of adequate quality in such location
    e. Unit Owners may not install such facilities on or over the Common Elements or any other Unit not within the exclusive use or control of the Unit Owner
    f. The Executive Board, in its sole discretion, may require a Unit Owner at the sole expense of the Unit Owner, to paint or screen any such installation, provided that the painting or screening does not invalidate any manufacturer's warranty relating to such installation
    g. The Unit owner must submit a plan showing the proposed location and size of the satellite dish or other facilities to the Executive Board at least thirty (30) days prior to the installation thereof for a determination by the Executive Board whether such installation would comply with the requirements of Subsection7.1.9 of the Declaration of Covenants (subject, however, to the Executive Board's discretion pursuant to Subsection 4.1.2 and Section 7.3 of the Declaration of Covenants)
    h. In the event that these provisions contradict any ruling of the Federal Communications Commission or any other agency having jurisdiction (the "FCC") in effect, then the current ruling of the FCC shall prevail.

21. Exterior Unit Appearance:
    a. Trash receptacles
        1) All trash containers must be kept inside the unit or garage, except for trash collection.
        2) Trash may be placed at the curb no earlier than 4:30 PM on the day prior to trash collection. Containers must be brought back inside the unit by the evening of the day of trash collection.
        3) If for some reason, trash is not collected, the container must be brought back inside the unit within 24 hours of the scheduled pick-up.
    b. Building and yard materials.
        1) All construction items must be stored within the unit unless an approved outdoor building project is actively under construction. (This includes bricks, pavers, lumber, bagged mulch, garden products, etc.)
        2) Empty flower pots and gardening supplies are to be stored inside the unit.

22. Seasonal Decorations:
    a. Holiday/winter decorations can be placed outside the residence beginning on Thanksgiving and may be left up until two weeks after New Year's Day.

b. Decorations for all other holidays can be displayed outside the residence two weeks before the holiday and left up until one week afterward.

23. Contractor Starting Times
Contractors should be informed not to commence noisy tasks until after 7:00AM.

Exhibit G

Watson Run Homeowners Association Responsibility Chart

Component	Association responsibility	Owner Responsibility
Driveway & approach	Snow clearing	Cleaning, ice melting, repair, resealing, resurfacing, replacement
Landscaped trees, shrubs & bushes on private residence lots as originally installed by builder	Mulching, weed control, edging, trimming & pruning	Watering & replacement
Private residence - lawn	Mowing & weed control	Watering & repair
Clubhouse access ways, entrance road and parking area for recreation facilities	Maintenance & replacement	None
Pleasant Road, Wildflower Court, Sweet Birch Lane, Greystone Lane, Old Ivy Lane, Creekside Court, Boxwood Lane, Plum Tree Place, Wickerberry Place (excluding Springhouse Lane from Newport Road to and including Holly Drive/Pleasant Road intersection and Heritage Drive	Snow plowing, application of anti skid material, leaf collection & street sweeping	None
Curbing along public streets	None	None
Street Lighting	Operations, maintenance and replaceme	None
Planted islands, common recreation space and equipment	Maintenance, replacement, repair and watering	None
Private residence - sidewalks	Snow clearing	Cleaning, ice melting, repair, resealing, resurfacing, replacement

Common area sidewalks	Cleaning, ice melting, repair, resealing, resurfacing, replacement	None
Community center with fitness room and outdoor pool	Operation, utilities, repair, maintenance and replacement	None
Detention basins	Operation, repair, maintenance and replacement	None
Private residence - roofing, flashing, siding, gutters & downspouts	None	Repair, replacement, cleaning, maintenance
Private residence - all other exterior components including bu not limited to stucco, other veneers, soffits, facia, trim, shutters, chimneys, windows & doors	None	Repair, replacement, cleaning, maintenance
Front porch,service walk from driveway to porch	Snow clearing, (on porch - path to door only)	Repair, replacement, cleaning, ice melting, maintenance
Patio or deck	None	Cleaning, maintenance, snow clearing, ice melting & replacement
Sewer & water laterals to home	None	Repair, operation & maintenance
Sanitary sewer and other utility lines, except water line, outside the lot area	None	None
Water lines outside the lot	Repair, maintenance & replacement	None
Garden of Hope	None	None
Walking trails	Repair, maintenance & replacement	None
Mail box & post	None	Repair, maintenance & replacement
Refuse removal	Trash removal of household refuse provided refuse is contained within HOA provided trash tote	Trash removal of any bulk items that can not be contained in HOA provided trash tote

WATSON RUN COMMUNITY ASSOCIATION

DESIGNATION OF DIRECTORS AND OFFICERS

Pursuant to the provisions of the Bylaws of Watson Run Community Association, the undersigned, being Declarant of Watson Run, a Planned Community, hereby takes the following corporate actions:

RESOLVED, the following individuals are hereby designated as the directors of the corporation to serve until successors are duly designated of elected:

Deborah Paine
Gary McEwen
John D'Angelo
Joe Rothwein
J. LaVern Horning

RESOLVED, that the following individuals are hereby appointed as the officers of the corporation to serve until successors are duly appointed or elected:

President – Deborah Paine
Vice President – Gary McEwen
Secretary – Joe Rothwein
Treasurer – John D'Angelo
Assistant Secretary/Assistant Treasurer – J. LaVern Horning

IN WITNESS WHEREOF, this Designation is executed the 1st day of March, 2010.

RED SCHOOL, LLC, a Pennsylvania limited liability company

By: _____
J. LaVern Horning, Member

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Vice President – Gary McEwen
Secretary – Ben Horning
Treasurer – John D'Angelo
Assistant Secretary/Assistant Treasurer – J. LaVern Horning

IN WITNESS WHEREOF, this Designation is executed the 24th day of June, 2009.

RED SCHOOL, LLC, a Pennsylvania limited liability company

By: _____
J. LaVern Horning, Member

FILED with the undersigned Secretary of Watson Run Community Association this 24th day of June 2009.

By: _____
Ben Horning

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